

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2014**

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CHARTER SCHOOL NO. 4194  
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## **INTRODUCTORY SECTION**

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
SCHOOL BOARD  
JUNE 30, 2014**

**SCHOOL BOARD**

<b>NAME</b>	<b>TERM ON BOARD EXPIRES</b>	<b>BOARD POSITION</b>
Shelley Cole	January 2016	Board Chair
Vanessa Kuhlman	January 2017	Vice Chair
Marilyn Bongers	January 2016	Treasurer
Jane Jirik	January 2016	Secretary
Sandy Larson	January 2017	Director
Jen Walls	January 2015	Director
Angela Rosendahl	January 2015	Director

## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

Members of the Board of Education  
Charter School No. 4194  
Cannon River STEM School  
Faribault, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Cannon River STEM School, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 and each major fund of Cannon River STEM School as of June 30, 2014, 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.

### **Report on Summarized Prior Year Information**

We have previously audited Cannon River STEM School's 2013 financial statements of the governmental activities and each major fund, and we expressed an unmodified opinion on those audited financial statements in our report dated October 16, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents 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.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cannon River STEM School's basic financial statements. The individual fund statements and the accompanying Uniform Financial and Reporting Standards Compliance Table as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.



Members of the Board of Education  
Charter School No. 4194  
Cannon River STEM School

*Supplementary Information (Continued)*

The individual fund statements and the accompanying Uniform Financial Accounting and Reporting Standards Compliance Table are the responsibility of management and were 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 individual fund statements and the Uniform Financial Accounting and Reporting Standards Compliance Table are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2014, on our consideration of Cannon River STEM School'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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cannon River STEM School's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
September 23, 2014

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

This Cannon River STEM School's annual financial report presents our discussion and analysis of the School's financial performance during the period from inception through June 30, 2014. Please read it in conjunction with the School's financial statements, which immediately follow this section. The Management's Discussion and Analysis (MD&A) is a required element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2013-2014 fiscal period include the following:

- Total General Fund revenues were \$ 2,506,704 as compared to \$ 2,468,461 of expenditures for fiscal 2014.
- Total fund balance of the General Fund is \$ 708,532 at June 30, 2014.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis, (this section), the basic financial statements, and supplemental 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.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data.

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**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 and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two School-wide statements report the School's *net position* and how they have changed. Net position – the difference between the School's assets and liabilities – 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 creditworthiness and the condition of school buildings and other facilities.

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

- *Governmental Activities* – Most of the School's basic services are included here, such as regular and special education, transportation, administration, and food services. State aids finance most 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 and by debt covenants.
- The School may establish other funds to control and manage money for a specific purpose.

The School has one kind of fund:

- *Governmental Funds* – Most of 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 funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the School-wide statements, we provide additional information at the bottom of the governmental funds statements to explain the relationship (or differences) between them.

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

**Net Position**

The School's *combined* net position was \$ 931,211 on June 30, 2014.

**Table A-1  
The School's Net Position**

	Governmental Activities		Percentage Change
	2014	2013	
Current and Other Assets	\$ 983,037	\$ 888,513	10.64 %
Capital and Non-Current Assets	198,178	176,584	12.23
Total Assets	1,181,215	1,065,097	10.90
Current Liabilities	250,004	205,606	21.59
Net Position:			
Net Investment in Capital Assets	198,178	176,584	12.23
Restricted	24,501	12,618	94.17
Unrestricted	708,532	670,289	5.71
Total Net Position	\$ 931,211	\$ 859,491	8.34

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)**

**Changes in Net Position**

The School's total revenues were \$ 2,613,110 for the period ended June 30, 2014. Most of the School's revenue was received from state aid and through federal grants.

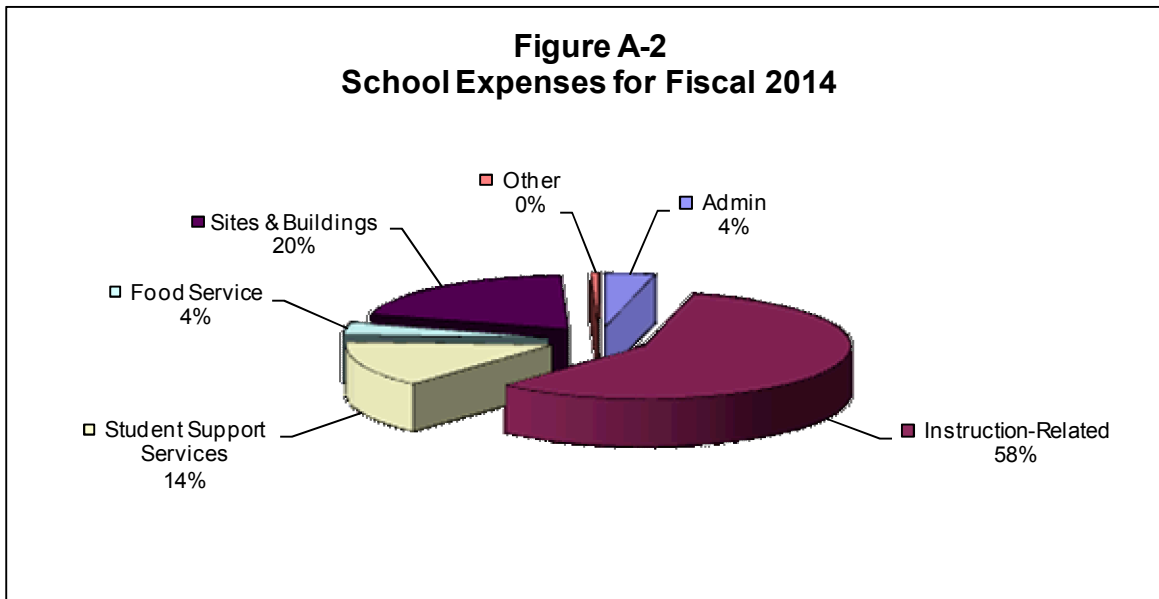
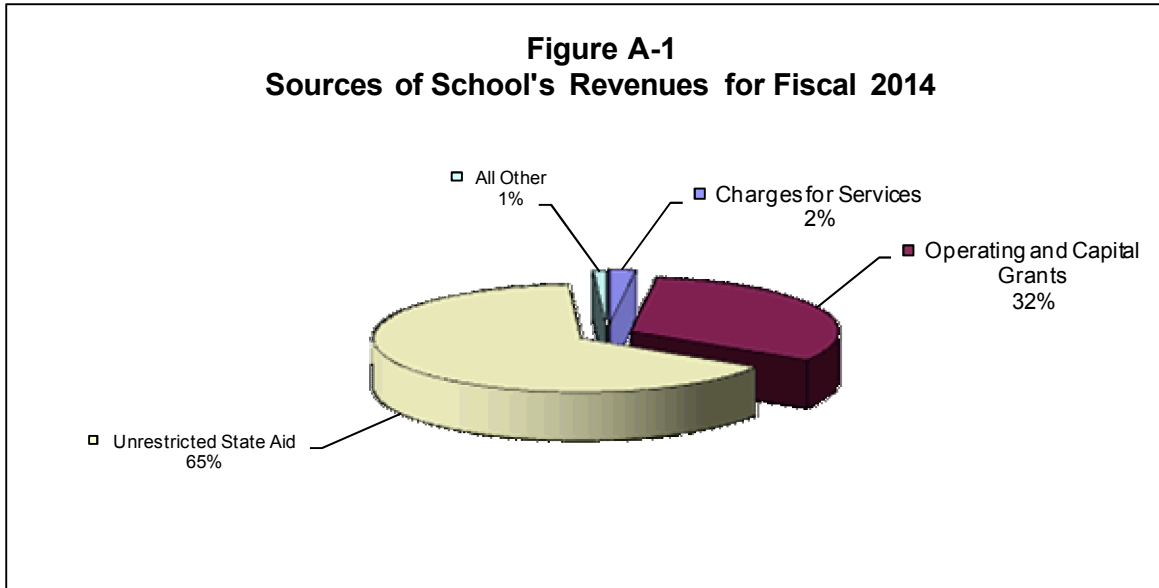
**Table A-2  
Change in Net Position**

	Governmental Activities for the Fiscal Year Ended June 30,		Total % Change
	2014	2013	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 51,666	\$ 47,166	9.54 %
Operating Grants and Contributions	835,935	767,606	8.90
<u>General Revenues</u>			
Unrestricted State Aid	1,700,532	1,533,068	10.92
Investment Earnings	404	27	1396.30
Other	24,573	45,076	(45.49)
Total Revenues	<u>2,613,110</u>	<u>2,392,943</u>	9.20
<b>Expenses</b>			
Administration	97,197	81,285	19.58
District Support Services	296,803	229,087	29.56
Regular Instruction	1,098,054	987,874	11.15
Special Education Instruction	374,357	336,812	11.15
Instructional Support Services	51,615	54,526	(5.34)
Pupil Support Services	7,954	622	1178.78
Sites and Buildings	505,912	458,408	10.36
Fiscal and Other Fixed Cost Programs	14,975	12,595	18.90
Food Service	94,291	79,662	18.36
Community Service	232	222	4.50
Total Expenses	<u>2,541,390</u>	<u>2,241,093</u>	13.40
<b>Increase in Net Position</b>	71,720	151,850	(52.77)
Beginning Net Position	859,491	707,641	21.46
Ending Net Position	<u>\$ 931,211</u>	<u>\$ 859,491</u>	8.34

The total cost of all programs and services was \$ 2,541,390 . Total revenues exceeded expenses by \$ 71,720 resulting in ending Net Position of \$ 931,211 at June 30, 2014.

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

The cost of all *governmental* activities this period was \$ 2,541,390 .



**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**Table A-3  
Program Expenses and Net Cost of Services**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2014	2013		2014	2013	
Administration	\$ 97,197	\$ 81,285	19.58 %	\$ 97,197	\$ 81,285	19.58 %
District Support Services	296,803	229,087	29.56	296,803	229,087	29.56
Regular Instruction	1,098,054	987,874	11.15	1,038,621	927,261	12.01
Special Education Instruction	374,357	336,812	11.15	6,511	5,828	11.72
Instructional Support Services	51,615	54,526	(5.34)	51,615	54,526	(5.34)
Pupil Support Services	7,954	622	1178.78	7,954	622	1178.78
Sites and Buildings	505,912	458,408	10.36	151,996	126,205	20.44
Fiscal and Other Fixed Cost Programs	14,975	12,595	18.90	14,975	12,595	18.90
Food Service	94,291	79,662	18.36	(9,872)	(9,467)	4.28
Community Service	232	222	4.50	(2,011)	(1,621)	24.06
Total	<u>\$ 2,541,390</u>	<u>\$ 2,241,093</u>	13.40	<u>\$ 1,653,789</u>	<u>\$ 1,426,321</u>	15.95

**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

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 fund balance of \$ 733,033 . The combined fund balance percentage as of June 30, 2014 is 28.7% of expenditures.

Revenues and expenditures for the School's governmental funds were \$ 2,613,110 and \$ 2,562,984 , respectively.

**GENERAL FUND**

The General Fund includes the primary operations of the School which provides educational services to students from kindergarten through 8th grade.

A large percentage of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources.

**FOOD SERVICE FUND**

The Food Service Fund accounts for the food service operations. During the 2013-2014 fiscal year, Food Service Fund revenues exceeded expenditures by \$9,872.

**COMMUNITY SERVICE FUND**

The Community Service Fund accounts for the before and after school programs offered to all students. During the 2013-2014 fiscal year, the program produced a surplus of \$2,011.

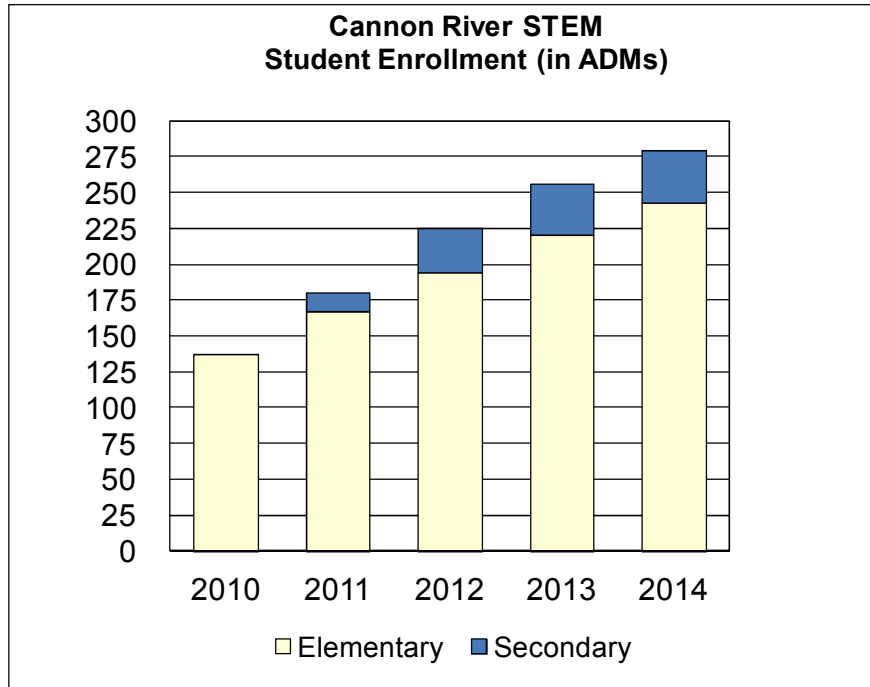


**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**ENROLLMENT**

Enrollment is a critical factor in determining revenue with approximately 93% of General Fund revenue being determined by enrollment.

**Table A-4  
Average Daily Membership (ADM)**



**GENERAL FUND**

The following schedule presents a summary of General Fund Revenues.

**Table A-5  
General Fund Revenues**

Fund	Year Ended		Change	
	June 30, 2014	June 30, 2013	Increase (Decrease)	Percent
Local Sources:				
Earnings on Investments	\$ 404	\$ 27	\$ 377	1396.30 %
Other	24,573	45,076	(20,503)	(45.49)
State Sources	2,378,939	2,146,975	231,964	10.80
Federal Sources	102,788	109,893	(7,105)	(6.47)
Total General Fund Revenue	<u>\$ 2,506,704</u>	<u>\$ 2,301,971</u>	<u>\$ 204,733</u>	8.89

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

The following schedule presents a summary of General Fund Expenditures.

**Table A-6  
General Fund Expenditures**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2014	June 30, 2013		
Salaries	\$ 1,211,742	\$ 1,059,428	\$ 152,314	14.38 %
Employee Benefits	287,590	238,365	49,225	20.65
Purchased Services	777,945	732,405	45,540	6.22
Supplies and Materials	72,640	70,131	2,509	3.58
Capital Expenditures	96,061	72,578	23,483	32.36
Other Expenditures	22,483	10,819	11,664	107.81
Total Expenditures	<u>\$ 2,468,461</u>	<u>\$ 2,183,726</u>	<u>\$ 284,735</u>	13.04

Salaries (49.0%), employee benefits (11.7%) purchased services (31.5%), supplies (2.9%), and capital expenditures (3.9%) made up 99.0% of all the expenditures incurred for the School's fifth operational year with students. For the prior year, the majority of costs incurred were proportionate to those of the current year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

By the end of 2014, the School had invested \$363,948 in capital assets (see Table A-7). (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year totaled \$49,730. At June 30, 2014, the School had not incurred any long-term debt.

**Table A-7  
The School's Capital Assets**

	2014	2013	Percentage Change
Equipment	\$ 363,948	\$ 311,484	16.84 %
Less: Accumulated Depreciation	<u>(165,770)</u>	<u>(134,900)</u>	22.88
Total	<u>\$ 198,178</u>	<u>\$ 176,584</u>	12.23

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**FACTORS BEARING ON THE SCHOOL'S FUTURE**

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

Enrollment is expected to increase for the next several years providing a yearly increase in revenue. It is expected that the grants and state and federal aids received will support the planned level of expenditures for fiscal 2014-2015.

The School will strive to maintain its initial commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our constituents, state oversight agencies, lenders, customers, legislative leaders and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cannon River STEM School, 1800 14<sup>th</sup> Street NE, Faribault, MN 55021.

## **BASIC FINANCIAL STATEMENTS**

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
STATEMENT OF NET POSITION  
JUNE 30, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	Governmental Activities	
	2014	2013
<b>ASSETS</b>		
Cash and Investments	\$ 713,442	\$ 547,425
Receivables:		
Other Governments	240,883	320,554
Other	2,574	-
Prepaid Items	26,138	20,534
Capital Assets, Net of Depreciation	198,178	176,584
Total Assets	1,181,215	1,065,097
<b>LIABILITIES</b>		
Salaries Payable	210,498	179,834
Accounts and Contracts Payable	39,506	25,772
Total Liabilities	250,004	205,606
<b>NET POSITION</b>		
Net Investment in Capital Assets	198,178	176,584
Restricted for:		
Food Service	19,339	9,467
Community Service	5,162	3,151
Unrestricted	708,532	670,289
Total Net Position	\$ 931,211	\$ 859,491

See accompanying Notes to Basic Financial Statements.

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

Functions	2014				2013	
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Total	Net (Expense) Revenue and Changes in Net Position Total	Governmental Activities
				Governmental Activities	Governmental Activities	
<b>Governmental Activities</b>						
Administration	\$ 97,197	\$ -	\$ -	\$ (97,197)	\$ (81,285)	
District Support Services	296,803	-	-	(296,803)	(229,087)	
Regular Instruction	1,098,054	-	59,433	(1,038,621)	(927,261)	
Special Education Instruction	374,357	-	367,846	(6,511)	(5,828)	
Instructional Support Services	51,615	-	-	(51,615)	(54,526)	
Pupil Support Services	7,954	-	-	(7,954)	(622)	
Sites and Buildings	505,912	-	353,916	(151,996)	(126,205)	
Fiscal and Other Fixed Cost Programs	14,975	-	-	(14,975)	(12,595)	
Food Service	94,291	49,423	54,740	9,872	9,467	
Community Service	232	2,243	-	2,011	1,621	
Total	<u>\$ 2,541,390</u>	<u>\$ 51,666</u>	<u>\$ 835,935</u>	(1,653,789)	(1,426,321)	
<b>General Revenues</b>						
State Aid Not Restricted to Specific Purposes				1,700,532	1,533,068	
Earnings on Investments				404	27	
Miscellaneous				<u>24,573</u>	<u>45,076</u>	
Total General Revenues				<u>1,725,509</u>	<u>1,578,171</u>	
Change in Net Position				71,720	151,850	
Net Position - Beginning				<u>859,491</u>	<u>707,641</u>	
Net Position - Ending				<u>\$ 931,211</u>	<u>\$ 859,491</u>	

See accompanying Notes to Basic Financial Statements.

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	Major Funds			Total Governmental Funds	
	General	Food Service	Community Service	2014	2013
<b>ASSETS</b>					
Cash and Investments	\$ 692,354	\$ 15,895	\$ 5,193	\$ 713,442	\$ 547,425
Receivables:					
Due from Minnesota Department of Education	233,847	76	-	233,923	302,714
Due from Federal through Minnesota Department of Education	6,166	794	-	6,960	17,840
Other Receivables	-	2,574	-	2,574	-
Prepaid Items	26,138	-	-	26,138	20,534
<b>Total Assets</b>	<b>\$ 958,505</b>	<b>\$ 19,339</b>	<b>\$ 5,193</b>	<b>\$ 983,037</b>	<b>\$ 888,513</b>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Salaries Payable	\$ 165,033	\$ -	\$ 28	\$ 165,061	\$ 145,260
Payroll Deductions and Employer Contributions Payable	45,434	-	3	45,437	34,574
Accounts and Contracts Payable	39,506	-	-	39,506	25,772
<b>Total Liabilities</b>	<b>249,973</b>	<b>-</b>	<b>31</b>	<b>250,004</b>	<b>205,606</b>
Fund Balance:					
Nonspendable:					
Prepaid Items	26,138	-	-	26,138	20,534
Restricted:					
Food Service	-	19,339	-	19,339	9,467
Community Service	-	-	5,162	5,162	3,151
Unassigned	682,394	-	-	682,394	649,755
<b>Total Fund Balance</b>	<b>708,532</b>	<b>19,339</b>	<b>5,162</b>	<b>733,033</b>	<b>682,907</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 958,505</b>	<b>\$ 19,339</b>	<b>\$ 5,193</b>	<b>\$ 983,037</b>	<b>\$ 888,513</b>

See accompanying Notes to Basic Financial Statements.

**CANNON RIVER STEM SCHOOL  
 CHARTER SCHOOL NO. 4194  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2014  
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	2014	2013
<b>Total Fund Balance for Governmental Funds</b>	\$ 733,033	\$ 682,907
<p>Total net position reported for governmental activities in the statement of net position is different because:</p> <p>Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:</p>		
Equipment, Net of Accumulated Depreciation	198,178	176,584
<b>Total Net Position of Governmental Activities</b>	<b>\$ 931,211</b>	<b>\$ 859,491</b>

See accompanying Notes to Basic Financial Statements.



**CANNON RIVER STEM SCHOOL  
 CHARTER SCHOOL NO. 4194  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2014  
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

	Major			Total Governmental	
	General	Food Service	Community Service	Funds 2014	2013
<b>REVENUES</b>					
Local Sources:					
Earnings on Investments	\$ 404	\$ -	\$ -	\$ 404	\$ 27
Other	24,573	49,423	2,243	76,239	92,242
State Sources	2,378,939	4,941	-	2,383,880	2,151,393
Federal Sources	102,788	49,799	-	152,587	149,281
Total Revenues	2,506,704	104,163	2,243	2,613,110	2,392,943
<b>EXPENDITURES</b>					
Current:					
Administration	97,197	-	-	97,197	81,285
District Support Services	232,993	-	-	232,993	224,971
Regular Instruction	1,117,527	-	-	1,117,527	948,480
Special Education Instruction	375,552	-	-	375,552	336,692
Instructional Support Services	51,615	-	-	51,615	54,526
Pupil Support Services	1,472	-	-	1,472	622
Sites and Buildings	481,069	-	-	481,069	451,977
Fiscal and Other Fixed Cost Programs	14,975	-	-	14,975	12,595
Food Service	-	94,291	-	94,291	79,662
Community Service	-	-	232	232	222
Capital Outlay	96,061	-	-	96,061	72,578
Total Expenditures	2,468,461	94,291	232	2,562,984	2,263,610
Net Change in Fund Balance	38,243	9,872	2,011	50,126	129,333
Fund Balance - Beginning	670,289	9,467	3,151	682,907	553,574
Fund Balance - Ending	<u>\$ 708,532</u>	<u>\$ 19,339</u>	<u>\$ 5,162</u>	<u>\$ 733,033</u>	<u>\$ 682,907</u>

See accompanying Notes to Basic Financial Statements.

**CANNON RIVER STEM SCHOOL  
 CHARTER SCHOOL NO. 4194  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGE IN FUND BALANCE –  
 GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2014  
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

	2014	2013
<b>Net Change in Fund Balance - Total Governmental Funds</b>	\$ 50,126	\$ 129,333
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Capital Outlays	75,158	69,722
Gain (Loss) on Disposal of Capital Assets	(3,834)	-
Depreciation Expense	(49,730)	(47,205)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 71,720</b>	<b>\$ 151,850</b>

See accompanying Notes to Basic Financial Statements.

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Earnings on Investments	\$ 500	\$ 500	\$ 404	\$ (96)
Other	18,067	22,750	24,573	1,823
State Sources	2,368,725	2,451,961	2,378,939	(73,022)
Federal Sources	<u>97,761</u>	<u>102,168</u>	<u>102,788</u>	<u>620</u>
Total Revenues	2,485,053	2,577,379	2,506,704	(70,675)
<b>EXPENDITURES</b>				
Current:				
Administration	109,150	110,953	97,197	(13,756)
District Support Services	253,393	247,343	232,993	(14,350)
Elementary and Secondary Regular Instruction	1,076,294	1,027,661	1,117,527	89,866
Special Education Instruction	311,812	414,025	375,552	(38,473)
Instructional Support Services	71,168	66,420	51,615	(14,805)
Pupil Support Services	4,600	4,600	1,472	(3,128)
Sites and Buildings	517,568	517,568	481,069	(36,499)
Fiscal and Other Fixed Cost Programs	19,792	19,792	14,975	(4,817)
Capital Outlay	<u>72,339</u>	<u>82,721</u>	<u>96,061</u>	<u>13,340</u>
Total Expenditures	<u>2,436,116</u>	<u>2,491,083</u>	<u>2,468,461</u>	<u>(22,622)</u>
Excess of Revenues Over Expenditures	48,937	86,296	38,243	(48,053)
<b>OTHER FINANCING USES</b>				
Transfers Out	<u>(10,758)</u>	<u>(10,758)</u>	<u>-</u>	<u>10,758</u>
Net Change in Fund Balance	<u>\$ 38,179</u>	<u>\$ 75,538</u>	38,243	<u>\$ (37,295)</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>670,289</u>	
End of Year			<u>\$ 708,532</u>	

See accompanying Notes to Basic Financial Statements.

**CANNON RIVER STEM SCHOOL  
 CHARTER SCHOOL NO. 4194  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
 BUDGET AND ACTUAL  
 MAJOR FOOD SERVICE FUND  
 YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Other - Primarily Meal Sales	\$ 38,506	\$ 36,302	\$ 49,423	\$ 13,121
State Sources	5,000	5,000	4,941	(59)
Federal Sources	<u>45,000</u>	<u>43,000</u>	<u>49,799</u>	<u>6,799</u>
Total Revenues	88,506	84,302	104,163	19,861
 <b>EXPENDITURES</b>				
Current:				
Food Service	<u>99,264</u>	<u>84,302</u>	<u>94,291</u>	<u>9,989</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (10,758)</u>	<u>\$ -</u>	9,872	<u>\$ 9,872</u>
 <b>FUND BALANCE</b>				
Beginning of Year			<u>9,467</u>	
End of Year			<u>\$ 19,339</u>	

See accompanying Notes to Basic Financial Statements.

**CANNON RIVER STEM SCHOOL  
 CHARTER SCHOOL NO. 4194  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
 BUDGET AND ACTUAL  
 MAJOR COMMUNITY SERVICE FUND  
 YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Over
	Original	Final	Amounts	Final Budget
<b>REVENUES</b>				
Local Sources:				
Other - Primarily Tuition and Fees	\$ 1,823	\$ 1,823	\$ 2,243	\$ 420
<b>EXPENDITURES</b>				
Current:				
Community Service	564	175	232	57
Excess of Revenues Over Expenditures	\$ 1,259	\$ 1,648	2,011	\$ 363
<b>FUND BALANCE</b>				
Beginning of Year			3,151	
End of Year			\$ 5,162	

See accompanying Notes to Basic Financial Statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Basis of Presentation

The financial statements of Charter School No. 4194 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. This financial report has been prepared in conformity with GASB Statement No. 34.

B. Financial Reporting Entity

Charter School No. 4194, also known as Cannon River STEM School (the School), is a nonprofit corporation that was formed and began operating in August 2008, in accordance with Minnesota Statutes. The School is authorized by Audubon Center of the North Woods under the terms of an authorizer agreement extending through fiscal year ending June 30, 2017.

The School's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the School is considered to be financially accountable.

Component units are legally separate entities for which the School 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.

Aside from its authorizer role, Audubon Center of the North Woods has no authority, control, power, or administrative responsibilities over Cannon River STEM School. Therefore, the School is not considered a component unit of Audubon Center of the North Woods.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, school boards can elect to either control or not control extracurricular activities. The School Board has elected to control extracurricular activities; therefore, the extracurricular student activity accounts are included in the School's basic financial statements as part of the General Fund.

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Basic 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 government 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. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The School applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities.

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 government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

**1. Revenue Recognition**

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota Statutes and U.S. generally accepted accounting principles. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.



**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Measurement Focus and Basis of Accounting (Continued)

**2. Recording of Expenditures**

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

Description of Funds

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

*Major Governmental Funds*

General Fund

The General Fund is used to account for all financial resources other than those required to be accounted for in another fund.

Food Service Special Revenue Fund

The Food Service Fund is used to account for food service revenue and expenditures. The major revenue sources for this fund are state and federal meal reimbursements in addition to meal sales.

Community Service Special Revenue Fund

The Community Service Fund is used to account for the School's extended day childcare program. The major source of revenue for this fund is fees charged for providing the extended day or similar services.

E. Income Taxes

The School is classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and comparable sections of the Minnesota income tax statutes.

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

F. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with GAAP. Each June, the School Board adopts an annual budget for the following fiscal year for the General Fund and the Special Revenue Funds. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Director submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels

At the end of each fiscal year, if the General Fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota schools which excludes certain restricted balances specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the Commissioner of the Department of Education.

Budgeted amounts include mid-year budget amendments that changed revenue budgets as follows:

<u>Revenues</u>	<u>Original Budget</u>	<u>Amendments</u>	<u>Amended Budget</u>
General Fund	\$ 2,485,053	\$ 92,326	\$ 2,577,379
Special Revenue Funds:			
Food Service Fund	88,506	(4,204)	84,302
Community Service Fund	1,823	-	1,823
<u>Expenditures</u>			
General Fund	\$ 2,436,116	\$ 54,967	\$ 2,491,083
Special Revenue Funds:			
Food Service Fund	99,264	(14,962)	84,302
Community Service Fund	564	(389)	175

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

G. Cash and Investments

Cash can be invested to the extent available in various securities as authorized by Minnesota Statutes.

H. Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the School. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

I. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The School maintains a threshold level of \$500 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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 life is five years for equipment.

J. Unearned Revenues

Unearned revenues are those in which resources are received by the School before it has a legal claim to them. The School has typically reported unearned revenues for unspent private grant proceeds, activity fees paid for the following fiscal year, and payments received for their extended day childcare program in the current fiscal year which apply to the next fiscal year.

K. Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the school board. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period. The school board of Cannon River STEM School has also designated the Executive Director as the official authorized to assign fund balance to a specific purpose. Unassigned fund balances are considered the remaining amounts in the General Fund.

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

K. Fund Balance (Continued)

The School has adopted a spending prioritization policy for restricted fund balance. The School applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted fund balance is available.

L. Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the School's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

M. Net Position

Net position represents the difference between assets and liabilities in the School-wide financial statements. Net position is reported as restricted in the School-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

N. Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 2 STEWARDSHIP AND ACCOUNTABILITY**

Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts at June 30, 2014, as follows:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Funds:			
Food Service Fund	\$ 84,302	\$ 94,291	\$ 9,989
Community Service Fund	175	232	57

The overages were considered by School management to be the result of necessary expenditures critical to operations and were approved by the board.

**NOTE 3 DEPOSITS**

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

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Minnesota Statutes require that all 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 corporate surety bonds.

Authorized collateral includes: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

The School's deposits in banks at June 30, 2014, in the amount of \$739,624 were not entirely covered by federal depository insurance and were uncollateralized in accordance with Minnesota Statutes.

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets, Being Depreciated:				
Equipment	\$ 311,484	\$ 75,158	\$ (22,694)	\$ 363,948
Accumulated Depreciation for:				
Equipment	<u>(134,900)</u>	<u>(49,730)</u>	<u>18,860</u>	<u>(165,770)</u>
Governmental Activities Capital Assets, Net	<u>\$ 176,584</u>	<u>\$ 25,428</u>	<u>\$ (3,834)</u>	<u>\$ 198,178</u>

Depreciation expense was charged to functions of the School as follows:

<b>Governmental Activities</b>	
District Support Services	<u>\$ 49,730</u>

**NOTE 5 SHORT-TERM BORROWING**

The School had a line of credit with The State Bank of Faribault with a limit of \$125,000. The line of credit expired without extension on November 9, 2013, and had an interest rate of 7%. The agreement was secured by all business assets of the School. The outstanding balance on the line of credit agreement at June 30, 2014 was \$-0- and there was not any borrowing activity during the year.

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 6 RETIREMENT PLANS**

Substantially all employees of the School are required by state law to belong to pension plans administered by Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follows:

A. Teacher's Retirement Association (TRA)

**1. Plan Description**

All teachers employed by the School are covered by a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Minnesota Teachers Retirement Association (TRA). TRA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All Basic members were first hired prior to July 1, 1989. All new members must participate in the Coordinated Plan. These plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356.

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. 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.

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA website at [www.tra.state.mn.us](http://www.tra.state.mn.us). Alternatively, a copy of the report may be obtained by writing TRA at Teachers Retirement Association, 60 Empire Drive Suite 400, St. Paul, MN 55103-1855 or by calling (651) 296-6449 or 1-800-657-3853.

**2. Funding Policy**

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. Coordinated and Basic Plan members are required to contribute 7.0% and 10.5%, respectively, of their annual covered salary while the School is required to contribute at an actuarially determined rate.

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 6 RETIREMENT PLANS (CONTINUED)**

A. Teacher's Retirement Association (TRA) (Continued)

**2. Funding Policy (Continued)**

The School is required to contribute the following percentages of annual covered payroll; 7.0% for Coordinated Plan members and 11.0% for Basic plan members during fiscal year 2014. The contribution requirements of plan members and the School are established and may be amended by state statute. The School contributions for the years ended June 30, 2014, 2013, and 2012 were \$62,124, \$50,076, and \$35,567, respectively, equal to the required contributions for each year as set by state statute.

B. Public Employees' Retirement Association (PERA)

**1. Plan Description**

All full-time and certain part-time employees of the School (other than teachers) are covered by a defined benefit plan administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the General Employees' Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. 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. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained on the web at [www.mnpera.org](http://www.mnpera.org). Alternatively, a copy of the report may be obtained by writing or calling PERA:

Public Employees' Retirement Association  
60 Empire Drive Suite 200  
St Paul MN 55103-2088  
651-296-7460  
800-652-9026



**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 6 RETIREMENT PLANS (CONTINUED)**

B. Public Employees' Retirement Association (PERA) (Continued)

**2. Funding Policy**

Minnesota Statutes Chapter 353 sets the rates for the employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2014.

The School was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members and 7.25% for Coordinated Plan members. The School's contributions for the fiscal years ended June 30, 2014, 2013, and 2012 were \$20,157, \$19,429, and \$18,537, respectively, equal to the contractually required contributions for each year as set by state statute.

**NOTE 7 COMMITMENTS AND CONTINGENCIES**

A. Federal and State Programs

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

B. Operating Lease Commitments and Terms

Effective July 1, 2009, the School entered into an operating lease for approximately 13,671 square feet of school space located at 1800 14 Street NE in Faribault, Minnesota. This lease was renewed through June 30, 2017 with lease payments totaling \$1,200 per pupil unit with a maximum monthly payment of \$29,820 for the year ended June 30, 2014. The School is also responsible for its pro rata share of operating costs based on a rate of \$133 per pupil unit with a maximum monthly payment for operating expense of \$3,305 for the year ended June 30, 2014.

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

B. Operating Lease Commitments and Terms (Continued)

For fiscal 2014, the School had total lease expenditures of \$396,267 and qualified for state charter school lease aid based on a statutory cap \$1,200 per pupil unit, or \$353,916. This aid entitlement may be prorated should the statewide appropriation be insufficient to fully pay the entitlements owed.

The School's ability to make payments under this lease agreement is dependent on its revenues which are in turn, largely dependent on sufficient enrollments being served at the School and on sufficient state aids per student being authorized and received from the State of Minnesota. The School believes that its enrollments and aid entitlements will be sufficient to meet the lease obligations as they become due.

## **SUPPLEMENTARY INFORMATION**

**CANNON RIVER STEM SCHOOL  
 CHARTER SCHOOL NO. 4194  
 GENERAL FUND  
 BALANCE SHEET  
 JUNE 30, 2014  
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	2014	2013
<b>ASSETS</b>		
Cash and Investments	\$ 692,354	\$ 534,771
Receivables:		
Due from Minnesota Department of Education	233,847	302,713
Due from Federal through the Minnesota Department of Education	6,166	17,840
Prepaid Items	26,138	20,534
Total Assets	\$ 958,505	\$ 875,858
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Salaries Payable	\$ 165,033	\$ 145,233
Employer Withholdings Payable	45,434	34,571
Accounts and Contracts Payable	39,506	25,765
Total Liabilities	249,973	205,569
Fund Balance:		
Nonspendable:		
Prepaid Items	26,138	20,534
Unassigned	682,394	649,755
Total Fund Balance	708,532	670,289
Total Liabilities and Fund Balance	\$ 958,505	\$ 875,858

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

	2014		Over (Under) Final Budget	2013
	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Earnings on Investments	\$ 500	\$ 404	\$ (96)	\$ 27
Other	22,750	24,573	1,823	45,076
State Sources	2,451,961	2,378,939	(73,022)	2,146,975
Federal Sources	102,168	102,788	620	109,893
Total Revenues	2,577,379	2,506,704	(70,675)	2,301,971
<b>EXPENDITURES</b>				
Current:				
Administration:				
Salaries	83,353	72,000	(11,353)	67,000
Employee Benefits	13,850	14,464	614	13,552
Purchased Services	-	-	-	692
Supplies and Materials	250	129	(121)	41
Other Expenditures	13,500	10,604	(2,896)	-
Total Administration	110,953	97,197	(13,756)	81,285
District Support Services:				
Salaries	70,050	83,755	13,705	80,080
Employee Benefits	28,250	25,998	(2,252)	22,105
Purchased Services	125,533	101,659	(23,874)	103,874
Supplies and Materials	17,010	14,771	(2,239)	12,931
Capital Expenditures	10,000	14,669	4,669	913
Other Expenditures	6,500	6,810	310	5,981
Total District Support Services	257,343	247,662	(9,681)	225,884
Elementary and Secondary Regular Instruction:				
Salaries	732,850	832,901	100,051	695,798
Employee Benefits	180,585	192,616	12,031	155,794
Purchased Services	52,586	47,874	(4,712)	55,464
Supplies and Materials	56,640	39,067	(17,573)	36,586
Capital Expenditures	35,221	36,365	1,144	52,934
Other Expenditures	5,000	5,069	69	4,838
Total Elementary and Secondary Regular Instruction	1,062,882	1,153,892	91,010	1,001,414

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED JUNE 30, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

	2014		Over (Under) Final Budget	2013
	Final Budget	Actual Amounts		Actual Amounts
<b>EXPENDITURES (Continued)</b>				
Current (Continued):				
Special Education Instruction:				
Salaries	\$ 248,832	\$ 202,205	\$ (46,627)	\$ 196,125
Employee Benefits	57,191	51,082	(6,109)	43,662
Purchased Services	107,502	121,483	13,981	95,652
Supplies and Materials	500	782	282	1,253
Capital Expenditures	-	-	-	1,195
Total Special Education Instruction	414,025	375,552	(38,473)	337,887
Instructional Support Services:				
Salaries	15,100	20,836	5,736	20,425
Employee Benefits	2,700	3,424	724	3,252
Purchased Services	46,120	25,257	(20,863)	30,289
Supplies and Materials	2,500	2,098	(402)	560
Total Instructional Support Services	66,420	51,615	(14,805)	54,526
Pupil Support Services:				
Purchased Services	4,500	1,347	(3,153)	283
Supplies and Materials	100	125	25	339
Capital Expenditures	3,000	2,648	(352)	-
Total Pupil Support Services	7,600	4,120	(3,480)	622
Sites and Buildings:				
Salaries	-	45	45	-
Employee Benefits	-	6	6	-
Purchased Services	496,318	465,350	(30,968)	433,556
Supplies and Materials	21,250	15,668	(5,582)	18,421
Capital Expenditures	34,500	42,379	7,879	17,536
Total Sites and Buildings	552,068	523,448	(28,620)	469,513

**CANNON RIVER STEM SCHOOL  
 CHARTER SCHOOL NO. 4194  
 GENERAL FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
 BUDGET AND ACTUAL (CONTINUED)  
 YEAR ENDED JUNE 30, 2014  
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

	2014		Over (Under) Final Budget	2013
	Final Budget	Actual Amounts		Actual Amounts
<b>EXPENDITURES (Continued)</b>				
Fiscal and Other Fixed Cost Programs:				
Purchased Services	\$ 19,792	\$ 14,975	\$ (4,817)	\$ 12,595
Total Expenditures	<u>2,491,083</u>	<u>2,468,461</u>	<u>(22,622)</u>	<u>2,183,726</u>
Excess of Revenue Over Expenditures	86,296	38,243	(48,053)	118,245
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>(10,758)</u>	-	<u>10,758</u>	-
Net Change in Fund Balance	<u>\$ 75,538</u>	38,243	<u>\$ (37,295)</u>	118,245
<b>FUND BALANCE</b>				
Beginning of Year		<u>670,289</u>		<u>552,044</u>
End of Year		<u>\$ 708,532</u>		<u>\$ 670,289</u>

**CANNON RIVER STEM SCHOOL  
 CHARTER SCHOOL NO. 4194  
 GENERAL FUND  
 FOOD SERVICE SPECIAL REVENUE FUND  
 BALANCE SHEET  
 JUNE 30, 2014  
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	2014	2013
<b>ASSETS</b>		
Cash and Investments	\$ 15,895	\$ 9,473
Receivables:		
Accounts and Interest Receivable	2,574	-
Due from Minnesota Department of Education	76	1
Due from Federal through the Minnesota Department of Education	794	-
Total Assets	\$ 19,339	\$ 9,474
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts and Contracts Payable	\$ -	\$ 7
Fund Balance:		
Restricted for Food Service	19,339	9,467
Total Liabilities and Fund Balance	\$ 19,339	\$ 9,474



**CANNON RIVER STEM SCHOOL  
 CHARTER SCHOOL NO. 4194  
 FOOD SERVICE SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
 BUDGET AND ACTUAL  
 YEAR ENDED JUNE 30, 2014  
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

	2014		Over (Under) Final Budget	2013
	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Other - Primarily Meal Sales	\$ 36,302	\$ 49,423	\$ 13,121	\$ 45,323
State Sources	5,000	4,941	(59)	4,418
Federal Sources	43,000	49,799	6,799	39,388
Total Revenues	84,302	104,163	19,861	89,129
<b>EXPENDITURES</b>				
Current:				
Purchased Services	-	168	168	-
Supplies and Materials	82,802	93,498	10,696	79,001
Other Expenditures	1,500	625	(875)	661
Total Expenditures	84,302	94,291	9,989	79,662
Net Change in Fund Balance	\$ 10,758	9,872	\$ (886)	9,467
<b>FUND BALANCE</b>				
Beginning of Year		9,467		-
End of Year		\$ 19,339		\$ 9,467

**CANNON RIVER STEM SCHOOL  
 CHARTER SCHOOL NO. 4194  
 COMMUNITY SERVICE SPECIAL REVENUE FUND  
 BALANCE SHEET  
 JUNE 30, 2014  
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	2014	2013
<b>ASSETS</b>		
Cash and Investments	\$ 5,193	\$ 3,181
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 28	\$ 27
Payroll Deductions and Employer Contributions Payable	3	3
Total Liabilities	31	30
Fund Balance:		
Restricted for Community Service	5,162	3,151
Total Liabilities and Fund Balance	\$ 5,193	\$ 3,181

**CANNON RIVER STEM SCHOOL  
 CHARTER SCHOOL NO. 4194  
 COMMUNITY SERVICE SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
 BUDGET AND ACTUAL  
 YEAR ENDED JUNE 30, 2014  
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

	2014		Over (Under) Final Budget	2013
	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Other - Primarily Tuition and Fees	\$ 1,823	\$ 2,243	\$ 420	\$ 1,843
<b>EXPENDITURES</b>				
Current:				
Salaries	150	168	18	162
Employee Benefits	25	64	39	60
Total Expenditures	175	232	57	222
Net Change in Fund Balance	\$ 1,648	2,011	\$ 363	1,621
<b>FUND BALANCE</b>				
Beginning of Year		3,151		1,530
End of Year		\$ 5,162		\$ 3,151

**CANNON RIVER STEM SCHOOL  
CHARTER SCHOOL NO. 4194  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
JUNE 30, 2014**

	AUDIT	UFARS	Difference
<b>01 GENERAL FUND</b>			
Total Revenue	\$ 2,506,704	\$ 2,506,703	\$ 1
Total Expenditures	2,468,461	2,468,459	2
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	26,138	26,138	-
<i>Restricted/Reserved:</i>			
403 Staff Development	-	-	-
405 Deferred Maintenance	-	-	-
406 Health & Safety	-	-	-
407 Capital Project Levy	-	-	-
408 Cooperative Programs	-	-	-
411 Severance Pay	-	-	-
413 Project Funded by COP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maint	-	-	-
423 Certain Teacher Programs	-	-	-
424 Operating Capital	-	-	-
426 \$25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning & Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alt. Programs	-	-	-
436 State Approved Alt. Program	-	-	-
438 Gifted & Talented	-	-	-
441 Basic Skills Programs	-	-	-
445 Career and Technical Programs	-	-	-
446 First Grade Preparedness	-	-	-
449 Safe Schools Crime	-	-	-
450 Prekindergarten	-	-	-
451 QZAB Payments	-	-	-
452 OPEB Liab Not In Trust	-	-	-
453 Unfunded Sev & Retirement Levy	-	-	-
<i>Restricted:</i>			
464 Restricted Fund Balance	-	-	-
<i>Committed:</i>			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
<i>Assigned:</i>			
462 Restricted Fund Balance	-	-	-
<i>Unassigned:</i>			
422 Unassigned Fund Balance	682,394	682,394	-
<b>02 FOOD SERVICE</b>			
Total Revenue	104,163	104,164	(1)
Total Expenditures	94,291	94,293	(2)
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
452 OPEB Liab Not In Trust	-	-	-
464 Restricted Fund Balance	19,339	19,339	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-
<b>04 COMMUNITY SERVICE</b>			
Total Revenue	2,243	2,243	-
Total Expenditures	232	232	-
<i>Restricted/Reserved:</i>			
426 \$25 Taconite	-	-	-
431 Community Education	-	-	-
432 E.C.F.E.	-	-	-
444 School Readiness	-	-	-
447 Adult Basic Education	-	-	-
452 OPEB Liab Not In Trust	-	-	-
<i>Restricted:</i>			
464 Restricted Fund Balance	5,162	5,162	-
<i>Unreserved:</i>			
463 Unassigned Fund Balance	-	-	-

## **OTHER REQUIRED REPORTS**



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**INDEPENDENT AUDITORS' 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**

Board of Education  
Charter School No. 4194  
Cannon River STEM School  
Faribault, 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 and each major fund of Cannon River STEM School, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Cannon River STEM School's basic financial statements, and have issued our report thereon dated September 23, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Cannon River STEM School'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 Cannon River STEM School's internal control. Accordingly, we do not express an opinion on the effectiveness of Cannon River STEM School'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 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 control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
September 23, 2014



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## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education  
Charter School No. 4194  
Cannon River STEM School  
Faribault, 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 and each major fund of Cannon River STEM School as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 23, 2014.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, identifies two main categories of compliance to be tested in audits of charter schools: uniform financial accounting and reporting standards and charter schools. Our study included the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that Cannon River STEM School failed to comply with the provisions of the Minnesota Legal Compliance Audit Guide for Political Subdivisions except for the item described in detail in the attached Schedule of Findings and Responses as finding 2014-001. 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.

Cannon River STEM School's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Cannon River STEM School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the Schools compliance. Accordingly, this communication is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
September 23, 2014



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**CANNON RIVER STEM SCHOOL  
SCHEDULE OF MINNESOTA LEGAL COMPLIANCE FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2014**

**MINNESOTA LEGAL COMPLIANCE FINDINGS**

Finding: 2014-001

Insuring or Securing Deposits - Section 118A. 03

*Finding:* Minnesota Statutes require that public deposits in excess of deposit insurance be protected by a bond or collateral which, when computed at its market value, shall be at least ten percent more than the amount of the excess deposits. In addition, the School must perfect its security interest in the pledged collateral by obtaining documentation that the financial institution's Board of Directors or loan committee approved the collateral. This approval must be reflected in the financial institution's Board of Director's minutes. At times throughout the year, the School held funds in excess of deposit insurance which were not covered by a bond or collateral.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

During fiscal year 2015, the School will monitor deposit levels throughout the year to ensure compliance with collateral requirements.

**Official Responsible for Ensuring CAP:**

The School Director will be responsible for implementing the CAP.

**Planned Completion Date for CAP:**

The School implemented the recommended changes beginning in July 2014.

**Plan to Monitor Completion of CAP:**

The Board of Education will be monitoring this corrective action plan.