

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2015

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
JUNE 30, 2015
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MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
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BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
YEAR ENDED JUNE 30, 2015

OFFICIAL DIRECTORY
(Unaudited)

	<u>July 1, 2014 to December 31, 2014</u>	<u>January 1, 2015 to June 30, 2015</u>
<u>School Board Officers and Members</u>		
Chairperson	Judy Motschenbacher	Judy Motschenbacher
Vice-Chairperson	Colleen Brennan	Sarah Somnis
Secretary	Kathy Lawrence	Kathy Lawrence
Treasurer	Skip Lamb	Skip Lamb
Member		Sarena Nelson
Member	Jackie Robinson	Jackie Robinson
Member	Sheryl Martinson	Jessica Cameron
Member	Plamen Dimitrov	Plamen Dimitrov
<u>Administration</u>		
Director/Business Manager	Diane Blanchette	Diane Blanchette



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Certified Public Accountants
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 P.O. Box 486
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INDEPENDENT AUDITOR'S REPORT

**The Board of Education
 Birch Grove Community School
 Minnesota Charter School No. 4145
 Tofte, Minnesota**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Birch Grove Community School, Minnesota Charter School No. 4145, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Birch Grove Community School, Minnesota Charter School No. 4145'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 misstatements, 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 of 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 entity'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 entity'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Birch Grove Community School, Minnesota Charter School No. 4145, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in fiscal year ended June 30, 2015, the School adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Schedule of the School's and Non-Employer Proportionate Share of the Net Pension Liability, and the Schedule of the School's Contributions on pages 5 through 16 and 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 an opinion on the financial statements that collectively comprise Birch Grove Community School, Minnesota Charter School No. 4145's basic financial statements. The Official Directory and Fiscal Compliance Report, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Fiscal Compliance Report 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 Fiscal Compliance Report is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Official Directory has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 24, 2015, on our consideration of Birch Grove Community School, Minnesota Charter School No. 4145's internal control over financial reporting and on 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 the 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 Birch Grove Community School, Minnesota Charter School No. 4145's internal control over financial reporting and compliance.

Miller McDonald, Inc.

November 24, 2015
Bemidji, Minnesota

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015

This section of Birch Grove Community School, Minnesota Charter School No. 4145, Tofte, Minnesota's (School) annual financial report presents our discussion and analysis of the School's financial performance during the year ended on June 30, 2015. Please read it in conjunction with the School's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the period ended June 30, 2015 include the following:

- Net position at June 30, 2015 is a deficit of \$146,002. This is a decrease of \$61,477 or 72.73% from the prior year (as restated).
- School-wide revenues were \$446,728 and overall expenses were \$508,205.
- General Fund revenues were \$338,417, expenditures were \$387,814, and sales proceeds from the sale of capital assets were \$43,500. This resulted in an operating deficit of \$5,897.

OVERVIEW OF THE FINANCIAL STATEMENTS

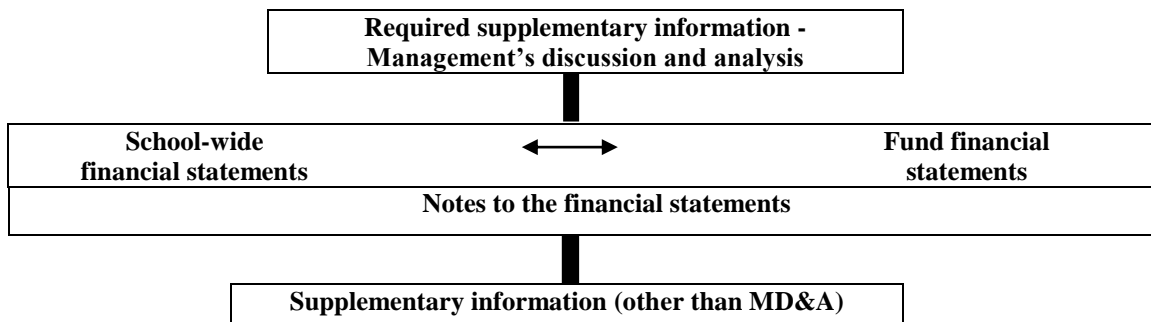
The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information, which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

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

BIRCH GROVE COMMUNITY SCHOOL
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TOFTE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

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 required supplementary information that further explains and supports the financial statements with a comparison of the School's general and special revenue funds budgets for the year. The following diagram explains how the various parts of this annual report are arranged and related to one another.



The major features of the School's financial statements, including the portion of the School's activities they cover and the types of information they contain, are summarized below. The remainder of the overview section of the MD&A highlights the structure and content of each of the statements.

	School-wide Statements	Fund Financial Statements Governmental Funds
Scope	Entire school except any fiduciary funds	The activities of the school that are not proprietary or fiduciary, such as special education and building maintenance
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • 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 assets expected to be used up and 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 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

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

School-wide Statements

The school-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 school-wide statements report the School's net position and how it changed. Net position – the difference between the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources – is one way to measure the School's financial health or position.

- Over time, increases or decreases in the School's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional non-financial factors such as changes in the School's student enrollment.

In the school-wide financial statements the School's activities are shown in one category:

- **Governmental Activities** – The majority of the School's basic services are included within these activities; such as regular and special education, transportation, administration, and food services. State aids and private grants finance the majority of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's funds – focusing on its most significant or “major” funds – not the School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law.
- The School establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (e.g., federal grants).

The School has one type of fund:

Governmental Funds – The School'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 fund 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 School's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information following the governmental fund statements that explains the relationship (or differences) between them.

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE
(SCHOOL-WIDE FINANCIAL STATEMENTS)

Net Position

The School's net position was (\$146,002) at June 30, 2015 (see the following table). At June 30, 2014 the net position was (\$84,525), as restated, with a decrease of \$61,477 from operating activities for the year ended June 30, 2015.

	2015	2014	Net Change	
			Amount	Percent
Current and other assets	\$ 95,208	\$ 49,224	\$ 45,984	93.42%
Capital assets, net of depreciation	25,629	82,998	(57,369)	-69.12%
Total assets	120,837	132,222	(11,385)	-8.61%
Deferred outflows of resources	43,106	12,804	30,302	236.66%
Current liabilities	87,378	30,115	57,263	190.15%
Long-term liabilities:				
Due within one year	-	3,628	(3,628)	-100.00%
Net pension liability	172,016	195,808	(23,792)	-12.15%
Total liabilities	259,394	229,551	29,843	13.00%
Deferred inflows of resources	50,551	-	50,551	100.00%
Net position:				
Net investment in capital assets	25,629	79,370	(53,741)	-67.71%
Restricted	182	1,791	(1,609)	-89.84%
Unrestricted	(171,813)	(165,686)	(6,127)	3.70%
Total net position	\$ (146,002)	\$ (84,525)	\$ (61,477)	72.73%

Net position decreased by 72.73% for the year ended June 30, 2015, primarily due to deficit spending of \$61,477.

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE
(SCHOOL-WIDE FINANCIAL STATEMENTS) - (Continued)

Change in Net Position

The decrease in net position occurs as a result of the School's expenditures being more than its revenues for the year ended June 30, 2015. A summary of the School's revenues and expenses, along with the percentages for each category follows:

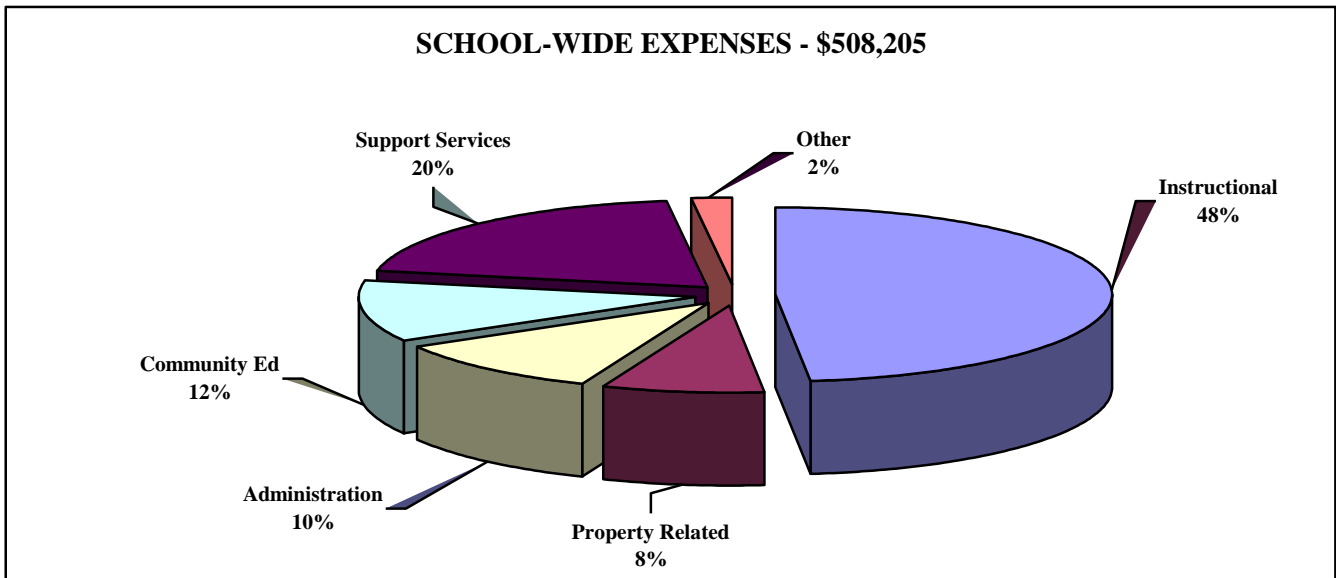
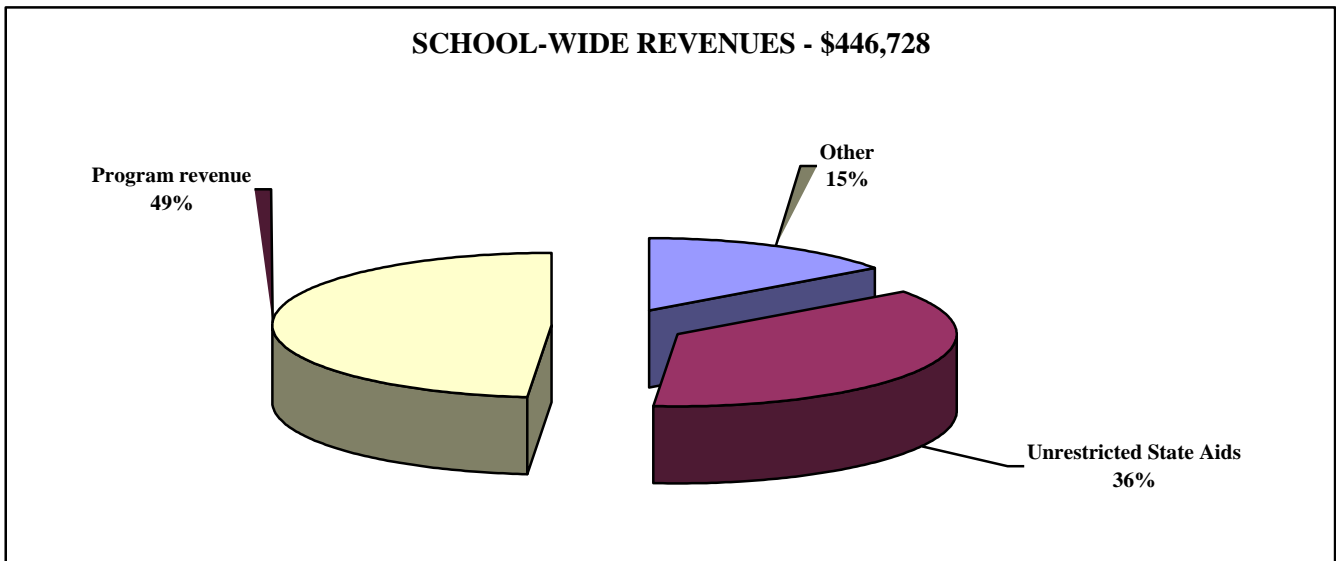
	2015		2014		Net Change	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenues:						
Program Revenues:						
Charges for Services	\$ 45,997	10.30%	\$ 33,888	9.13%	\$ 12,109	35.73%
Operating Grants and Contributions	170,723	38.22%	126,969	34.21%	43,754	34.46%
Total Program Revenues	216,720	48.51%	160,857	43.33%	55,863	34.73%
General Revenues:						
Aids from State Sources	162,614	36.40%	163,084	43.93%	(470)	-0.29%
Other Sources	67,394	15.09%	47,254	12.73%	20,140	42.62%
Total General Revenues	230,008	51.49%	210,338	56.67%	19,670	9.35%
Total Revenues	446,728	100.00%	371,195	100.00%	75,533	20.35%
Expenses:						
Instructional:						
Regular Instruction	162,999	32.07%	85,299	21.64%	77,700	91.09%
Special Education Instruction	82,295	16.19%	84,538	21.45%	(2,243)	-2.65%
Total Instructional	245,294	48.27%	169,837	43.09%	75,457	44.43%
Support Services:						
District Support Services	47,615	9.37%	41,150	10.44%	6,465	15.71%
Instructional Support Services	6,055	1.19%	7,342	1.86%	(1,287)	-17.53%
Pupil Support Services	47,038	9.26%	41,060	10.42%	5,978	14.56%
Total Support Services	100,708	19.82%	89,552	22.72%	11,156	12.46%
Administration	53,286	10.49%	45,611	11.57%	7,675	16.83%
Community Education and Services	58,806	11.57%	46,742	11.86%	12,064	25.81%
Site, Buildings and Equipment	39,821	7.84%	32,150	8.16%	7,671	23.86%
Fiscal and Other Fixed Costs	10,290	2.02%	10,145	2.57%	145	1.43%
Interest on Long-Term Debt	-	0.00%	139	0.04%	(139)	-100.00%
Total Expenses	508,205	100.00%	394,176	100.00%	114,029	28.93%
Changes in Net Position	\$ (61,477)		\$ (22,981)		\$ (38,496)	

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE
(SCHOOL-WIDE FINANCIAL STATEMENTS) - (Continued)

The School's total revenues consisted of program revenues of \$216,720, unrestricted aids and payments from state sources of \$162,614, and other sources of \$67,394. Expenses totaling \$508,205 consisted of instructional services costs of \$245,294; support services costs of \$100,708; site, buildings and equipment related costs of \$39,821; administrative costs of \$53,286; community education and service costs of \$58,806; and fiscal and fixed-cost programs of \$10,290.

The following charts express school-wide revenues and expenses for the year in broad categories:



BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE
(SCHOOL-WIDE FINANCIAL STATEMENTS) - (Continued)

The net cost of governmental activities is the total costs less program revenues applicable to each category. Total and net costs for the years ended June 30, 2015 and 2014 are as follows:

	<u>Cost of Services - 2015</u>		<u>Cost of Services - 2014</u>	
	<u>Total</u>	<u>Net</u>	<u>Total</u>	<u>Net</u>
Expenses:				
Administration	\$ 53,286	\$ 53,286	\$ 45,611	\$ 45,611
District Support Services	47,615	47,615	41,150	41,150
Regular Instruction	162,999	143,212	85,299	65,671
Special Education Instruction	82,295	2,259	84,538	14,523
Community Education and Services	58,806	(552)	46,742	8,211
Instructional Support Services	6,055	6,055	7,342	7,342
Pupil Support Services	47,038	41,862	41,060	32,149
Site, Buildings and Equipment	39,821	(12,542)	32,150	8,378
Fiscal and Other Fixed Costs	10,290	10,290	10,145	10,145
Interest on Long-Term Debt	-	-	139	139
Total Expenses	<u>\$ 508,205</u>	<u>\$ 291,485</u>	<u>\$ 394,176</u>	<u>\$ 233,319</u>

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS
(FUND FINANCIAL STATEMENTS)

Fund Balances

The financial performance of the School as a whole is reflected in its governmental funds as well. As the School completed the year, its governmental funds reported a combined fund balance of \$7,830. This was down from \$19,109 at June 30, 2014, a decrease of \$11,279. The decrease was the result of expenditures exceeding revenues and other financing sources in the General Fund, the Community Service Fund, and the Food Service Fund by \$5,897, \$573, and \$4,809, respectively.

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015

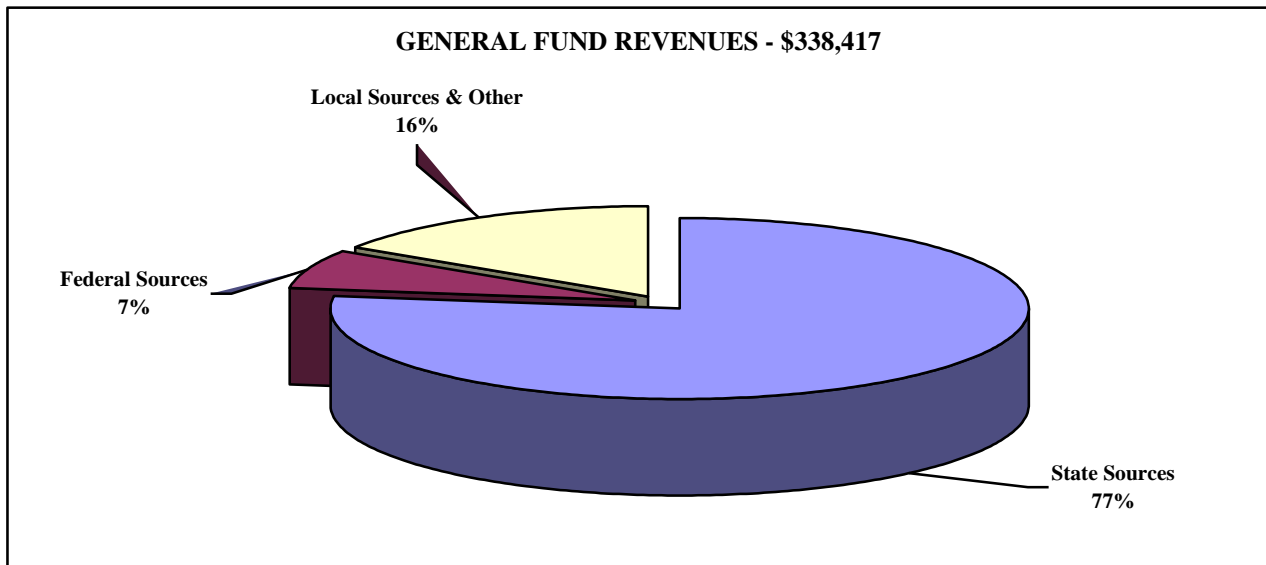
FINANCIAL ANALYSIS OF THE SCHOOL’S FUNDS
(FUND FINANCIAL STATEMENTS) - (Continued)

Revenue and Expenditures

Revenues of the School’s governmental funds for the year ended June 30, 2015 totaled \$402,951 while total expenditures were \$457,730. A summary of the revenues and expenditures reported on the governmental fund financial statements are as follows:

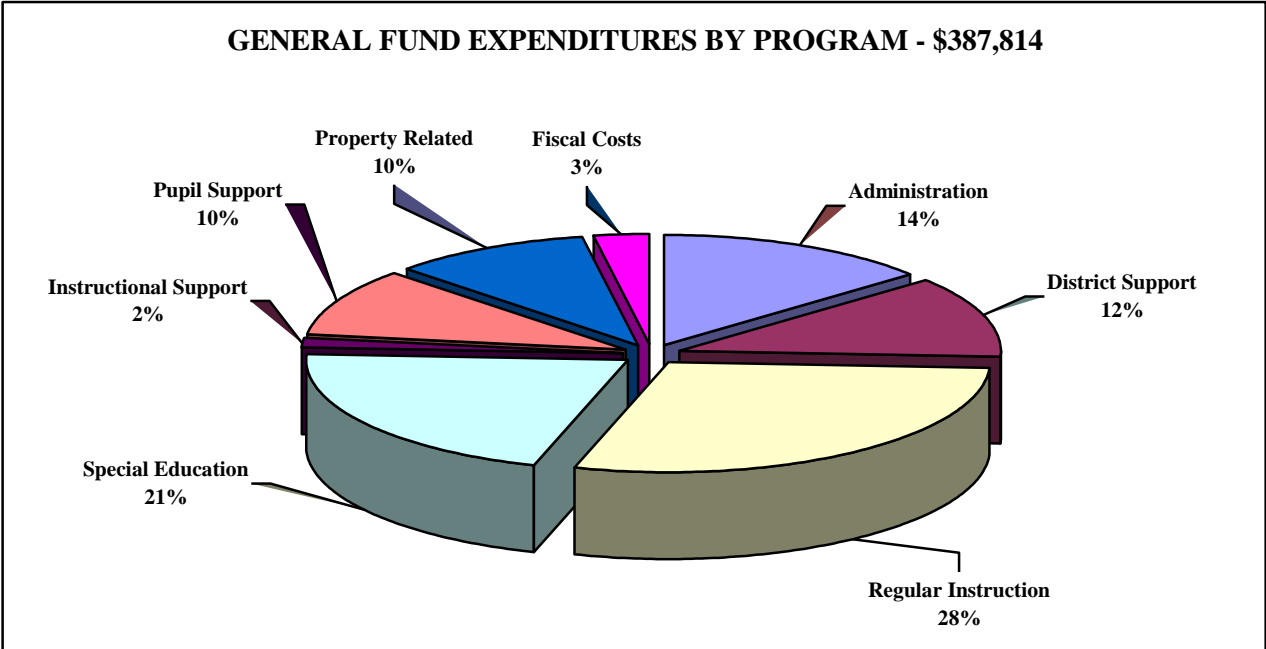
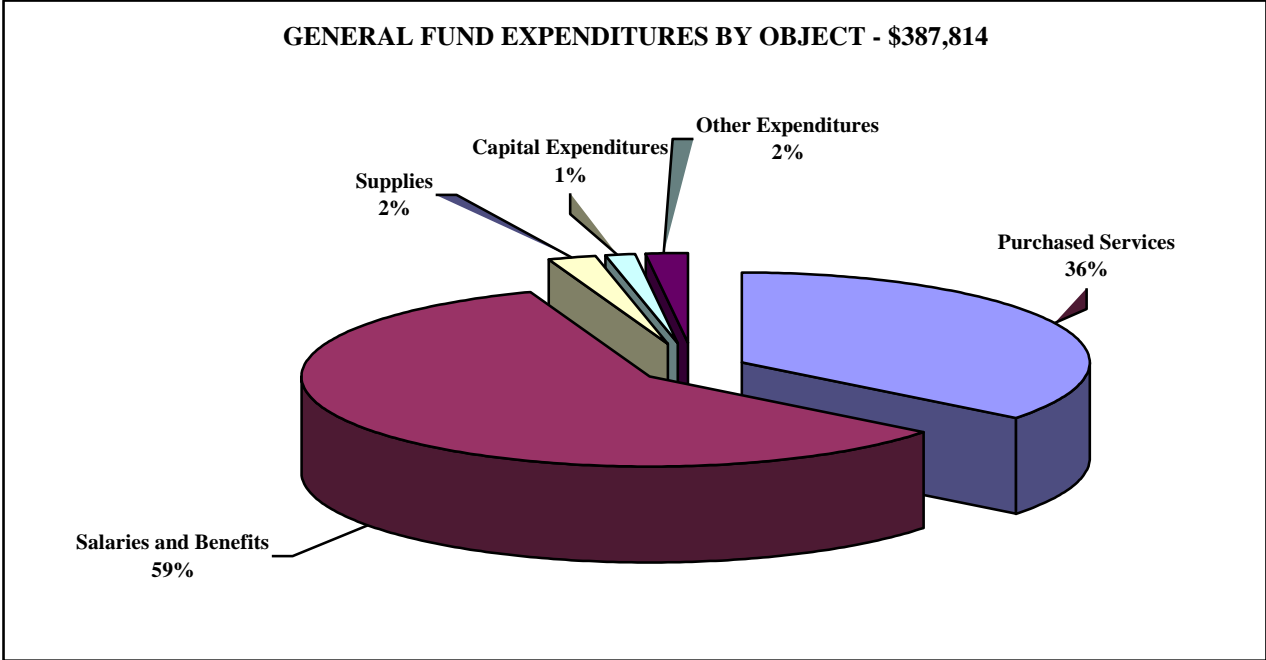
	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Fund Balance Increase (Decrease)</u>
General Fund	\$ 338,417	\$ 387,814	\$ 43,500	\$ (5,897)
Community Service Fund	59,358	59,931	-	(573)
Non-major Fund:				
Food Service Fund	5,176	9,985	-	(4,809)
Totals	<u>\$ 402,951</u>	<u>\$ 457,730</u>	<u>\$ 43,500</u>	<u>\$ (11,279)</u>

The following graphs are presented for the General Fund revenues and expenditures:



BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS
(FUND FINANCIAL STATEMENTS) - (Continued)



BIRCH GROVE COMMUNITY SCHOOL
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TOFTE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS
(FUND FINANCIAL STATEMENTS) - (Continued)

General Fund Budgetary Highlights

During the year ended June 30, 2015, the School made revisions to its General Fund operating budget. In accordance with Minnesota Statutes, an expenditure budget must be in place prior to the beginning of the fiscal year in order to spend funds. Prior to July 1, the School Board approves the budget for next year. A revised budget was necessary to incorporate data that was not available at the time of the preliminary budget.

The School's General Fund final budget anticipated that expenditures would exceed revenues (before other financing sources) by \$24,091. Actual results for the year reported expenditures exceeded revenues (before other financing sources) by \$49,397. Actual revenues were more than projected by \$5,093.

Actual expenditures were \$30,399 more than budgeted, primarily due to Special Education Instruction which was over budget by \$20,630, this was due to increased costs for a licensed classroom teacher and more after school programs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

During the school year the School had no acquisitions. The School disposed of a snow blower and the outdoor class room and received a total of \$43,500 in proceeds on these disposals.

Long-Term Debt and Commitments

During the year ended June 30, 2015, the School paid off the remaining principal balance on the bus loan of \$3,628.

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015

FACTORS BEARING ON THE SCHOOL'S FUTURE

Political Environment

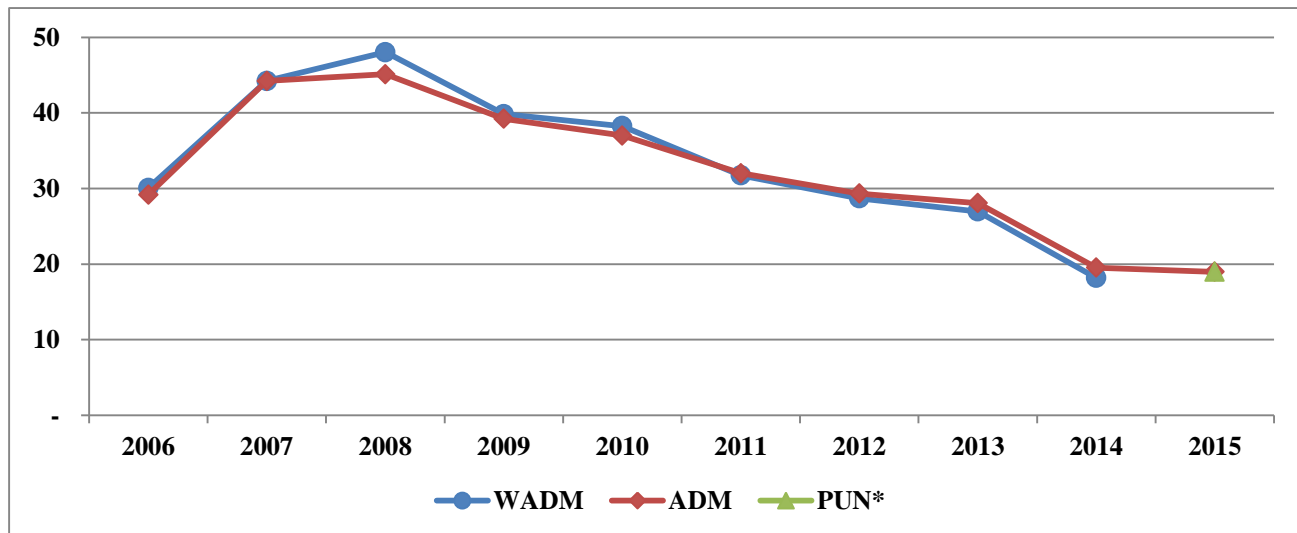
The political environment at the state level will have a significant effect on future finances. The state legislature sets the amount of revenue from aids and levies that Minnesota schools will receive. Currently the general education basic allowance, from which the School receives the single largest state aid, is set at \$5,831 per pupil unit and will increase to \$5,948 per pupil unit for the next fiscal year.

Labor Force

Birch Grove Community School negotiates contracts on an annual basis. Salaries and benefits accounted for 59% of the School's General Fund expenditures for fiscal year 2015.

Student Enrollment

Attendance at all Minnesota school districts, including charter schools, is based upon Average Daily Membership (ADM), however, the School received general education aid based upon a Pupil Unit Weightings (PUN); prior to the year ending June 30, 2015, Weighted Average Daily Membership (WADM) was used. The following chart summarizes ADM and PUN/WADM over the past 10 years.



*-The State of Minnesota changed to Pupil Unit Weightings (PUN) from Weighted Average Daily Membership (WADM) in the year ended June 30, 2015 to calculate general education aid.

BIRCH GROVE COMMUNITY SCHOOL
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TOFTE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School's interested parties; citizens, taxpayers, customers, and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have any questions about this report or would like additional information, contact Caroline Wood, Director in the School's offices located at 9 Goodneighbor Hill Road; Tofte, MN 55615; telephone number (218) 663-0170.

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS

Cash and Investments	\$ 1,297
Due from Other Governmental Units	33,723
Other Accounts Receivable	53,018
Prepaid Expenditures	7,170
Depreciable Capital Assets:	
Equipment	\$ 93,492
Less Accumulated Depreciation	<u>(67,863)</u>
	<u>25,629</u>
 Total Assets	 <u>120,837</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources Related to Pensions	<u>43,106</u>
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LIABILITIES

Salaries Payable	19,548
Accounts Payable	4,401
Line of Credit	52,722
Due to Other Governmental Units	3,485
Payroll Deductions and Employer Contributions	7,222
Long-Term Liabilities:	
Net Pension Liability	<u>172,016</u>
 Total Liabilities	 <u>259,394</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources Related to Pensions	<u>50,551</u>
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NET POSITION

Net Investment in Capital Assets	25,629
Restricted for:	
Other Purposes	182
Unrestricted	<u>(171,813)</u>
 Total Net Position	 <u>\$ (146,002)</u>

See Accompanying Notes to Financial Statements.

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities				
District and School Administration	\$ 53,286	\$ -	\$ -	\$ (53,286)
District Support Services	47,615	-	-	(47,615)
Regular Instruction	162,999	-	19,787	(143,212)
Special Education Instruction	82,295	-	80,036	(2,259)
Community Education and Services	58,806	41,916	17,442	552
Instructional Support Services	6,055	-	-	(6,055)
Pupil Support Services	47,038	4,081	1,095	(41,862)
Site, Buildings and Equipment	39,821	-	52,363	12,542
Fiscal and Other Fixed Costs	10,290	-	-	(10,290)
Total Governmental Activities	\$ 508,205	\$ 45,997	\$ 170,723	(291,485)
<u>General Revenues:</u>				
				162,614
				192
				67,202
				<u>230,008</u>
				<u>Change in Net Position</u>
				(61,477)
				<u>Net Position - Beginning of Year, as Restated</u>
				(84,525)
				<u>Net Position - End of Year</u>
				\$ (146,002)

See Accompanying Notes to Financial Statements.

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General</u>	<u>Community Service</u>	<u>Other Governmental Fund</u>	<u>Totals</u>
<u>ASSETS</u>				
Cash and Investments	\$ 1,297	\$ -	\$ -	\$ 1,297
Due from Other Funds	16,878	-	-	16,878
Due from Other Governmental Units	27,723	6,000	-	33,723
Other Accounts Receivable	43,844	9,163	11	53,018
Prepaid Expenditures	6,662	508	-	7,170
<u>Total Assets</u>	<u>\$ 96,404</u>	<u>\$ 15,671</u>	<u>\$ 11</u>	<u>\$ 112,086</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Salaries Payable	\$ 17,772	\$ 1,776	\$ -	\$ 19,548
Accounts Payable	4,401	-	-	4,401
Line of Credit	52,722	-	-	52,722
Due to Other Funds	-	12,586	4,292	16,878
Due to Other Governmental Units	3,485	-	-	3,485
Payroll Deductions and Employer Contributions	6,603	619	-	7,222
Total Liabilities	<u>84,983</u>	<u>14,981</u>	<u>4,292</u>	<u>104,256</u>
<u>Fund Balance</u>				
Nonspendable for Prepaid Items	6,662	508	-	7,170
Restricted for:				
Community Education	-	182	-	182
Unassigned	4,759	-	(4,281)	478
Total Fund Balance	<u>11,421</u>	<u>690</u>	<u>(4,281)</u>	<u>7,830</u>
<u>Total Liabilities and Fund Balance</u>	<u>\$ 96,404</u>	<u>\$ 15,671</u>	<u>\$ 11</u>	<u>\$ 112,086</u>

See Accompanying Notes to Financial Statements.

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total Fund Balances - Governmental Funds	\$	7,830
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		
Cost	\$ 93,492	
Accumulated Depreciation	<u>(67,863)</u>	
Net Depreciated Value of Capital Assets		25,629
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. All liabilities, both current and long-term, are reported in the statement of net position.		
Net Pension Liability		(172,016)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources	43,106	
Deferred Inflows of Resources	<u>(50,551)</u>	<u>(7,445)</u>
Total Net Position - Governmental Activities	\$	<u><u>(146,002)</u></u>

See Accompanying Notes to Financial Statements.

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General Fund	Community Service	Other Governmental Fund	Totals
<u>Revenues</u>				
Revenues from Local Sources	\$ 34,839	\$ 58,831	\$ 250	\$ 93,920
Revenues from State Sources	261,273	-	97	261,370
Revenues from Federal Sources	23,950	-	748	24,698
Sales and Other Conversions of Assets	18,163	527	4,081	22,771
Investment Earnings	192	-	-	192
Total Revenues	<u>338,417</u>	<u>59,358</u>	<u>5,176</u>	<u>402,951</u>
<u>Expenditures</u>				
District and School Administration	54,214	-	-	54,214
District Support Services	46,304	-	-	46,304
Regular Instruction	111,465	-	-	111,465
Special Education Instruction	81,786	-	-	81,786
Community Education and Services	-	59,931	-	59,931
Instructional Support Services	6,055	-	-	6,055
Pupil Support Services	38,304	-	9,985	48,289
Site, Buildings, and Equipment	39,396	-	-	39,396
Fiscal and Other Fixed Costs	10,290	-	-	10,290
Total Expenditures	<u>387,814</u>	<u>59,931</u>	<u>9,985</u>	<u>457,730</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	(49,397)	(573)	(4,809)	(54,779)
<u>Other Financing Sources (Uses)</u>				
Proceeds from the Sale of Capital Assets	43,500	-	-	43,500
<u>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</u>	(5,897)	(573)	(4,809)	(11,279)
<u>Fund Balances, Beginning of Year</u>	<u>17,318</u>	<u>1,263</u>	<u>528</u>	<u>19,109</u>
<u>Fund Balances, End of Year</u>	<u>\$ 11,421</u>	<u>\$ 690</u>	<u>\$ (4,281)</u>	<u>\$ 7,830</u>

See Accompanying Notes to Financial Statements.

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Net Change in Fund Balances - Total Governmental Funds		\$ (11,279)
 Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Depreciation		(7,539)
 Disposal of fixed assets are only reported in the governmental funds when cash is received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(49,830)
 Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces the long-term liabilities on the statement of assets. In the current period this amount consists of the following:		
Bus Loan Principal Payments		3,628
 Governmental funds report School pension contributions as expenditures. In the statement of activities, however, the cost of the pension benefits earned net of employee contributions is reported as pension expense.		
School Pension Contributions	\$ 16,295	
Cost of Benefits Earned Net of Employee Contributions	<u>(12,752)</u>	<u>3,543</u>
 Change in Net Position of Government Activities		 <u>\$ (61,477)</u>

See Accompanying Notes to Financial Statements.

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 1 – Summary of Significant Accounting Policies

The financial statements of Birch Grove Community School, Tofte, Minnesota, Charter School No. 4145 (School) have been prepared in conformity with U. S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB has issued codification of governmental accounting and financial reporting standards dated June 30, 2015. This codification and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles for state and local government.

A. Organization

The School was incorporated on September 8, 2004 as a non-profit corporation under Minnesota Statutes, Chapter 317A. The School is organized exclusively for educational purposes within the meaning of section 501(c)(3) of the Internal Revenue code. The School's authorizer is the Volunteers of America Minnesota, Minneapolis, Minnesota, and has entered into a contract with Volunteers of America Minnesota for the purpose of operating a results-oriented charter school located in Tofte, Minnesota, pursuant to Minnesota Statutes, Chapter 124D.10, as amended.

B. Reporting Entity

The School (primary government) through its contract with its authorizer, the Volunteers of America Minnesota, has the financial accountability and control over all activities related to education of students attending the School. It does not have the same authority as public schools in Minnesota because it does not have authority to levy taxes and is limited to the number of students it may enroll. However, by the Contract, the management, care, and control of the School are vested in a Board of Directors, known as the Board of Education (Board). The School receives funding from state and federal government sources and must comply with the concomitant requirements of these funding source entities. The School is not included in any other organization's "reporting entity" as defined by accounting principles since Board members are to be elected by the teachers, parents and students, and have decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Component units are legally separate entities for which the School (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the School.

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 1 – Summary of Significant Accounting Policies - (Continued)

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. The School Board does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities. In accordance with Minnesota Statutes, the School Board has elected to control or exercise oversight responsibility with respect to underlying student activities. Accordingly, the student activity accounts, if any, are included in these financial statements.

C. Financial Statement Presentation

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The School does not allocate indirect expenses. 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 capital requirements of a particular function or segment. Operating grants include operating-specific and discretionary grants while capital grants include only capital-specific grants. Other items not properly included among program revenues are reported instead as general revenues.

The School applies restricted resources first when an expense is incurred for purposes 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 each function.

As a general rule, the School does not engage in inter-fund activities, but, if necessary, inter-fund activities are eliminated from the school-wide financial statements.

Separate fund financial statements are provided for governmental funds. All major individual governmental funds are reported in separate columns and non-major governmental funds are aggregated and reported in a separate column in the fund financial statements.

Proprietary funds are used to report business-type activities carried on by a school. No activities of the School are determined to be of this nature, so no proprietary funds are present in the financial statements.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The school-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 or related cash flows.

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 1 – Summary of Significant Accounting Policies - (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The modified accrual basis of accounting recognizes expenses when incurred, except principal and interest on general long-term debt which is recognized when due, and revenue under the following principles:

- State and federal grants and aids are recorded as revenue in the fiscal year for which the aids are designated by statute.
- Other revenues are recognized when susceptible to accrual, i.e., when they become both 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.

Description of Funds

The existence of the various funds has been established by the Minnesota Department of Education, each of which is accounted for as an independent entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures.

GASB Statement No. 34 specifies that the accounts and activities of each of the School’s most significant governmental funds (termed “major funds”) be reported in separate columns on the fund financial statements. Other non-major funds can be reported in total. A description of the major governmental funds in this report is as follows:

Governmental Funds

General Fund – Accounts for all financial resources and transactions relating to the administration, instruction, pupil transportation, and maintenance of the School, which are not accounted for in other school funds.

Community Service Fund – Accounts for the revenues and expenditures related to recreation, public use of school facilities, non-public pupils, adult education programs, and early childhood and family development.

Additionally, the School reports the following non-major fund:

Special Revenue Fund – Accounts for the proceeds of specific revenue sources (other than expendable trust and major capital projects) that are legally restricted to expenditures for specified purposes. The School’s special revenue fund and the purpose are as follows:

Food Service Fund – Accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches or snacks in connection with school activities.

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 1 – Summary of Significant Accounting Policies - (Continued)

E. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balances

Cash and Investments – Cash is maintained in a depository account of a federal chartered bank on a combined basis and invested, to the extent possible, in allowable investments. Investments are carried at cost to the School, which approximates market value.

Due from Other Governmental Units – Amounts due from other governmental units consist of amounts primarily due from other Minnesota school districts, the Minnesota Department of Education, and from the Federal Government through the Minnesota Department of Education for state and federal aids and grants under various specific programs are reported at estimated amounts based on available information at the date of the report. Adjustments and pro-rations may be made by the applicable agencies based on the amount of funds available for distribution and may result in differing amounts actually being received. The differences between the receivable recorded and the actual amount received will be recognized as a revenue adjustment in the subsequent year. Federal and state revenues are recorded as revenue at the time of receipt or when they are both measurable and available.

Capital Assets – Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The School maintains a threshold level of \$1,000 or more for capitalizing capital assets.

Capital assets are recorded in the school-wide financial statements, but are not reported in the fund financial statements. 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 School, no salvage value is taken into consideration for depreciation purposes. Useful lives for equipment varies from 5 to 15 years.

Deferred Outflows of Resources – In addition to assets, statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future periods and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The School has only one item that qualifies for reporting in this category. It is the deferred resources related to pension reported in the government-wide Statement of Net Position.

Deferred Inflows of Resources – In addition to liabilities, statements of financial position and balance sheets 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 future periods and will not be recognized as an inflow of resources (revenue) until that time. The School has one type that qualifies for reporting in this category. It is the deferred resources related to pension reported in the government-wide Statement of Net Position.

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 1 – Summary of Significant Accounting Policies - (Continued)

Deferred Outflows and Inflows Related to Pensions – For purposes of measuring the net position liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) and additions to/deduction 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 PERA’s purpose, plan contributions are recognized as of the employer 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. Additional information can be found in Note 7.

Net Position – Net position represent the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the school-wide financial statements. Net investment in capital assets consists 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 school-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Fund Balance - The School classifies fund balances in the governmental funds as follows:

- **Nonspendable fund balance** – amounts are in a nonspendable form (such as inventory or prepaid items) or are required to be maintained intact.
- **Restricted fund balance** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed fund balance** – amounts constrained to specific purposes by the School itself, using its highest level of decision-making authority (i.e., School Board). To be reported as committed, amounts cannot be used for any purpose unless the School takes the same highest level action to remove or change the constraint.
- **Assigned fund balance** – amounts the School intends to use for a specific purpose. Intent can be expressed by the School Board or by an official or body to which the School Board delegates the authority.
- **Unassigned fund balance** – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 1 – Summary of Significant Accounting Policies - (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the School considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School considers amounts to have been spent first out of committed, then assigned, and finally unassigned funds, as needed, unless the School has provided otherwise in its commitment or assignment actions.

The School Board has not established or approved committed or assigned fund balances. Therefore, at June 30, 2015, there are no committed or assigned fund balances reported in the financial statements.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Change in Accounting Principle

During the year ended June 30, 2015, the School implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement No. 68 recognizes the School's portion of net pension liability and related deferrals associated with their defined benefit pension plans. GASB Statement No. 71 recognizes a beginning deferred outflow of resources in the year GASB No. 68 is implemented.

NOTE 2 – Stewardship, Compliance, and Accountability

Expenditures in Excess of Budget

Actual expenditures exceeded budget for the year ended June 30, 2015 in the following funds:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$ 357,415	\$ 387,814	\$ 30,399
Community Service Fund	48,972	59,931	10,959

The above overages were considered by School Management to be the result of necessary expenditures critical to operations and were approved by the School Board.

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 2 – Stewardship, Compliance, and Accountability - (Continued)

Fund Deficit

A fund balance deficit exists in the following fund for the year ended June 30, 2015:

Food Service Fund	\$ 4,281
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The above deficit may be eliminated either by receipt of subsequent revenues, General Fund transfer, or budgeted expenditure constraints if necessary.

NOTE 3 – Deposits and Investments

The School's total cash and investments are as follows:

Pooled Depository Accounts:	
Checking Account	\$ (2,944)
Patronage Savings Account	1,715
Money Market Account	<u>2,526</u>
Total	<u><u>\$ 1,297</u></u>

A. Deposits

Authority - In accordance with Minnesota Statutes, the School maintains deposits at those depository banks authorized by the Board. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all School deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk - The custodial credit risk for deposits is the risk that in the event of a bank failure, the School's deposits may not be recovered. The School's policy for custodial credit risk is to maintain compliance with Minnesota Statutes that require all the School's deposits to be protected by insurance, surety bond, or pledged collateral. The School was not exposed to custodial credit risk at June 30, 2015.

B. Investments

Authority - Minnesota Statutes authorize the School to invest in the following types of investments:

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 3 – Deposits and Investments - (Continued)

1. securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minnesota Statutes;
2. mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
3. general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
4. bankers’ acceptances of United States banks;
5. commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
6. with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

The School has not adopted a formal investment policy and had no investments at June 30, 2015.

NOTE 4 – Due From Other Governmental Units

Amounts due from other governmental units at June 30, 2015 are as follows:

	<u>General Fund</u>	<u>Community Service Fund</u>	<u>Totals</u>
County / Township	\$ 8,000	\$ 6,000	\$ 14,000
Minnesota Department of Education:			
State Aids and Grants	14,821	-	14,821
Federal Aids and Grants	4,902	-	4,902
Total	<u>\$ 27,723</u>	<u>\$ 6,000</u>	<u>\$ 33,723</u>

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 5 – Capital Assets

Capital asset activity for the period ended June 30, 2015 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Sales and Retirements</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated:				
Equipment	\$ 94,342	\$ -	\$ 850	\$ 93,492
Buildings	65,044	-	65,044	-
Total Capital Assets Being Depreciated	<u>159,386</u>	<u>-</u>	<u>65,894</u>	<u>93,492</u>
Less Accumulated Depreciation:				
Equipment	62,076	6,239	452	67,863
Buildings	14,311	1,300	15,611	-
Total Accumulated Depreciation	<u>76,387</u>	<u>7,539</u>	<u>16,063</u>	<u>67,863</u>
Capital Assets, Net of Depreciation	<u>\$ 82,999</u>	<u>\$ (7,539)</u>	<u>\$ 49,831</u>	<u>\$ 25,629</u>

Depreciation expense was charged to the following program services:

District Support Services	\$ 1,311
Regular Instruction	2,648
Exceptional Instruction	610
Pupil Support Services	2,942
Site, Buildings and Equipment	28
Total Depreciation Expense	<u>\$ 7,539</u>

NOTE 6 – Inter-fund Receivables

Inter-fund receivables and payables are used when a fund has a cash deficit. Inter-fund receivable consists of a balance of \$16,878 in the General Fund. Inter-fund payables to the General fund consist of \$12,586 in the Community Service Fund and \$4,292 in the Food Service Fund.

NOTE 7 – Pension Plans

A. Teachers Retirement Association

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.

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NOTE 7 – Pension Plans – (Continued)

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.

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.

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 as described:

Tier I Benefits:

<u>Step Rate Formula</u>	<u>Coordinated</u>	<u>Basic</u>
1st ten years up to July 1, 2006	1.2 percent per year	2.2 percent per year
1st ten years on or after July 1, 2006	1.4 percent per year	2.2 percent per year
All other years up to July 1, 2006	1.7 percent per year	2.7 percent per year
All other years on or after July 1, 2006	1.9 percent per year	2.7 percent per year

With these provisions:

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

or

Tier II Benefits:

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9 percent 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.

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NOTE 7 – Pension Plans – (Continued)

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.

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon 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 which 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 also 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 provisions in effect at the time they last terminated their public service.

Contribution Rate

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

	<u>Ending June 30, 2014</u>		<u>Ending June 30, 2015</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
Basic	10.5%	11.0%	11.0%	11.5%
Coordinated	7.0%	7.0%	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	\$299,299,837
Deduct employer contributions not related to future contribution efforts	(398,798)
Deduct TRA’s contributions not included in allocation	<u>(370,701)</u>
Employer contributions reported in schedule of employer and non-employer pension allocations	<u>\$298,530,338</u>

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.

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NOTE 7 – Pension Plans – (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2014, 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, 2014
Valuation Date	July 1, 2014
Experience Study	October 30, 2009
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	8.25%
Wage Inflation	3.0%
Projected Salary increase	3.5-12%, based on years of service
Cost of living adjustment	2.0% until year 2034; 2.5% thereafter

Mortality Assumption

Pre-retirement	RP 2000 non-annuitant generational mortality, white collar adjustment, male rates set back 5 years and female rates set back 7 years.
Post-retirement	RP 2000 annuitant generational mortality, white collar adjustment, male rates set back 2 years and female rates set back 3 years.
Post-disability	RP 2000 disabled retiree mortality, without adjustment.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2004, to June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB 67 valuation.

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 percentage 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:

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NOTE 7 – Pension Plans – (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00
Bonds	18%	1.45
Alternative Assets	20%	6.40
Unallocated Cash	<u>2%</u>	0.50
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2015 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 available to make all projected future benefit payments of current active and inactive employees. 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.

Net Pension Liability

On June 30, 2015, the School reported a liability of \$92,159 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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 School's contribution to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. School proportionate share was 0.0020% at the end of the measurement period and 0.0018% 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 School were as follows:

School's proportionate share of net pension liability	\$ 92,159
State's proportionate share of the net pension liability associated with the school	6,360

A change in benefit provisions that affected the measurement of the total pension liability since the prior measurement date was an increase of the contribution rates for both the member and employer. Section C contains the rate information.

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NOTE 7 – Pension Plans – (Continued)

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 increase from 2.0 percent annually to 2.5 percent annually once the legally specified criteria are met. This is estimated to occur July 1, 2034.

For the year ended June 30, 2015, the School recognized pension expense of \$6,909. It also recognized \$277 as an increase to pension expense for the support provided by direct aid.

On June 30, 2015, the School had deferred resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,864	\$ -
Net difference between projected and actual earnings on plan investments	-	28,974
Changes in proportion	9,491	-
Contributions paid to TRA subsequent to the measurement date	<u>7,732</u>	<u>-</u>
Total	<u>\$ 25,087</u>	<u>\$ 28,974</u>

\$7,732 reported as deferred outflows of resources related to pensions resulting from School 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, 2016. Other amounts reported as deferred outflows and (inflows of resources) related to TRA pensions will be recognized in pension expense as follows:

2016	\$ (3,620)
2017	(3,620)
2018	(3,620)
2019	(3,620)
2020	2,861

Pension Liability Sensitivity

The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 8.25 percent as well as the liability measured using one percent lower and one percent higher.

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NOTE 7 – Pension Plans – (Continued)

School proportionate share of NPL		
1 percent decrease	Current	1 percent increase
<u>(7.25%)</u>	<u>(8.25%)</u>	<u>(9.25%)</u>
\$152,307	\$92,159	\$42,016

The Employer’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.

Pension Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained as www.MinnesotaTRA.org, 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).

B. Public Employees Retirement Association

Plan Description

The School participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (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 (GERF)

All full-time and certain part-time employees of the School are covered by the General Employees Retirement Fund (GERF). GERF 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

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.

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NOTE 7 – Pension Plans – (Continued)

GERF Benefits

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. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

Contributions

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

GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5% of pay in 2015. In calendar year 2014, the School was required to contribute 11.78% of pay for Basic Plan members and 7.25% for Coordinated Plan members. In 2015, employer rates increased to 7.5% in the Coordinated Plan. The School's contributions to the GERF for the plan's fiscal year ended June 30, 2014, were \$6,516. The School's contributions were equal to the required contributions for each year as set by state statute.

Pension Costs

GERF Pension Costs

At June 30, 2015, the School reported a liability of \$79,857 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2014, 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 School's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2014, the School's proportion was 0.0017%.

For the year ended June 30, 2015, the School recognized pension expense of \$5,928 for its proportionate share of GERF's pension expense.

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NOTE 7 – Pension Plans – (Continued)

At June 30, 2015, the School reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,226	\$ -
Net difference between projected and actual earnings on plan investments	-	21,577
Changes in Actuarial Assumptions	8,230	-
Contributions paid to PERA subsequent to the measurement date	<u>8,563</u>	<u>-</u>
Total	<u>\$ 18,019</u>	<u>\$ 21,577</u>

\$8,563 reported as deferred outflows of resources related to pensions resulting from School contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2016	\$ (2,242)
2017	(2,242)
2018	(2,243)
2019	(5,394)

Actuarial Assumptions

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments.

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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 7 – Pension Plans – (Continued)

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA’s other plans, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2014:

- **GERF and MERF:** As of July 1, 2013, the postretirement benefit increase rate was assumed to increase from 1.0% to 2.5% on January 1, 2046. As of July 1, 2014, the postretirement benefit increase rate was assumed to increase from 1.0% to 2.5% on January 1, 2031.
- **PECF:** The single discount rate was changed from 7.43% to 7.90%

The long-term expected rate of return on pension plan investments is 7.9%. 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 on a regular basis 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 following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	<u>2%</u>	0.50%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 7 – Pension Plans – (Continued)

Pension Liability Sensitivity

The following presents the School’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 School’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:

	<u>1% Decrease in Discount Rate (6.9%)</u>	<u>Discount Rate (7.9%)</u>	<u>1% Increase in Discount Rate (8.9%)</u>
School’s proportionate share of the GERS net pension liability:	\$128,733	\$79,857	\$39,644

Pension Plan Fiduciary Net Position

Detailed information about each defined benefit pension plan’s fiduciary net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

NOTE 8 – Short-Term Debt

The activity for the short-term borrowings during fiscal year 2015 is as follows:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements and Subtractions</u>	<u>Ending Balance</u>
Bank Line of Credit, up to \$70,100	5.00%	12/12/2014	8/15/2015	<u>\$ -</u>	<u>\$ 111,300</u>	<u>\$ 58,578</u>	<u>\$ 52,722</u>

The School has a line-of-credit with a local bank allowing them to borrow up to \$70,100 for financing of general fund operations. The line-of-credit carries an interest rate of 5.0% and matures August 15, 2015.

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NOTE 9 – Long-Term Liabilities

A summary of changes in long-term debt is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements and Subtractions</u>	<u>Ending Balance</u>
Net Pension Liability	\$ 195,808	\$ -	\$ 23,792	\$ 172,016
Note Payable - Bus	<u>3,628</u>	<u>-</u>	<u>3,628</u>	<u>-</u>
Total Long Term Liabilities	<u>\$ 199,436</u>	<u>\$ -</u>	<u>\$ 27,420</u>	<u>\$ 172,016</u>

The School had a long-term note payable from a related party in the amount of \$18,000 to purchase a new bus. The loan was paid off in 2015.

NOTE 10 – Operating Lease

As of July 1st of 2015, the School is negotiating the renewal of the lease agreement with the Town of Tofte as lessee for the School building space. The lease will be for one year ending June 30, 2016. The lease amounts are not expected to change and call for an annual base rent of \$34,502 and an annual operating cost payment of \$3,000. Amounts are paid monthly in 12 equal installments and are due in advance of the first day of each month.

On August 1, 2014, the School entered into an additional operating lease with the Town of Tofte as lessee. The lease will be for one year ending June 30, 2016. The lease calls for an annual amount of \$6,093 and is paid in 12 monthly equal installments that are due in advance of the first day of each month.

For the year ended June 30, 2015 the Schools lease expenditures were \$34,502 charged to the General Fund and \$6,096 charged to the Community Service Fund.

NOTE 11 – Related Party Transactions

In 2012, the School purchased a bus in the amount of \$18,000 and entered into an installment note payable with a related party. In the current year, the School paid off the remaining \$3,628 balance.

On June 30, 2015, the school sold its outdoor classroom to a school board member for \$42,500.

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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 12 - Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, and natural disaster. The School carries various commercial insurance policies covering workers' compensation liabilities, personal property, commercial liability and automobile liability. There were no significant reductions in insurance from the previous year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

NOTE 13 - Commitments and Contingencies

The School participates in numerous State, Federal and private grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collection of any related receivable at June 30, 2015 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies

NOTE 14 – Restatement of Net Position

Effective July 1, 2014, the School implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result of this implementation, the School has restated previously reported net position in the governmental activities decreasing it \$183,004 from \$98,479 to (\$84,525).

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REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>Revenues</u>				
Revenues from Local Sources	\$ 30,300	\$ 43,198	\$ 34,839	\$ (8,359)
Revenues from State Sources	298,022	247,677	261,273	13,596
Revenues from Federal Sources	23,799	23,799	23,950	151
Sales and Other Conversions of Assets	17,000	18,500	18,163	(337)
Investment Earnings	150	150	192	42
<u>Total Revenues</u>	<u>369,271</u>	<u>333,324</u>	<u>338,417</u>	<u>5,093</u>
<u>Expenditures</u>				
District and School Administration	49,852	51,599	54,214	(2,615)
District Support Services	46,515	45,785	46,304	(519)
Regular Instruction	96,330	107,926	111,465	(3,539)
Special Education Instruction	61,156	61,156	81,786	(20,630)
Instructional Support Services	5,497	5,500	6,055	(555)
Pupil Support Services	42,333	36,509	38,304	(1,795)
Site, Buildings and Equipment	38,300	39,940	39,396	544
Fiscal and Other Fixed Costs	9,000	9,000	10,290	(1,290)
<u>Total Expenditures</u>	<u>348,983</u>	<u>357,415</u>	<u>387,814</u>	<u>(30,399)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>20,288</u>	<u>(24,091)</u>	<u>(49,397)</u>	<u>(25,306)</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from the Sale of Capital Assets	-	40,000	43,500	3,500
Operating Transfer Out	(4,000)	(5,000)	-	5,000
<u>Total Other Financing Sources (Uses)</u>	<u>(4,000)</u>	<u>35,000</u>	<u>43,500</u>	<u>8,500</u>
<u>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</u>	<u>16,288</u>	<u>10,909</u>	<u>(5,897)</u>	<u>(16,806)</u>
<u>Fund Balances, Beginning of Year</u>	<u>17,318</u>	<u>17,318</u>	<u>17,318</u>	<u>-</u>
<u>Fund Balances, End of Year</u>	<u>\$ 33,606</u>	<u>\$ 28,227</u>	<u>\$ 11,421</u>	<u>\$ (16,806)</u>

See Accompanying Notes to the Required Supplementary Information.

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
COMMUNITY SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Local Revenues	\$ 48,500	\$ 55,012	\$ 58,831	\$ 3,819
Sales and Other Conversions of Assets	-	579	527	(52)
<u>Total Revenues</u>	<u>48,500</u>	<u>55,591</u>	<u>59,358</u>	<u>3,767</u>
<u>Expenditures</u>				
<u>Community Education and Services</u>				
Salaries and Wages	35,860	33,200	40,422	(7,222)
Employee Benefits	5,339	4,770	6,057	(1,287)
Purchased Services	-	6,600	9,475	(2,875)
Supplies and Materials	900	4,402	3,977	425
<u>Total Expenditures</u>	<u>42,099</u>	<u>48,972</u>	<u>59,931</u>	<u>(10,959)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>6,401</u>	<u>6,619</u>	<u>(573)</u>	<u>(7,192)</u>
<u>Fund Balance, Beginning of Year</u>	<u>1,263</u>	<u>1,263</u>	<u>1,263</u>	<u>-</u>
<u>Fund Balance, End of Year</u>	<u>\$ 7,664</u>	<u>\$ 7,882</u>	<u>\$ 690</u>	<u>\$ (7,192)</u>

See Accompanying Notes to the Required Supplementary Information.

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S AND NON-EMPLOYER PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
JUNE 30, 2015

Last 10 Fiscal Years*

For Fiscal Year Ended June 30:	School's Proportion of the Net Pension Liability (Asset)	School's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the School	Total	School's Covered- Employee Payroll	School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of it's Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA 2014	0.0017%	\$ 79,857	\$ -	\$ 79,857	\$ 89,612	89.11%	78.7%
TRA 2014	0.0020%	92,159	6,360	98,519	90,707	101.60%	81.5%

*- Schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

See Accompanying Notes to the Required Supplementary Information.

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL'S CONTRIBUTION
JUNE 30, 2015

Last 10 Fiscal Years*

For Fiscal Year Ended June 30:	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	School's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
PERA					
2015	\$ 8,563	\$ 8,563	\$ -	\$ 115,985	7.38%
TRA					
2015	7,732	7,732	-	122,040	6.34%

*- Schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

See Accompanying Notes to the Required Supplementary Information.

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

NOTE 1 – Budgetary Data

Budgets are prepared for School funds on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are in accordance with accounting principles generally accepted in the United States of America.

Legal Compliance – Budgets

- The Director submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for all funds of the School.
- The budget is legally enacted through passage of a School Board resolution by July 1.
- The School Board may authorize transfer of budgeted amounts between funds.
- Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
- General and special revenue funds expenditures may not legally exceed budgeted appropriations at the total fund level without School Board approval. Monitoring of budgets is maintained at the expenditure category level.

NOTE 2 – Stewardship, Compliance, and Accountability

Expenditures in Excess of Budget

Actual expenditures exceeded budget for the year ended June 30, 2015 in the following funds:

	Budget	Actual	Variance
General Fund	\$ 357,415	\$ 387,814	\$ 30,399
Community Service Fund	48,972	59,931	10,959

The above overages were considered by School Management to be the result of necessary expenditures critical to operations and were approved by the School Board.

Fund Deficit

A fund balance deficit exists in the following fund for the year ended June 30, 2015:

Food Service Fund	\$ 4,281
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The above deficit may be eliminated either by receipt of subsequent revenues, General Fund transfer, or budgeted expenditure constraints if necessary.

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

NOTE 3 – Pensions

There are no factors that affect trends in the amounts reported, such as change of benefit terms or assumptions. With only one year reported in the RSI, there is no additional information to include in the notes. Details, if necessary, can be obtained from the PERA CAFR and TRA CAFR for their respective pension plans.

FISCAL COMPLIANCE REPORT - 6/30/2015
District: BIRCH GROVE COMMUNITY SCHOOL (4145)

	Audit (-)				Audit (-)		
	Audit	UFARS	UFARS		Audit	UFARS	UFARS
01 GENERAL FUND							
Total Revenue	\$338,417	\$338,417	\$0	Total Revenue	\$0	\$0	\$0
Total Expenditures	\$387,814	\$387,815	(\$1)	Total Expenditures	\$0	\$0	\$0
Non Spendable:							
4.60 Non Spendable Fund Balance	\$6,662	\$6,662	\$0	4.60 Non Spendable Fund Balance	\$0	\$0	\$0
Restricted/Reserved:							
4.03 Staff Development	\$0	\$0	\$0	4.07 Capital Projects Levy	\$0	\$0	\$0
4.05 Deferred Maintenance	\$0	\$0	\$0	4.09 Alternative Facility Program	\$0	\$0	\$0
4.06 Health and Safety	\$0	\$0	\$0	4.13 Project Funded by COP	\$0	\$0	\$0
4.07 Capital Projects Levy	\$0	\$0	\$0	Restricted:			
4.08 Cooperative Revenue	\$0	\$0	\$0	4.64 Restricted Fund Balance	\$0	\$0	\$0
4.09 Alternative Facility Program	\$0	\$0	\$0	Unassigned:			
4.13 Project Funded by COP	\$0	\$0	\$0	4.63 Unassigned Fund Balance	\$0	\$0	\$0
4.14 Operating Debt	\$0	\$0	\$0	06 BUILDING CONSTRUCTION			
4.16 Levy Reduction	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
4.17 Taconite Building Maint	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
4.23 Certain Teacher Programs	\$0	\$0	\$0	Non Spendable:			
4.24 Operating Capital	\$0	\$0	\$0	4.60 Non Spendable Fund Balance	\$0	\$0	\$0
4.26 \$25 Taconite	\$0	\$0	\$0	Restricted/Reserved:			
4.27 Disabled Accessibility	\$0	\$0	\$0	4.25 Bond Refundings	\$0	\$0	\$0
4.28 Learning & Development	\$0	\$0	\$0	4.51 QZAB Payments	\$0	\$0	\$0
4.34 Area Learning Center	\$0	\$0	\$0	Restricted:			
4.35 Contracted Alt. Programs	\$0	\$0	\$0	4.64 Restricted Fund Balance	\$0	\$0	\$0
4.36 State Approved Alt. Program	\$0	\$0	\$0	Unassigned:			
4.38 Gifted & Talented	\$0	\$0	\$0	4.63 Unassigned Fund Balance	\$0	\$0	\$0
4.40 Teacher Dev & Evaluation	\$0	\$0	\$0	07 DEBT SERVICE			
4.41 Basic Skills Program	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
4.45 Career Tech Programs	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
4.48 Achievement and Integration	\$0	\$0	\$0	Non Spendable:			
4.49 Safe Schools Crime-Crime Levy	\$0	\$0	\$0	4.60 Non Spendable Fund Balance	\$0	\$0	\$0
4.50 Pre-Kindergarten	\$0	\$0	\$0	Restricted/Reserved:			
4.51 QZAB Payments	\$0	\$0	\$0	4.25 Bond Refundings	\$0	\$0	\$0
4.52 OPEB Liab Not in Trust	\$0	\$0	\$0	4.51 QZAB Payments	\$0	\$0	\$0
4.53 Unfunded Sev & Retirement Levy	\$0	\$0	\$0	Restricted:			
Restricted:							
4.64 Restricted Fund Balance	\$0	\$0	\$0	4.64 Restricted Fund Balance	\$0	\$0	\$0
Committed:							
4.18 Committed for Separation	\$0	\$0	\$0	Unassigned:			
4.61 Committed	\$0	\$0	\$0	4.63 Unassigned Fund Balance	\$0	\$0	\$0
Assigned:							
4.62 Assigned Fund Balance	\$0	\$0	\$0	08 TRUST			
Unassigned:							
4.22 Unassigned Fund Balance	\$4,759	\$4,759	\$0	Total Revenue	\$0	\$0	\$0
Total Expenditures							
				Total Expenditures	\$0	\$0	\$0
Unassigned:							
				4.22 Unassigned Fund Balance	\$0	\$0	\$0
02 FOOD SERVICES							
Total Revenue	\$5,176	\$5,176	\$0	20 INTERNAL SERVICE			
Total Expenditures	\$9,985	\$9,985	\$0	Total Revenue	\$0	\$0	\$0
Non Spendable:							
4.60 Non Spendable Fund Balance	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
Restricted/Reserved:							
4.52 OPEB Liab Not in Trust	\$0	\$0	\$0	Unassigned:			
Restricted:							
4.64 Restricted Fund Balance	\$0	\$0	\$0	4.22 Unassigned Fund Balance	\$0	\$0	\$0
Assigned:							
4.62 Assigned Fund Balance	\$0	\$0	\$0	25 OPEB REVOCABLE TRUST			
Unassigned:							
4.63 Unassigned Fund Balance	(4,281)	(\$4,281)	\$0	Total Revenue	\$0	\$0	\$0
Total Expenditures							
				Total Expenditures	\$0	\$0	\$0
Unassigned:							
				4.22 Unassigned Fund Balance	\$0	\$0	\$0
04 COMMUNITY SERVICE							
Total Revenue	\$59,358	\$59,358	\$0	45 OPEB IRREVOCABLE TRUST			
Total Expenditures	\$59,931	\$59,931	\$0	Total Revenue	\$0	\$0	\$0
Non Spendable:							
4.60 Non Spendable Fund Balance	508	\$508	\$0	Total Expenditures	\$0	\$0	\$0
Restricted/Reserved:							
4.26 \$25 Taconite	\$0	\$0	\$0	Unassigned:			
4.31 Community Education	\$0	\$0	\$0	4.22 Unassigned Fund Balance	\$0	\$0	\$0
4.32 E.C.F.E.	\$0	\$0	\$0	47 OPEB DEBT SERVICE			
4.40 Teacher Dev & Evaluation	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
4.44 School Readiness	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
4.47 Adult Basic Education	\$0	\$0	\$0	Non Spendable:			
4.52 OPEB Liab Not in Trust	\$0	\$0	\$0	4.60 Non Spendable Fund Balance	\$0	\$0	\$0
Restricted:							
4.64 Restricted Fund Balance	\$182	\$182	\$0	Restricted:			
Unassigned:							
4.63 Unassigned Fund Balance	\$0	\$0	\$0	4.25 Bond Refundings	\$0	\$0	\$0
				4.64 Restricted Fund Balance	\$0	\$0	\$0
				Unassigned:			
				4.63 Unassigned Fund Balance	\$0	\$0	\$0



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN
 AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
 WITH THE MINNESOTA LEGAL COMPLIANCE AUDIT GUIDE
 FOR POLITICAL SUBDIVISIONS**

The Board of Education
 Birch Grove Community School
 Minnesota Charter School No. 4145
 Tofte, 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, each major fund, and the remaining fund information of Birch Grove Community School, Minnesota Charter School No. 4145 as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 24, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute 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 Birch Grove Community School, Minnesota Charter School No. 4145 failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivision*, except for item 2015-001 as described in the findings and responses (corrective action plans) on compliance with Minnesota statutes section. 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 School's noncompliance with the above referenced provisions.

Birch Grove Community School, Minnesota Charter School No. 4145's response to the Minnesota Legal Compliance finding, identified in our audit and described in the findings and responses (corrective action plans) on compliance with Minnesota statutes section, was not subjected to the auditing procedures applied in the audit of the of the financial statements and, accordingly, we express no opinion on it.

The purpose of this report is solely 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 purposes.

Miller McDonald, Inc.

November 24, 2015
 Bemidji, Minnesota



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**INDEPENDENT AUDITOR'S 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**

The Board of Education
 Birch Grove Community School
 Minnesota Charter School No. 4145
 Tofte, Minnesota

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of Birch Grove Community School, Minnesota Charter School No. 4145, as of and for the year ended June 30, 2015, and related notes to the financial statements, which collectively comprise Birch Grove Community School, Minnesota Charter School No. 4145's basic financial statements, and have issued our report thereon dated November 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Birch Grove Community School, Minnesota Charter School No. 4145'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 Birch Grove Community School, Minnesota Charter School No. 4145's internal control. Accordingly, we do not express an opinion on the effectiveness of Birch Grove Community School, Minnesota Charter School No. 4145'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 entity's 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.

Our consideration of the 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 deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Birch Grove Community School
Minnesota Charter School No. 4145

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Birch Grove Community School, Minnesota Charter School No. 4145's financial statements are free of 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*.

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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Miller McDonald, Inc.

November 24, 2015
Bemidji, Minnesota

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
FINDINGS AND RESPONSES (CORRECTIVE ACTION PLANS)
ON COMPLIANCE WITH MINNESOTA STATUTES
YEAR ENDED JUNE 30, 2015

A. Findings on Compliance with Minnesota Statutes

Items Arising During the Year

Finding: 2015-001 – Sale of Assets to School Board Member

Condition

The outdoor classroom owned by Birch Grove Community School was purchased by a Board member.

Criteria

Minnesota Statute 124D.10, Subd. 15.054 prohibits Board members from selling or buying property or materials owned by the charter school.

Effect

The School is in violation of Minnesota Statutes.

Cause

The School does not have adequate controls in place to ensure compliance with current Minnesota Statutes.

Recommendation

We recommend the School modify its internal controls to ensure compliance with all current Minnesota Statutes.

Management's Response – Corrective Action Plan (CAP)

1. Explanation of Disagreement with Audit Finding

Management disagrees with the audit finding based on the following:

- Reasonable public notice of the sale was conducted. The sale was publicly advertised in multiple venues and for multiple months. Advertisements included instructions to call the school office with inquiries/offers.
- A publicly advertised school board meeting was held to review and accept the highest offer for the classroom.
- The school board member who purchased the outdoor classroom made an offer to purchase the outdoor classroom at the meeting that was \$22,500 more than the only other offer. The school board member who purchased the outdoor classroom was excused from the meeting for school board discussion. A unanimous motion to accept the offer was approved by the board with the school board member who purchased the outdoor classroom being excluded from the vote due to conflict of interest.

BIRCH GROVE COMMUNITY SCHOOL
MINNESOTA CHARTER SCHOOL NO. 4145
TOFTE, MINNESOTA
FINDINGS AND RESPONSES (CORRECTIVE ACTION PLANS)
ON COMPLIANCE WITH MINNESOTA STATUTES
YEAR ENDED JUNE 30, 2015

2. **Actions Planned in Response to Finding**

The Minnesota State Auditor's office and the Cook County Attorney's office were contacted by both the school management and the school auditors on this issue. School management submitted the following information to the state auditor's office and the county attorney:

- An email between school management and the Minnesota Department of Education concerning the sale procedure
- A copy of Minnesota state statute 124D.10 subd. 15.054
- School board minutes from the sale of the outdoor classroom
- Narrative from school management concerning this issue

There has been no response from either the State Auditor's Office or the County Attorney to date.

3. **Official Responsible for Ensuring CAP Implementation**

Business Manager

4. **Planned Completion of CAP**

On or before June 30, 2016

5. **Plan to Monitor Completion of CAP**

Business manager will follow-up with any subsequent communications from either the State Auditor's Office or the County Attorney.