Aspen Academy
Charter School No. 4184
Savage, Minnesota

Financial Statements

June 30, 2017

bergan KDV
CPAS | ADVISORS

Aspen Academy
Charter School No. 4184
Table of Contents

Aspen Academy
Charter School No. 4184
Board of Education and Administration
June 30, 2017

Board of Education	Position
Misty Schutrop	Chair
Wade Phillips	Vice Chair
Noah Levie	Treasurer
Stephanie Smitley	Secretary
Kristina Houglum	Member
Victoria Regehr	Member
Diane Sterna	Member
Angela Tuma	Member
Kent Peterman	Member
Administration	
Mike McNulty	Program Director

Affiliated Building Company
Board of Directors
June 30, 2017

Board of Directors	Position
Rachel Mong	President
Jeff Reistad	Treasurer
Rebecca Karner	Secretary

Independent Auditor's Report

To the Members of the Board
Aspen Academy
Savage, Minnesota

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities and each major fund of Aspen Academy, Savage, Minnesota, as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the Academy's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Aspen Academy, Savage, Minnesota, as of June 30, 2017, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund, Food Service Fund, and Community Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information identified in the Table of Contents is the responsibility of management and was derived from and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Bergan KDV Ltd.

Minneapolis, Minnesota
November 13, 2017

Aspen Academy
Charter Academy No. 4184
Management's Discussion And Analysis

This section of the Academy's annual financial report presents a discussion and analysis of the Academy's financial performance during the fiscal year ended on June 30, 2017. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2016-2017 fiscal year include the following:

- Total net position at June 30, 2017 was ($2,177,024).
- Overall General Fund revenues were $4,995,169 as compared to $5,109,813 of expenditures and other financing uses.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the Management's Discussion and Analysis (MD&A), this section), the basic financial statements and supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy:

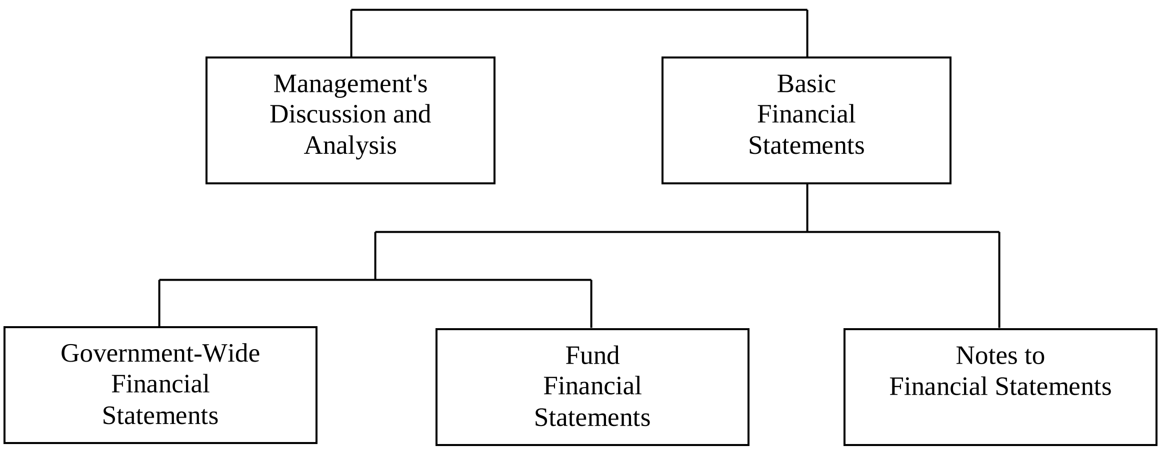
- The first two statements are government-wide financial statements that provide both short-term and long-term information about the Academy's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Academy, reporting the Academy's operations in more detail than the government-wide statements.

The governmental fund statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the financial statements. The diagram on the following page shows how the various parts of this annual report are arranged and relate to one another.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Required Components of Annual Financial Report
Figure A-1



Summary Detail
The major features of the Academy's financial statements include the portion of the Academy's activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

Fund Financial Statements		
	Government-Wide Statements	**Governmental Funds**
Scope	Entire Academy	The activities of the Academy
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.
Type of assets/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, the assets that are expected to be used up and the liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Basic Financial Statements

The first two statements of the basic financial statements are the government-wide financial statements. They provide both short and long-term information about the Academy's financial status.

The next statements are the fund financial statements. These statements focus on the activities of the individual parts of the Academy's government. These statements provide more detail than the government-wide statements.

The next section of the basic financial statements is the notes to financial statements. The notes to financial statements explain in detail some of the data contained in those statements. After the notes, supplementary information is provided to show details about the Academy's individual funds.

Government-Wide Statements

The government-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Academy's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Academy's net position and how they have changed. Net position, or the difference between the Academy's assets and liabilities, is one way to measure the Academy's financial health or position.

- Over time, increases or decreases in the Academy's net position is an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of the Academy, you need to consider additional nonfinancial factors such as changes in the Academy's credit worthiness and the condition of Academy's buildings and other facilities.

In the government-wide financial statements, the Academy's activities are shown in one category:

- Governmental Activities – All of the Academy's basic services are included here, such as Academy support services, regular, and special education, instructional support services, pupil support services, and building and equipment expenses. State and federal aids finance most of these activities.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements

The fund financial statements provide more detailed information about the Academy's funds, focusing on its most significant or "major" funds, not the Academy as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. In other words, funds are accounting devices the Academy uses to keep track of specific resources of funding and spending on particular programs. The Academy has one kind of fund:

- Governmental Funds – Most of the Academy's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional reconciliations to explain the relationship (or differences) between them.

Net Position

The Academy's total net position was ($2,177,024) and $136,881 at June 30, 2017 and 2016, respectively. (See Table A-1).

Table A-1

	Governmental Activities		
	2017	2016	Change
Assets			
Current and other assets	$ 7,508,733	$ 2,118,520	$ 5,390,213
Capital and noncurrent assets	14,144,200	155,714	13,988,486
Total assets	21,652,933	2,274,234	19,378,699
Deferred Outflows of Resources	6,103,107	851,285	5,251,822
Liabilities			
Current liabilities	1,500,483	284,700	1,215,783
Noncurrent liabilities	19,204,788	-	19,204,788
Net pension liability	9,192,279	2,502,633	6,689,646
Total liabilities	29,897,550	2,787,333	27,110,217
Deferred Inflows of Resources	35,514	201,305	(165,791)
Net position			
Invested in capital assets	(188,957)	155,714	(344,671)
Restricted	117,057	86,987	30,070
Unrestricted	(2,105,124)	(105,820)	(1,999,304)
Total net position	$ (2,177,024)	$ 136,881	$ (2,313,905)

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Change in Net Position

Net position decreased by $2,313,905 from the prior year. This decrease is primarily due to the School's increased share of the state's total unfunded pension liability and the operating deficit.

Expenses remained stable and close to projections throughout the year. A summary of the revenue and expenses is presented in Table A-2.

Table A-2

	Governmental Activities		
	2017	2016	Change
Revenues			
Program revenues			
Charges for services	$ 846,080	$ 196,401	$ 649,679
Operating grants and contributions	1,414,611	1,202,838	211,773
General revenues			
Unrestricted federal and state aid	3,573,620	3,448,447	125,173
Other	96,480	129,180	(32,700)
Total revenues	5,930,791	4,976,866	953,925
Expenditures			
Administration	$554,739	367,759	186,980
District support services	448,467	426,321	22,146
Elementary and secondary regular instruction	3,039,822	2,192,569	847,253
Special education instruction	867,816	555,516	312,300
Instructional support services	188,411	140,054	48,357
Pupil support services	309,907	268,226	41,681
Sites and buildings	1,409,134	1,100,460	308,674
Fiscal and other fixed cost programs	13,372	14,858	(1,486)
Food service	127,471	121,600	5,871
Community education and services	23,110	29,297	(6,187)
Interest and fiscal charges	1,262,447	-	1,262,447
Total expenditures	$8,244,696	5,216,660	3,028,036
Change in net position	(2,313,905)	(239,794)	(2,074,111)
Net Position			
Beginning of year	136,881	376,675	(239,794)
End of year	$ (2,177,024)	$ 136,881	$ (2,313,905)

The total cost of all programs and services including interest and fiscal charges was $8,244,696, total expenses exceeded revenues by $2,313,905.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The Academy's total revenues were $5,930,791 for the year ended June 30, 2017. The cost of all governmental activities for the fiscal year was $8,244,696.

Figure A-3

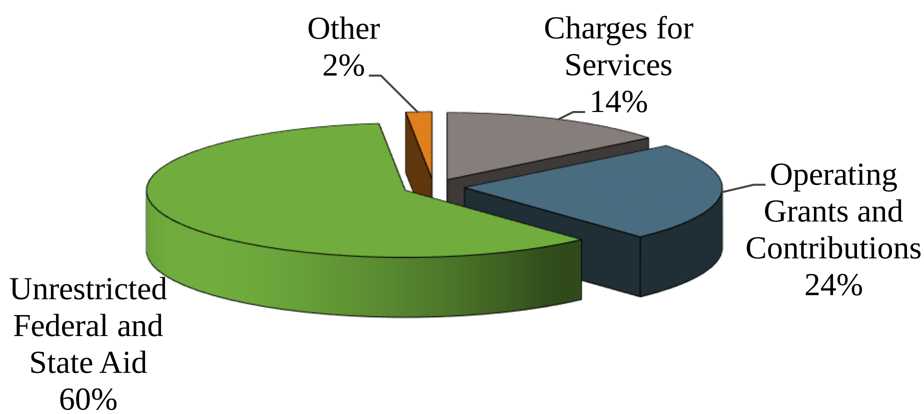
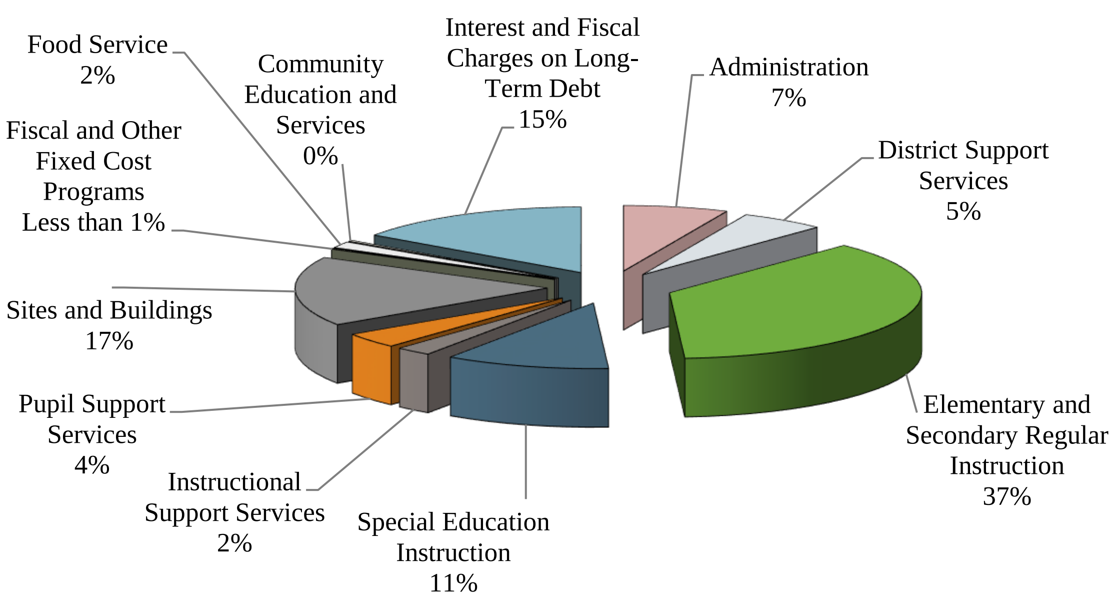


Figure A-4



FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

The financial performance of the Academy as a whole is reflected in its governmental funds as well. As the Academy completed the year, its governmental funds reported a combined fund balance of $6,253,968. Although the Academy did incur a small operating deficit in fiscal 2017, both management and governance groups are dedicated to ensuring operating surpluses are achieved going forward. Several changes to the structure of the Academy's financial management have occurred since the close of fiscal 2017 to help enable the school to make better informed decisions going forward.

General Fund

The General Fund includes the primary operations of the Academy in providing educational services to students including pupil transportation.

In fiscal year 2017, the Academy generated state revenue, representing 95.4% of total revenue, local revenues generating 3.1% and federal grants made up the remaining 1.5%. Table A-3 presents a summary of General Fund revenues.

Table A-3
General Fund Revenues

	Fiscal Year Ended June 30,		
	2017	2016	Change
Local Sources			
Other local revenues	$ 153,525	$ 187,194	$ (33,669)
State sources	4,765,102	4,553,186	211,916
Federal sources	76,542	57,349	19,193
Total general fund revenue	$ 4,995,169	$ 4,797,729	$ 197,440

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS (CONTINUED)

Of the total expenditures, about 40% were regular instruction. Another 21% of total expenditures were sites and buildings related to continue developing the school facility. Table A-4 presents a summary of General Fund expenditures.

Table A-4
General Fund Expenditures

	Fiscal Year Ended June 30, 2017	2016	Change	
Administration	$ 367,851	$ 368,563	$ (712)	7.20%
District support services	436,269	408,654	27,615	8.54%
Elementary and secondary regular instruction	2,064,307	2,100,070	(35,763)	40.40%
Special education instruction	714,587	549,175	165,412	13.98%
Instructional support services	140,768	131,479	9,289	2.75%
Pupil support services	289,112	268,226	20,886	5.66%
Sites and buildings	1,083,547	1,097,268	(13,721)	21.21%
Fiscal and other fixed cost programs	13,372	14,858	(1,486)	0.26%
Transfers out	-	-	-	0.00%
Total expenditures	$ 5,109,813	$ 4,938,293	$ 171,520	

During fiscal 2017, General Fund expenditures exceeded revenues by $114,644, decreasing the total adjusted fund balance to $1,632,189. The primary reason for this slight decrease in fund balance is due to a short-term enrollment decrease. Fiscal 2018 is projected to rebound enrollment levels that will enable the school to return to fund balance growth.

General Fund Budgetary Highlights

Following approval of the budget, the Academy can revise the annual operating budget mid-year. These budget amendments fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over from the prior fiscal year.
- Legislation passed subsequent to budget adoption, changes necessitated by employment agreements and increases in appropriations for significant unbudgeted costs.

Actual Revenues were over budget by $4,936 and Actual Expenditures were over budget by $89,406.

CAPITAL ASSETS

By the end of 2017, the Academy had invested a net $14,144,200 in capital assets, including computers, equipment, and furnishings. Additionally, Friends of Aspen Academy, the school's affiliated building company purchased the current land and building during 2017. Construction of an addition begun during fiscal 2017 with completion during fiscal 2018. (See Table A-5). More detailed information about capital assets can be found in Note 4 in the financial statements.

Table A-5
Capital Assets

	2017	2016
Land	$ 381,586	$ -
Construction in progress	4,576,960	-
Buildings	9,350,000	-
Equipment	408,694	374,460
Less accumulated depreciation	(573,040)	(218,746)
Total	$ 14,144,200	$ 155,714

FACTORS BEARING ON THE ACADEMY'S FUTURE

The Academy is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

The Academy will strive to meet its commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility. The Academy will work to maintain a level of enrollment to be successful in the future.

The Academy has analyzed this data and continues its recruitment efforts to increase enrollment in order to maintain expenditure levels and remain operable in view of increased competition.

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our constituents, state oversight agencies, lenders, customers, legislative leaders, and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Aspen Academy, 14825 Zinran Avenue, Savage, Minnesota 55378.

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BASIC FINANCIAL STATEMENTS

Aspen Academy
Charter School No. 4184
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash	$ 1,380,317
Cash with fiscal agent	5,528,902
Due from Department of Education	542,558
Due from Federal Government	
through Department of Education	566
Prepaid items	56,390
Capital assets (net of accumulated depreciation)	
Land	381,586
Construction In Progress	4,576,960
Buildings	9,038,333
Equipment	147,321
Total assets	21,652,933
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	6,103,107
Total assets and deferred outflows of resources	$ 27,756,040
Liabilities	
Accounts payable	$ 1,004,678
Salaries and benefits payable	250,087
Interest payable	245,718
Bond principal payable	
Payable after one year	19,204,788
Net pension liability	9,192,279
Total liabilities	29,897,550
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	35,514
Net Position	
Net investment in capital assets	(188,957)
Restricted for	
Medical assistance	5,433
Food service	1,575
Community service	110,049
Unrestricted	(2,105,124)
Total net position	(2,177,024)
Total liabilities, deferred inflows of resources, and net position	$ 27,756,040

See notes to financial statements.

Aspen Academy
Charter School No. 4184
Statement of Activities
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 554,739	$ -	$ -	$ -	$ (554,739)
District support services	448,467	-	-	-	(448,467)
Elementary and secondary regular instruction	3,039,822	27,797	26,467	-	(2,985,558)
Special education instruction	867,816	-	696,580	-	(171,236)
Instructional support services	188,411	-	-	-	(188,411)
Pupil support services	309,907	27,242	-	-	(282,665)
Sites and buildings	1,409,134	-	654,753	-	(754,381)
Fiscal and other fixed cost programs	13,372	2,006	-	-	(11,366)
Food service	127,471	88,582	36,811	-	(2,078)
Community education and services	23,110	45,200	-	-	22,090
Interest and fiscal charges on long-term debt	1,262,447	655,253	-	-	(607,194)
Total governmental activities	$ 8,244,696	$ 846,080	$ 1,414,611	$ -	(5,984,005)
General revenues					
State aid-formula grants					3,573,620
Other general revenues					96,264
Investment income					216
Total general revenues					3,670,100
Change in net position					(2,313,905)
Net position - beginning, restated					136,881
Net position - ending					$ (2,177,024)

See notes to financial statements.

Aspen Academy
Charter School No. 4184
Balance Sheet - Governmental Funds
June 30, 2017

	General	Food Service	Community Service	Affiliated Building Company	Total Governmental Funds
Assets					
Cash	$ 1,269,259	$ 1,009	$ 110,049	$ -	$ 1,380,317
Cash with fiscal agent	-	-	-	5,528,902	5,528,902
Due from Department of Education	542,558	-	-	-	542,558
Due from Federal Government through Department of Education	-	566	-	-	566
Due from other funds	24,611	-	-	-	24,611
Prepaid items	56,390	-	-	-	56,390
Total assets	$ 1,892,818	$ 1,575	$ 110,049	$ 5,528,902	$ 7,533,344
Liabilities					
Accounts and contracts payable	$ 10,542	$ -	$ -	$ 994,136	$ 1,004,678
Salaries and benefits payable	250,087	-	-	-	250,087
Due to other funds	-	-	-	24,611	24,611
Total liabilities	260,629	-	-	1,018,747	1,279,376
Fund Balances					
Nonspendable	56,390	-	-	-	56,390
Restricted for					
Medical assistance	5,433	-	-	-	5,433
Food service	-	1,575	-	-	1,575
Community service	-	-	110,049	-	110,049
Affiliated building company	-	-	-	4,510,155	4,510,155
Unassigned	1,570,366	-	-	-	1,570,366
Total fund balances	1,632,189	1,575	110,049	4,510,155	6,253,968
Total liabilities and fund balances	$ 1,892,818	$ 1,575	$ 110,049	$ 5,528,902	$ 7,533,344

See notes to financial statements.

Aspen Academy
Charter School No. 4184
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2017

Total fund balances - governmental funds	$ 6,253,968
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	14,717,240
Less accumulated depreciation	(573,040)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bond principal payable	(19,275,000)
Unamortized bond discount	70,212
Net pension liability	(9,192,279)
Governmental funds do not report a liability for accrued interest on bonds until due and payable.	(245,718)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	6,103,107
Deferred inflows of resources related to pensions	(35,514)
Total net position - governmental activities	$ (2,177,024)

Aspen Academy
Charter School No. 4184
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2017

	General	Food Service	Community Service	Affiliated Building Company	Total Governmental Funds
Revenues					
Other local revenue	$ 153,525	$ -	$ 45,200	655,253	$ 853,978
Revenue from state sources	4,765,102	4,482	-	-	4,769,584
Revenue from federal sources	76,542	32,329	-	-	108,871
Sales and other conversion of assets	-	88,582	-	-	88,582
Total revenues	4,995,169	125,393	45,200	655,253	5,821,015
Expenditures					
Current					
Administration	367,851	-	-	-	367,851
District support services	430,353	-	-	-	430,353
Elementary and secondary regular					
Instruction	2,038,598	-	-	-	2,038,598
Special education instruction	714,587	-	-	-	714,587
Instructional support services	140,768	-	-	-	140,768
Pupil support services	289,112	-	-	-	289,112
Sites and buildings	1,070,656	-	-	24,611	1,095,267
Fiscal and other fixed cost programs	13,372	.	-	-	13,372
Food service	-	125,332	-	-	125,332
Community education and services	-	-	20,624	-	20,624
Capital outlay					
District support services	5,916	-	-	-	5,916
Regular instruction	25,709	-	-	-	25,709
Sites and buildings	12,891	-	-	14,308,546	14,321,437
Debt service					
Interest and fiscal charges	-	-	-	1,015,044	1,015,044
Total expenditures	5,109,813	125,332	20,624	15,348,201	20,603,970
Excess of revenues over (under) expenditures	(114,644)	61	24,576	(14,692,948)	(14,782,955)
Other financing sources (uses)					
Bond issuance	-	-	-	19,275,000	19,275,000
Bond discount	-	-	-	(71,897)	(71,897)
Total other financing sources (uses)	-	-	-	19,203,103	19,203,103
Net change in fund balances	(114,644)	61	24,576	4,510,155	4,420,148
Fund Balances					
Beginning of year	1,746,833	1,514	85,473	-	1,833,820
End of year	$ 1,632,189	$ 1,575	$ 110,049	$ 4,510,155	$ 6,253,968

See notes to financial statements.

Aspen Academy
Charter School No. 4184
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
Year Ended June 30, 2017

Net change in fund balances - total governmental funds	$ 4,420,148
Amounts reported for governmental activities in the Statement of Activities	
Capital outlay is reported in governmental funds as an expenditure. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful life as depreciation expense.	
Capital outlay	14,342,780
Depreciation expense	(354,294)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(245,718)
The issuance of long-term debt provides current financial resources to governmental funds and has no affect on the net position. These amounts are reported in the governmental funds as an other financing source. These amounts are not shown as revenues in the Statement of Activities but rather constitute long-term liabilities in the Statement of Net Position.	
Bond issuance	(19,275,000)
Bond discount	71,897
Governmental funds report the effect of bond discounts when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	(1,685)
Governmental Funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	(1,272,033)
Change in net position - governmental activities	$ (2,313,905)

Aspen Academy
Charter School No. 4184
Statement of Revenues, Expenditures, and
Change in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Other local revenue	$ 156,724	$146,718	$ 153,525	$ 6,807
Revenue from state sources	4,768,420	4,731,385	4,765,102	33,717
Revenue from federal sources	85,000	112,130	76,542	(35,588)
Total revenues	5,010,144	4,990,233	4,995,169	4,936
Expenditures				
Current				
Administration	351,812	361,851	367,851	6,000
District support services	445,215	435,125	430,353	(4,772)
Elementary and secondary regular Instruction	1,916,370	1,961,441	2,038,598	77,157
Special education instruction	588,352	702,366	714,587	12,221
Instructional support services	126,311	126,311	140,768	14,457
Pupil support services	263,768	271,566	289,112	17,546
Sites and buildings	1,083,116	1,075,369	1,070,656	(4,713)
Fiscal and other fixed cost programs	18,673	18,673	13,372	(5,301)
Capital outlay				
District support services	6,000	6,000	5,916	(84)
Regular instruction	46,000	46,000	25,709	(20,291)
Sites and buildings	15,705	15,705	12,891	(2,814)
Total expenditures	4,861,322	5,020,407	5,109,813	89,406
Excess of revenues over (under) expenditures	$ 148,822	$ (30,174)	(114,644)	$ (84,470)
Fund Balance				
Beginning of year			1,746,833	
End of year			$ 1,632,189	

See notes to financial statements.

Aspen Academy
Charter School No. 4184
Statement of Revenues, Expenditures, and
Change in Fund Balance -
Budget and Actual - Food Service Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Revenue from state sources	$ 4,200	$ 4,200	$ 4,482	$ 282
Revenue from federal sources	48,991	30,000	32,329	2,329
Sales and other conversion of assets	79,255	90,000	88,582	(1,418)
Total revenues	132,446	124,200	125,393	1,193
Expenditures				
Current				
Food service	132,446	116,705	125,332	8,627
Excess of revenues over (under) expenditures	$ -	$ 7,495	61	$ (7,434)
Fund Balance				
Beginning of year			1,514	
End of year			$ 1,575	

Aspen Academy
Charter School No. 4184
Statement of Revenues, Expenditures, and
Change in Fund Balance -
Budget and Actual - Community Service Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (under)
Revenues				
Other local revenue	$ 61,732	$ 61,732	$ 45,200	$ (16,532)
Expenditures				
Current				
Community education and services	18,706	18,706	20,624	1,918
Excess of revenues over (under) expenditures	$ 43,026	$ 43,026	24,576	$ (18,450)
Fund Balance				
Beginning of year			85,473	
End of year			$ 110,049	

See notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Aspen Academy is a charter school focusing on providing students with a well-rounded, Core Knowledge-based education which meets the intellectual, creative, and social needs of each child. The Academy was established in September 2008 in accordance with *Minnesota Statutes* 317A. The Academy is sponsored by Friends of Education and is operating under a charter agreement with the Organization.

The accounting policies of the Academy conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The financial statements present the Academy and its component units. The Academy includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the appointed officials of the Academy are financially accountable and are included within the financial statements of the Academy because of the significance of their operational or financial relationships with the Academy.

The Academy is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Academy.

As a result of applying the component unit definition criteria above, it has been determined a certain organization has been defined and is presented in this report as follows:

Blended Component Units – Reported as if they were part of the Academy.

1. Blended Component Unit

The Friends of Aspen Affiliated Building Company meets the criteria to be included as a blended component unit in the basic financial statements as services are provided exclusively to the primary government. The component unit's total debt outstanding is expected to be repaid entirely with resources of the Academy. Repayment generally occurs through a rent payment by the Academy to the building company that, in turn, pledges those payments as the primary source of repayment for its debt. Separate financial statements are not prepared for the Friends of Aspen Academy Affiliated Building Company.

The Friends of Aspen Affiliated Building Company was organized to operate exclusively in support of the Academy and in particular to purchase, own and/or construct a school house for lease to the Academy. The Affiliated Building Company is governed by a three member board appointed by the Academy's board.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Aside from its authorizer relationship, Friends of Education has no authority, control, power, or administrative responsibilities over the Academy. Therefore, the Academy is not considered acomponent unit of Friends of Education.

Any student activity accounts are under Board control and reported in the General Fund.

B. Basic Financial Statement Information

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the Academy.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The Academy applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. The effect of interfund activity has been removed from these statements.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner.

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaids for approved disbursements incurred in advance of the year in which the item is to be used.

Description of Funds:
As required by *Minnesota Statutes*, the Academy operates as a nonprofit corporation under *Minnesota Statutes* 317A. However, state law also requires the Academy comply with Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota School Districts which mandates the use of a governmental fund accounting structure. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Descriptions of the funds included in this report are listed as follows.

Major Funds:

General Fund – This Fund is the basic operating fund of the Academy and is used to account for all financial resources except those required to be accounted for in another fund.

Food Service Special Revenue Fund – This Fund is used to account for food service revenues and expenditures.

Community Service Special Revenue Fund – This Fund is used to account for the Academy's extended day care program.

Affiliated Building Company Fund – This Fund is used to account for the financial activity of the affiliated building company, including debt service on outstanding bonds.

D. Deposits

Cash includes balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash balances.

Cash and cash with fiscal agent at June 30, 2017, were comprised of deposits.

Minnesota Statutes requires all deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

F. Capital Assets

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capital assets are defined by the Academy as assets with an initial individual cost of more than $500. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at its acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the Academy, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 5 to 20 years for land improvements and buildings, and 5 to 20 years for equipment.

Capital assets not being depreciated include land and construction in progress. The Academy does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The Academy has one item that qualifies for reporting in this category. Deferred outflow related to pension activity is reported in the government-wide statement of net position. Deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy has one type of item which qualifies for reporting in this category. Deferred inflows of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

H. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis, and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015.

I. Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the Academy carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the Academy's insurance coverage during the year ended June 30, 2017.

J. Fund Equity

1. Classification

In the fund financial statements, the governmental fund report fund classifications that comprise a hierarchy based primarily on the extent to which the Academy is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- Nonspendable fund balances include amounts that cannot be spent because they are not in spendable form.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Fund Equity (Continued)

1. Classification (Continued)

- Restricted Fund Balances – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- Committed Fund Balances – These amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of Education (highest level of decision making authority) through resolution.
- Assigned Fund Balances – These are amounts that are constrained by the Academy's intent to be used for specific purposes but are neither restricted nor committed.
- Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose in the General Fund.

2. Minimum Fund Balance

The Academy will strive to maintain a minimum unassigned General Fund balance of 25% of annual expenditures. In the event of a combined fund balance less than 25% of annual expenditures, the Academy administration and board of directors will take immediate financial and budgeting action to maintain unassigned fund balance percentage.

K. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows in the government-wide financial statements. Net investment in capital assets consist of capital assets, net of accumulated depreciation reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net Position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

M. Tax Status

The Academy is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Academy is also exempt from Minnesota Franchise or income tax.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Tax Status (Continued)

The Academy is required to assess whether an uncertain tax position exists and if there should be recognition of a related benefit or liability in the financial statements. The Academy has determined there are not amounts to record as assets or liabilities related to uncertain tax positions. Generally, the Academy is no longer subject to examination by tax authorities for years before 2013.

N. Budgetary Information

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the Executive Director submits to the Board of Education, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Executive Director is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
3. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the Board of Education. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS

In accordance with applicable *Minnesota Statutes*, the Academy maintains deposits at depository banks authorized by the School Board.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned to it.

At year-end, the Academy's carrying amount of deposits was $1,380,317 and the bank balance was $1,434,926. At June 30, 2017, all deposits for the Academy were not insured or collateralized by securities held by the Academy's agent in the Academy's name. At one depository, the Academy's balance exceeded FDIC limits by $6,067.

Cash with fiscal agent at June 30, 2017 had a carrying amount and bank balance of $5,528,902. At June 30, 2017, deposits were not exposed to custodial credit risk because deposits were fully collateralized.

NOTE 2 –DEPOSITS (CONTINUED)

Cash deposits are presented in the June 30, 2017, basic financial statements as follows:

Statement of Net Position	
Cash	$ 1,380,317
Cash with fiscal agent	5,528,902
Total deposits	$ 6,909,219

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ -	$ 381,586	$ -	$ 381,586
Construction in progress	-	4,576,960	-	4,576,960
Total capital assets not being depreciated	-	4,958,546	-	4,958,546
Capital assets being depreciated				
Buildings	-	9,350,000	-	9,350,000
Equipment	374,460	34,234	-	408,694
Total capital assets being depreciated	374,460	9,384,234	-	9,758,694
Less accumulated depreciation for				
Buildings	-	311,667	-	311,667
Equipment	218,746	42,627	-	261,373
Total accumulated depreciation	218,746	354,294	-	573,040
Total capital assets being depreciated, net	155,714	9,029,940	-	9,185,654
Governmental activities, capital assets, net	$ 155,714	$ 13,988,486	$ -	$ 14,144,200

Depreciation expense of $312,311 was charged to sites and buildings, $39,460 was charged to elementary and secondary regular instruction, $1,586 was charged to special education, $793 was charged to academy support services, and $144 was charged to food service for a total of $354,294 for the year ended June 30, 2017.

Aspen Academy
Charter School No. 4184
Notes to Financial Statements

NOTE 4 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
Charter School Lease Revenue Bonds, 2016	10/19/16	3.625% - 5.125%	$ 19,275,000	10/01/48	$ 19,275,000	$ -
Discount on bonds					(70,212)	-
Total all long-term					$ 19,204,788	$ -

The long-term bonds listed above were issued to finance acquisition and construction of capital facilities.

In October 2016, the Academy issued Charter School Lease Revenue Bonds, Series 2016 in the amount of $19,275,000. The Bonds were issued to finance construction on the expansion of their building.

B. Minimum Debt Payments for Bonds and Loans

Minimum annual principal and interest payments required to retire bond liabilities:

Year Ending	Charter School Lease Revenue Bonds		
June 30,	Principal	Interest	Total
2018	$ -	$ 889,265	$ 889,265
2019	-	936,069	936,069
2020	235,000	936,069	1,171,069
2021	330,000	926,669	1,256,669
2022	340,000	914,706	1,254,706
2023-2027	1,925,000	4,363,906	6,288,906
2028-2032	2,365,000	3,912,919	6,277,919
2033-2037	3,005,000	3,279,219	6,284,219
2038-2042	3,840,000	2,448,719	6,288,719
2043-2047	4,905,000	1,376,319	6,281,319
2048-2049	2,330,000	180,656	2,510,656
Total	$ 19,275,000	$ 20,164,516	$ 39,439,516

NOTE 4 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. bonds	$ -	$ 19,275,000	$ -	$ 19,275,000
Discount on bonds	-	(71,897)	(1,685)	(70,212)
Total	$ -	$ 19,203,103	$ (1,685)	$ 19,204,788

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The Academy participates in various pension plans, total pension expense for the year ended June 30, 2017 was $1,579,664. The components of pension expense are noted in the following plan summaries.

Teachers' Retirement Association

A. Plan Description

The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with *Minnesota Statutes*, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member, and three statutory officials.

Teachers employed in Minnesota's public elementary and secondary school, charter schools and certain educational institutions maintained by the state (except those teachers employed by the cities of Duluth and St. Paul, and by the University of Minnesota system) are required to be TRA members. State university, community college, and technical college teachers first employed by the Minnesota State College and Universities (MnSCU) may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by MnSCU.

B. Benefits Provided

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by *Minnesota Statute* and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age and a formula multiplier based on years of credit at termination of service.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)
Two methods are used to compute benefits for TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989, receive the greater of the Tier I or Tier II benefits as described.

Tier 1 Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First ten years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First ten years if service years are up to July 1, 2006	1.2% per year
	First ten years if service years are July 1, 2006, or after	1.4% per year
	All other years of service if service years are up to July 1, 2006	1.7% per year
	All other years of service if service years are July 1, 2006, or after	1.9% per year

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- 3% per year early retirement reduction factor for all years under normal retirement age.
- Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006, and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under *Minnesota Statute*. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

Members first employed after June 30, 1989, receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

The benefit provisions stated apply to active plan participants. Vested, terminated employees who are entitled to benefits but not yet receiving them are bound by the plan provisions in effect at the time they last terminated their public service.

C. Contribution Rate

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2015, June 30, 2016, and June 30, 2017, were:

	Employee	Employer
Basic	11.0%	11.5%
Coordinated	7.5%	7.5%

The following is a reconciliation of employer contributions in TRA's CAFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	$ 354,961,140
Deduct Employer contributions not related to future contribution efforts	26,356
Deduct TRA's contributions not included in allocation	(442,978)
Total employer contributions	354,544,518
Total non-employer contributions	35,587,410
Total contributions reported in schedule of employer and non-employer pension allocations	$ 390,131,928

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

C. Contribution Rate (Continued)

Amounts reported in the allocation schedules may not precisely agree with financial statement amounts or actuarial valuations due to the number of decimal places used in the allocations. TRA has rounded percentage amounts to the nearest ten thousandths.

D. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Measurement date	June 30, 2015
Valuation date	July 1, 2016
Experience study	June 5, 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	4.66%, from the single equivalent interest rate calculation
Price inflation	2.75%
Wage growth rate	3.50%
Projected salary increase	3.50-9.50%
Cost of living adjustment	2.00%
Mortality Assumption	
Pre-retirement	RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of set rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation % and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target	Long-Term Expected Real Rate of Return
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Unallocated cash	2	0.50
Total	100%	

The TRA actuary has determined the average of the expected remaining services lives of all members for fiscal year 2016 is six years. The "Difference Between Expected and Actual Experience", "Changes of Assumptions", and "Changes in Proportion" use the amortization period of six years in the schedule presented. The amortization period for "Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments" is over a period of five years as required by GASB 68.

E. Discount Rate

The discount rate used to measure the total pension liability was 4.66%. This is a decrease from the discount rate at the prior measurement date of 8.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2017 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2052 and, as a result, the Municipal Bond Index Rate was used in determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return was applied to periods before 2052 and the Municipal Bond Index Rate of 3.01% was applied to periods on and after 2052, resulting in a SEIR of 4.66%. Based on Fiduciary Net Position at the prior year measurement date, the discount rate of 8.00% was used and it was not necessary to calculate the SEIR.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability

On June 30, 2017, the Academy reported a liability of $8,753,826 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the School's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. Academy proportionate share was 0.0367% at the end of the measurement period and 0.0361% for the beginning of the year.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the School as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the Academy were as follows:

District's proportionate share of net pension liability	$ 8,753,826
State's proportionate share of the net pension liability associated with the district	$ 879,010

There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date. Post-retirement benefit adjustments are now assumed to remain level at 2.0% annually. While in the previous measurement the COLA increased to 2.5% in 2034.

For the year ended June 30, 2016, the Academy recognized pension expense of $1,514,406. It recognized $122,739 as an increase to this pension expense for the support provided by direct aid.

On June 30, 2017, the Academy had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 83,659	$ 245
Net difference between projected and actual earnings on plan investments	382,456	-
Changes in actuarial assumptions	4,989,514	-
Changes in proportion	300,363	-
School contributions subsequent to the measurement date	151,490	-
Total	$ 5,907,482	$ 245

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

$151,490 reported as deferred outflows of resources related to pensions resulting from Academy contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2018	$ 1,183,145
2019	1,183,147
2020	1,289,781
2021	1,122,710
2022	976,964
Total	$ 5,755,747

G. Pension Liability Sensitivity

The following presents the Academy's proportionate share of the net pension liability calculated using the discount rate of 4.66% as well as the liability measured using 1 percentage point lower and 1 percentage point higher.

Academy proportionate share of NPL		
1% decrease (3.66%)	Current (4.66%)	1% increase (5.66%)
$ 11,277,115	$ 8,753,826	$ 6,698,688

The Academy's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis, and Minneapolis School District.

H. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That can be obtained at www.MinnesotaTRA.org, or by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000, or by calling (651) 296-2409 or (800) 657-3669.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association

A. Plan Description
The School participates in the following cost-sharing multiple-employer defined benefit pension plans administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353, and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))

All full-time and certain part-time employees of the Academy other than teachers are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

B. Benefits Provided
PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions

Minnesota Statutes Chapter 353 set the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in fiscal year 2017. The Academy was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members in fiscal year 2017. The Academy's contributions to the General Employees Fund for the year ended June 30, 2017, were $31,686. The Academy's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2017, the School reported a liability of $438,453 for its proportionate share of the General Employees Fund's net pension liability. The Academy's net pension liability reflected a reduction due to the State of Minnesota's contribution of $6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Academy totaled $5,757. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the Academy's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the School's proportion was 0.0054%, which was an increase of 0.0002% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Academy recognized pension expense of $65,258 for its proportionate share of the General Employees Plan's pension expense. In addition, the Academy recognized an additional $1,717 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $6 million to the General Employees Fund.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

D. Pension Costs(Continued)

At June 30, 2017, the School reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,154	$ 35,269
Changes in actuarial assumptions	93,596	-
Changes in proportion	17,167	-
Difference between projected and actual investments earnings	52,022	-
School's contributions to GERF subsequent to the measurement date	31,686	-
Total	$ 195,625	$ 35,269

$31,686 reported as deferred outflows of resources related to pensions resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related pensions will be recognized in pension expense as follows:

2018	$ 38,524
2019	29,623
2020	44,686
2021	15,837
Total	$ 128,670

E. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 %	Per year
Active member payroll growth	3.25 %	Per year
Investment rate of return	7.50 %	

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

E.Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP 2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1% per year for all future years for the General Employees Plan.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015.

The following changes in actuarial assumptions occurred in 2016:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table on the following page.

Asset Class	Target	Long-Term Expected Real Rate of Return
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Unallocated cash	2	0.50
Total	100%	

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Discount Rates

The discount rate used to measure the total pension liability in 2016 was 7.5%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following table presents the Academy's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Academy's proportionate share of the PERA net pension liability	$ 622,734	$ 438,453	$ 286,656

H. Pension Plan Fiduciary Net Position

Detailed information about the General Employees Fund's fiduciary net position is available in a separately-issued PERA financial report that includes the financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 6 – COMMITMENTS

A. Lease Commitments and Terms

In August 2012, the Academy (lessee) signed a lease for educational space with Savage Education Partners, LLC (lessor), Savage, Minnesota. This lease runs through June 30, 2028. For 2017, the Academy qualified for state charter school lease aid of $654,122 which equaled the lesser of 90% of lease expense or $1,314 per pupil unit served. Building lease payments for the year were $900,082.

The Academy's ability to make payments under the lease agreement is dependent on its revenues which are, in turn, largely dependent on sufficient enrollment being served at the Academy and sufficient state aids per student being authorized and received from the State of Minnesota.

NOTE 6 – COMMITMENTS (CONTINUED)

A. Lease Commitments and Terms (Continued)

On October 1, 2016, the Academy (lessee) signed a lease for educational space with Friends of Aspen (lessor) for a period of thirty-five years. Future minimum lease payments on this lease are as follows:

Year Ending June 30,	Amount
2018	$ 970,152
2019	1,204,142
2020	1,324,084
2021	1,342,716
2022	1,343,792
2023-2027	6,727,563
2028-2032	5,822,670
2033-2037	6,679,417
2038-2042	6,659,978
2043-2047	6,624,138
2048-2049	1,414,987
Total	40,113,640

B. Construction Commitments

Project	Contractor	Original Contract Amount	Expensed to Date	Commitment
School Building Expansion	Anderson Companies	$ 6,134,850	$ 2,924,226	$ 3,210,624

NOTE 7 –FUND BALANCES

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities or as required by other outside parties.

Fund Equity
Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

Restricted/Reserved for Medical Assistance – This balance represents available resources to be used for medical assistance expenditures (*Minnesota Statutes* 125A.21, subd. 3).

NOTE 7 – FUND BALANCES (CONTINUED)

Fund Equity (Continued)

Restricted for Food Service – This balance represents the positive fund balance of the Food Service Fund.

Restricted for Community Service – This balance represents the positive fund balance of the Community Service Fund.

Restricted for Affiliated Building Company – This balance represents the positive fund balance of the Affiliated Building Company Fund that are restricted for the construction of school facilities and related debt service.

NOTE 8 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB has issued GASB statement 75 relating to accounting and financial reporting for postemployment benefits other than pensions. The new statement requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about OPEB liabilities.

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REQUIRED SUPPLEMENTARY INFORMATION

Aspen Academy
Schedule of Academy's Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years GERF Retirement Funds

For Fiscal Year Ended June 30,	Academy's Proportion of the Net Pension Liability (Asset)	Academy's Proportionate Share of the Net Pension Liability (Asset)	Academy's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	Academy's Proportionate Share of the Net Pension Liability and Academy's Share of the State of Minnesota's Share of the Net Pension Liability	Academy's Covered-Employee Payroll	Academy's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0048%	$ 225,480	$ -	$ 225,480	$ 251,117	89.7%	78.7%
2016	0.0052%	269,491	-	269,491	299,053	90.1%	78.2%
2017	0.0054%	438,453	5,757	444,210	334,520	131.1%	68.9%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Schedule of Academy's and Non-employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years TRA Retirement Funds

For Fiscal Year Ended June 30,	Academy's Proportion of the Net Pension Liability (Asset)	Academy's Proportionate Share of the Net Pension Liability (Asset)	Academy's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	Academy's Proportionate Share of the Net Pension Liability and Academy's Share of the State of Minnesota's Share of the Net Pension Liability	Academy's Covered-Employee Payroll	Academy's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0358%	$ 1,649,638	$ 115,994	$ 1,765,632	$ 1,635,256	100.9%	81.5%
2016	0.0361%	2,233,142	273,727	2,506,869	1,832,027	121.9%	76.8%
2017	0.0367%	8,753,826	879,010	9,632,836	1,907,027	459.0%	44.9%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Aspen Academy
Schedule of Academy Contributions
GERF Retirement Funds
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily	Contribution Deficiency (Excess)	Academy's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 18,206	$ 18,206	$ -	$ 251,117	7.25%
2015	22,429	22,429	-	299,053	7.50%
2016	25,089	25,089	-	334,520	7.50%
2017	31,686	31,686	-	422,480	7.50%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Schedule of Academy Contributions
TRA Retirement Funds
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily	Contribution Deficiency (Excess)	Academy's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 114,468	$ 114,468	$ -	$ 1,635,256	7.00%
2015	137,402	137,402	-	1,832,027	7.50%
2016	143,027	143,027	-	1,907,027	7.50%
2017	151,490	151,490	-	2,019,867	7.50%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Aspen Academy
Charter School No. 4184
Notes to the Required Supplementary Information

TRA Retirement Fund

2016 Changes
Changes in Actuarial Assumptions
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes
Changes of Benefit Terms
- The DTRFA was merged into TRA on June 30, 2015.

Changes in Actuarial Assumptions
- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

General Employees Fund

2016 Changes
Changes in Actuarial Assumptions
- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

General Employees Fund (Continued)

2015 Changes

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

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SUPPLEMENTARY INFORMATION

Aspen Academy
Charter School No. 4184
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2017

		Audit	Ufars	Audit-ufars
01 General Fund				
Total revenue		$ 4,995,169	$ 4,995,170	$ (1)
Total expenditures		5,109,813	5,109,816	(3)
Nonspendable:				
460	Nonspendable fund balance	56,390	56,390	-
Restricted/reserved:				
403	Staff Development	-	-	-
406	Health and Safety	-	-	-
407	Capital Projects Levy	-	-	-
408	Cooperative Programs	-	-	-
413	Billing Project Funded by COP/LP	-	-	-
414	Operating Debt	-	-	-
416	Levy Reduction	-	-	-
417	Taconite Building Maintenance	-	-	-
424	Operating Capital	-	-	-
426	$25 Taconite	-	-	-
427	Disabled Accessibility	-	-	-
428	Learning and Development	-	-	-
434	Area Learning Center	-	-	-
435	Contracted Alternative Programs	-	-	-
436	State Approved Alternative Program	-	-	-
438	Gifted and Talented	-	-	-
440	Teacher Development and Evaluation	-	-	-
441	Basic Skills Programs	-	-	-
445	Career Technical Programs	-	-	-
448	Achievement and Integration	-	-	-
449	Safe School Crime	-	-	-
450	Transition for Pre-kindergarten	-	-	-
451	QZAB and QSCB Payments	-	-	-
452	OPEB Liabilities not Held in Trust	-	-	-
453	Unfunded Severance and Retirement Levy	-	-	-
467	LTFM	-	-	-
472	Medical Assistance	5,433	5,433	-
Restricted:				
464	Restricted fund balance	-	-	-
Committed:				
418	Committed for separation	-	-	-
461	Committed	-	-	-
Assigned:				
462	Assigned fund balance	-	-	-
Unassigned:				
422	Unassigned fund balance	1,570,366	1,570,365	1
02 Food Services Fund				
Total revenue		$ 125,393	$ 125,392	$ 1
Total expenditures		125,332	125,330	2
Nonspendable:				
460	Nonspendable fund balance	-	-	-
Restricted/reserved:				
452	OPEB liabilities not held in trust	-	-	-
Restricted:				
464	Restricted fund balance	1,575	1,576	(1)
Unassigned:				
463	Unassigned fund balance	-	-	-
04 Community Service Fund				
Total revenue		$ 45,200	$ 45,200	$ -
Total expenditures		20,624	20,625	(1)
Nonspendable:				
460	Nonspendable fund balance	-	-	-
Restricted/reserved:				
426	$25 Taconite	-	-	-
431	Community Education	-	-	-
432	ECFE	-	-	-
440	Teacher Development and Evaluation			
444	School Readiness	-	-	-
447	Adult Basic Education	-	-	-
452	OPEB Liabilities not Held in Trust	-	-	-
Restricted:				
464	Restricted fund balance	110,049	110,048	1
Unassigned:				
463	Unassigned fund balance	-	-	-

		Audit	Ufars	Audit-ufars
06 Building Construction Fund				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Nonspendable:				
460	Nonspendable fund balance	-	-	-
Restricted/reserved:				
407	Capital Projects Levy	-	-	-
409	Alternative Facility Program	-	-	-
413	Building Projects Funded by COP/LP	-	-	-
Restricted:				
464	Restricted fund balance	-	-	-
Unassigned:				
463	Unassigned fund balance	-	-	-
07 Debt Service Fund				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Nonspendable:				
460	Nonspendable fund balance	-	-	-
Restricted/reserved:				
425	Bond refundings	-	-	-
451	QZAB and QSCB payments	-	-	-
Restricted:				
464	Restricted fund balance	-	-	-
Unassigned:				
463	Unassigned fund balance	-	-	-
08 Trust Fund				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
422	Unassigned fund balance (net position)	-	-	-
20 Internal Service Fund				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
422	Unassigned fund balance (net position)	-	-	-
25 OPEB Revocable Trust				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
422	Unassigned fund balance (net position)	-	-	-
45 OPEB Irrevocable Trust				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
422	Unassigned fund balance (net position)	-	-	-
47 OPEB Debt Service				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Nonspendable:				
460	Nonspendable fund balance	-	-	-
Restricted:		-	-	-
425	Bond refundings			
464	Restricted fund balance	-	-	-
Unassigned:				
463	Unassigned fund balance	-	-	-

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To the Members of the Board
Aspen Academy
Savage, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Aspen Academy, Savage, Minnesota, as of and for the year ending June 30, 2017, and the related notes to financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated November 13, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Internal Control over Financial Reporting (Continued)
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Academy's Response to the Findings
The Academy's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Corrective Action Plans on Legal Compliance and Internal Control. The Academy's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bergan KDV Ltd.

Minneapolis, Minnesota
November 13, 2017

Report on Legal Compliance

Independent Auditor's Report

To the Members of the Board
Aspen Academy
Savage, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Aspen Academy, Savage, Minnesota, as of and for the year ended June 30, 2017, and the related notes to financial statements, and have issued our report thereon dated November 13, 2017.

The *Minnesota Legal Compliance Audit Guide for Charter Schools*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, contains two categories of compliance to be tested in audits of charter schools: uniform financial accounting and reporting standards, and charter schools.

In connection with our audit, nothing came to our attention that caused us to believe that the Academy failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Charter Schools*, except as described in the Schedule of Findings and Corrective Action Plans on Legal Compliance and Internal Control. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Academy's noncompliance with the above referenced provisions.

The purpose of this report solely is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

BerganKDV Ltd.

Minneapolis, Minnesota
November 13, 2017

BerganKDV, Ltd.
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Aspen Academy
Charter School No. 4184
Schedule of Findings and Corrective Action Plans
on Legal Compliance and Internal Control

CURRENT YEAR AND PRIOR YEAR LEGAL COMPLIANCE FINDING:

Obtain Sufficient Collateral

The depositories of public funds and public investment laws of *Minnesota Statutes* 118A.01 and 118A.08 requires that all deposits with financial institutions must be collateralized in an amount equal to 110% of deposits in excess of Federal Depository Insurance Corporation (FDIC) insurance.

During our audit, it was noted the Academy did not have adequate collateral coverage.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   Board approval was retroactively obtained for the bank account, sufficient collateral to be obtained.

3. Official Responsible for Ensuring CAP
   Paula Foley, Program Director, is the official responsible for ensuring corrective action is taken.

4. Planned Completion Date for CAP
   The planned completion date for the CAP is June 30, 2018.

5. Plan to Monitor Completion of CAP
   The School Board will be monitoring this CAP.

Aspen Academy
Charter School No. 4184
Schedule of Findings and Corrective Action Plans
on Legal Compliance and Internal Control

PRIOR YEAR INTERNAL CONTROL FINDING:

Significant Deficiency

Improve Internal Controls and Reconciliation Procedures for Community Service Revenues

During our audit, we reviewed the community education receipting process for the extended day program. Documentation available did not provide us with sufficient documentation to allow us to recalculate revenue based on current procedures. There was also lack of segregation of accounting duties related to the program as the individual involved in accounting for the activity tracks attendance, collects receipts, and makes the deposit.

We recommend that the Academy implement reconciliation procedures on a monthly basis to ensure community service revenue is being properly reported. We also recommend that the Academy review current accounting processes related to community service programs to determine where accounting duties can be further segregated.

CORRECTIVE ACTION TAKEN:

The Academy provided documentation during the 2017 audit to support the community service revenue.

Aspen Academy
Charter School No. 4184
Schedule of Findings and Corrective Action Plans
on Legal Compliance and Internal Control

PRIOR YEAR LEGAL COMPLIANCE FINDING:

Obtain Board Approval before Opening a School Bank Account

Minnesota Statute 118.02, Subd. 1 requires Schools to obtain Board approval before opening a new bank account.

During our audit, it was noted the Academy did not receive board approval before opening a new account at Sterling Bank.

CORRECTIVE ACTION TAKEN:

Board approval was retroactively obtained for the bank account.