

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2016

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
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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, 2016**

SCHOOL BOARD

<u>NAME</u>	<u>TERM ON BOARD EXPIRES</u>	<u>BOARD POSITION</u>
Dante Hummel-Langerfeld	January 2018	Board Chair
Krista Ahlman	January 2019	Vice Chair
Marilyn Bongers	January 2019	Treasurer
Angela Rosendahl	January 2018	Secretary
Sandy Larson	January 2017	Director
Cheryl Wendt	January 2018	Director
Vanessa Kuhlman	January 2017	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, 2016, and the related notes to the financial statements, which collectively comprise Cannon River STEM School'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, 2016, and the respective changes in financial position and the respective budgetary comparison for each major fund 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 2015 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, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 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, TRA Schedule of the School's Proportionate Share of the Net Pension Liability, TRA Schedule of School Contributions, PERA Schedule of the School's Proportionate Share of the Net Pension Liability, and PERA Schedule of School Contributions 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 accompanying Uniform Financial and Reporting Standards Compliance Table as listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Matters (Continued)

Supplementary Information (Continued)

Supplementary information is the responsibility of management and was derived from and relate 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 Uniform Financial Accounting and Reporting Standards Compliance Table is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2016, 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
October 1, 2016

REQUIRED SUPPLEMENTARY INFORMATION

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

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, 2016. Please read it in conjunction with the School's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2015-2016 fiscal period include the following:

- Total General Fund revenues were \$3,232,357 as compared to \$2,966,943 of expenditures for fiscal 2016.
- Total fund balance of the General Fund is \$1,155,176 at June 30, 2016.

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, 2016**

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, 2016**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's *combined* net position was \$238,500 on June 30, 2016.

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

	Governmental Activities		Percentage Change
	2016	2015	
Current and Other Assets	\$ 1,470,323	\$ 1,218,207	20.70 %
Capital and Non-Current Assets	242,934	212,089	14.54
Total Assets	<u>1,713,257</u>	<u>1,430,296</u>	19.78
Deferred Outflows of Resources	463,673	331,718	0.40
Current Liabilities	303,311	292,185	3.81
Long Term Liabilities	1,501,672	1,115,079	0.35
Total Liabilities	<u>1,804,983</u>	<u>1,407,264</u>	0.28
Deferred Inflows of Resources	<u>133,447</u>	<u>339,982</u>	(0.61)
Net Position:			
Net Investment in Capital Assets	242,934	212,089	14.54
Restricted	11,836	36,260	(67.36)
Unrestricted	(16,270)	(233,581)	(93.03)
Total Net Position	<u>\$ 238,500</u>	<u>\$ 14,768</u>	1514.98

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)

Changes in Net Position

The School's total revenues were \$3,400,611 for the fiscal year ended June 30, 2016. Most of the School's revenue was received from state aid and through federal grants.

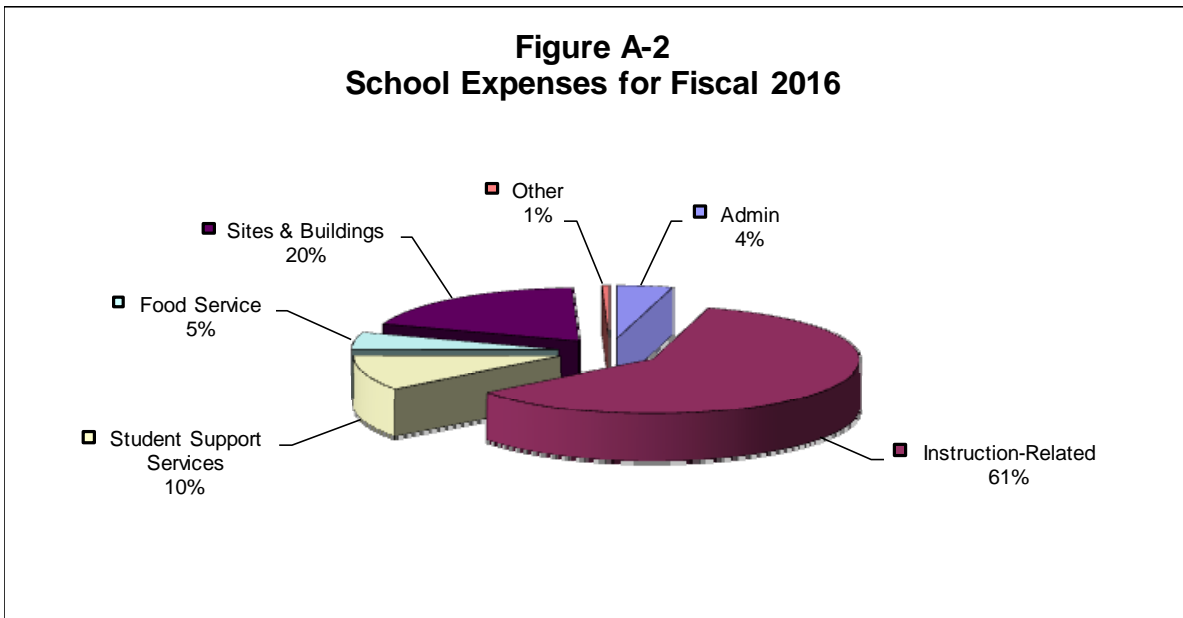
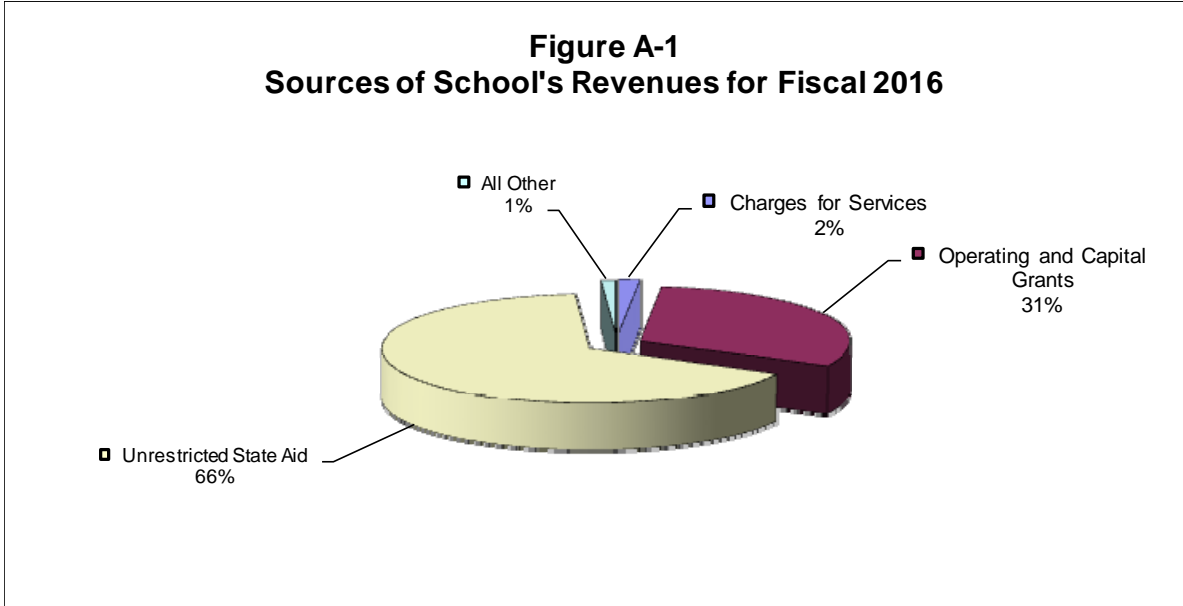
**Table A-2
Change in Net Position**

	Governmental Activities for the Fiscal Year Ended June 30,		Total % Change
	2016	2015	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 56,001	\$ 61,296	(8.64)%
Operating Grants and Contributions	1,053,968	983,348	7.18
<u>General Revenues</u>			
Unrestricted State Aid	2,252,638	1,997,820	12.75
Investment Earnings	-	119	(100.00)
Other	38,004	36,214	4.94
Total Revenues	<u>3,400,611</u>	<u>3,078,797</u>	10.45
Expenses			
Administration	138,152	114,066	21.12
District Support Services	292,291	331,217	(11.75)
Regular Instruction	1,419,517	1,199,861	18.31
Special Education Instruction	498,867	482,883	3.31
Instructional Support Services	32,713	33,431	(2.15)
Pupil Support Services	4,381	538	714.31
Sites and Buildings	611,567	557,490	9.70
Fiscal and Other Fixed Cost Programs	16,913	16,513	2.42
Food Service	157,767	121,788	29.54
Community Service	4,711	1,280	268.05
Total Expenses	<u>3,176,879</u>	<u>2,859,067</u>	11.12
Increase in Net Position	223,732	219,730	1.82
Beginning Net Position	14,768	(204,962)	(107.21)
Ending Net Position	<u>\$ 238,500</u>	<u>\$ 14,768</u>	1514.98

The total cost of all programs and services was \$3,176,879 . Total revenues exceeded expenses by resulting in ending Net Position of \$238,500 at June 30, 2016.

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

The cost of all *governmental* activities this period was \$3,176,879 .



**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

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

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2016	2015		2016	2015	
Administration	\$ 138,152	\$ 114,066	21.12 %	\$ 138,152	\$ 114,066	21.12 %
District Support Services	292,291	331,217	(11.75)	292,291	331,217	(11.75)
Regular Instruction	1,419,517	1,199,861	18.31	1,342,200	1,128,887	18.90
Special Education Instruction	498,867	482,883	3.31	42,052	32,161	30.75
Instructional Support Services	32,713	33,431	(2.15)	32,713	33,431	(2.15)
Pupil Support Services	4,381	538	714.31	4,381	538	714.31
Sites and Buildings	611,567	557,490	9.70	177,815	169,377	4.98
Fiscal and Other Fixed Cost Programs	16,913	16,513	2.42	16,913	16,513	2.42
Food Service	157,767	121,788	29.54	17,610	(10,243)	(271.92)
Community Service	4,711	1,280	268.05	2,783	(1,524)	(282.61)
Total	\$ 3,176,879	\$ 2,859,067	11.12	\$ 2,066,910	\$ 1,814,423	13.92

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 \$1,167,012 . The combined fund balance percentage as of June 30, 2016, is 37.2% of expenditures.

Revenues and expenditures for the School's governmental funds were \$3,374,442 and \$3,133,452 , respectively.

GENERAL FUND

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

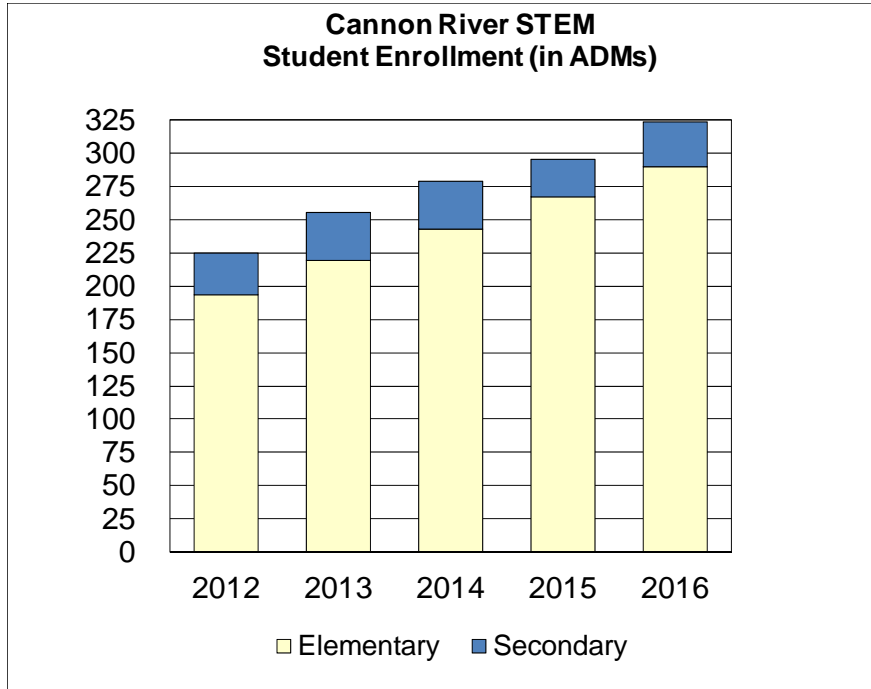
A large percentage of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources.

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

ENROLLMENT

The School began operations with students in grades K through 6 for fiscal year 2009-10. The School completed their seventh year of operations serving students in grades K through 8 during fiscal year 2016 with total average daily membership of 323.44.

**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, 2016	June 30, 2015	Increase (Decrease)	Percent
Local Sources:				
Earnings on Investments	\$ -	\$ 119	\$ (119)	(100.00)%
Other	38,002	36,214	1,788	4.94
State Sources	3,068,912	2,788,305	280,607	10.06
Federal Sources	125,443	116,642	8,801	7.55
Total General Fund Revenue	<u>\$ 3,232,357</u>	<u>\$ 2,941,280</u>	<u>\$ 291,077</u>	9.90

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

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, 2016	June 30, 2015		
Salaries	\$ 1,499,683	\$ 1,385,030	\$ 114,653	8.28 %
Employee Benefits	355,397	330,313	25,084	7.59
Purchased Services	873,712	852,575	21,137	2.48
Supplies and Materials	119,053	102,669	16,384	15.96
Capital Expenditures	92,717	64,450	28,267	43.86
Other Expenditures	26,381	25,013	1,368	5.47
Total Expenditures	<u>\$ 2,966,943</u>	<u>\$ 2,760,050</u>	<u>\$ 206,893</u>	7.50

Salaries (50.6%), employee benefits (12.0%) purchased services (29.5%), supplies (4.0%), and capital expenditures (3.1%) made up 99.1% of all the expenditures incurred for the School's seventh operational year with students. For the prior year, the majority of costs incurred were proportionate to those of the current year.

General Fund Budgetary Highlights

Following approval of the budget prior to the beginning of the fiscal year, Cannon River STEM School revises the annual operating budget in mid-year (if necessary). These budget amendments typically fall into two categories:

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

Actual revenues were \$11,656 (0.34) more than expected. The actual expenditures were \$128,802 under budget for a 4.2% variance. While the budget had reflected a surplus of \$109,246 for the year the actual results reflected a net \$265,414 increase in ending fund balance for a net positive variance, including fund transfers, of \$101,436.

OTHER MAJOR FUNDS

The Food Service Fund accounts for the food service operations. During the 2015-2016 fiscal year, Food Service Fund expenditures exceeded revenues by \$21,833.

The Community Service Fund accounts for the before and after school programs offered to all students. During the 2015-2016 fiscal year, the program produced a deficit of \$2,591.

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

CAPITAL ASSETS AND DEBT ADMINISTRATION

By the end of 2016, the School had invested \$488,722 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 \$46,890. At June 30, 2016, the School had not incurred any long-term debt.

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

	2016	2015	Percentage Change
Equipment	\$ 488,722	\$ 412,139	18.58 %
Less: Accumulated Depreciation	(245,788)	(200,050)	22.86
Total	<u>\$ 242,934</u>	<u>\$ 212,089</u>	14.54

LONG-TERM DEBT

The School's only long-term debt relates to the amounts required to be recorded under a new GASB standard which relates to the recording of the School's share of the estimated unfunded liability for the two statewide pension plans (TRA and PERA).

**Table A-8
The School's Long-Term Liabilities**

	2016	2015	Percentage Change
Retirement Benefits Payable	<u>\$ 1,501,672</u>	<u>\$ 1,115,079</u>	34.67%
Long-Term Liabilities:			
Due within One Year	\$ -	\$ -	
Due in More than One Year	1,501,672	1,115,079	
Total	<u>\$ 1,501,672</u>	<u>\$ 1,115,079</u>	

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

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 2016-2017.

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 14th Street NE, Faribault, MN 55021.

BASIC FINANCIAL STATEMENTS

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
STATEMENT OF NET POSITION
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	Governmental Activities	
	2016	2015
ASSETS		
Cash and Investments	\$ 1,142,526	\$ 900,709
Receivables:		
Other Governments	313,617	299,112
Other	34	3,027
Prepaid Items	14,146	15,359
Capital Assets, Net of Depreciation	242,934	212,089
Total Assets	1,713,257	1,430,296
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferred Outflows - See Note 8	463,673	331,718
LIABILITIES		
Salaries Payable	260,441	244,149
Accounts and Contracts Payable	42,870	48,036
Net Pension Liability	1,501,672	1,115,079
Total Liabilities	1,804,983	1,407,264
DEFERRED INFLOWS OF RESOURCES		
Pension Deferred Inflows - See Note 8	133,447	339,982
NET POSITION		
Net Investment in Capital Assets	242,934	212,089
Restricted for:		
Food Service	7,749	29,582
Community Service	4,087	6,678
Unrestricted	(16,270)	(233,581)
Total Net Position	\$ 238,500	\$ 14,768

See accompanying Notes to Basic Financial Statements.

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

Functions	2016			2015
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities				
Administration	\$ 138,152	\$ -	\$ -	\$ (138,152)
District Support Services	292,291	-	-	(292,291)
Regular Instruction	1,419,517	-	77,317	(1,342,200)
Special Education Instruction	498,867	-	456,815	(42,052)
Instructional Support Services	32,713	-	-	(32,713)
Pupil Support Services	4,381	-	-	(4,381)
Sites and Buildings	611,567	-	433,752	(177,815)
Fiscal and Other Fixed Cost Programs	16,913	-	-	(16,913)
Food Service	157,767	54,073	86,084	(17,610)
Community Service	4,711	1,928	-	(2,783)
Total	\$ 3,176,879	\$ 56,001	\$ 1,053,968	(2,066,910)
General Revenues				
State Aid Not Restricted to Specific Purposes				2,252,638
Earnings on Investments				-
Miscellaneous				38,004
Total General Revenues				2,290,642
Change in Net Position				223,732
Net Position - Beginning				14,768
Net Position - Ending				\$ 238,500
				\$ 1,814,423

See accompanying Notes to Basic Financial Statements.

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	Major Funds			Total Governmental Funds	
	General	Food Service	Community Service	2016	2015
ASSETS					
Cash and Investments	\$ 1,125,715	\$ 11,883	\$ 4,928	\$ 1,142,526	\$ 900,709
Receivables:					
Due from Minnesota Department of Education	307,655	-	-	307,655	286,411
Due from Federal through Minnesota Department of Education	3,711	-	-	3,711	12,701
Due from Other Governmental Units	2,251	-	-	2,251	-
Other Receivables	-	16	18	34	3,027
Prepaid Items	14,146	-	-	14,146	15,359
Total Assets	\$ 1,453,478	\$ 11,899	\$ 4,946	\$ 1,470,323	\$ 1,218,207
LIABILITIES AND FUND BALANCE					
Liabilities:					
Salaries Payable	\$ 187,637	\$ 1,658	\$ 711	\$ 190,006	\$ 192,259
Payroll Deductions and Employer Contributions Payable	67,920	2,367	148	70,435	51,890
Accounts and Contracts Payable	42,745	125	-	42,870	48,036
Total Liabilities	298,302	4,150	859	303,311	292,185
Fund Balance:					
Nonspendable:					
Prepaid Items	14,146	-	-	14,146	15,359
Restricted:					
Food Service	-	7,749	-	7,749	29,582
Community Service	-	-	4,087	4,087	6,678
Unassigned	1,141,030	-	-	1,141,030	874,403
Total Fund Balance	1,155,176	7,749	4,087	1,167,012	926,022
Total Liabilities and Fund Balance	\$ 1,453,478	\$ 11,899	\$ 4,946	\$ 1,470,323	\$ 1,218,207

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, 2016
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	2016	2015
Total Fund Balance for Governmental Funds	\$ 1,167,012	\$ 926,022
<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	242,934	212,089
<p>The School's Net Pension Liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:</p>		
Net Pension Liability	(1,501,672)	(1,115,079)
Deferred Inflows of Resources - Pensions	(133,447)	(339,982)
Deferred Outflows of Resources - Pensions	463,673	331,718
Total Net Position of Governmental Activities	\$ 238,500	\$ 14,768

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, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	Major			Total Governmental	
	General	Food Service	Community Service	2016	2015
REVENUES					
Local Sources:					
Earnings on Investments	\$ -	\$ -	\$ -	\$ -	\$ 119
Other	38,002	54,073	1,928	94,003	97,510
State Sources	3,068,912	12,659	-	3,081,571	2,799,133
Federal Sources	125,443	73,425	-	198,868	179,353
Total Revenues	3,232,357	140,157	1,928	3,374,442	3,076,115
EXPENDITURES					
Current:					
Administration	133,655	-	-	133,655	114,614
District Support Services	279,410	-	-	279,410	278,949
Regular Instruction	1,329,150	-	-	1,329,150	1,237,084
Special Education Instruction	483,791	-	-	483,791	485,584
Instructional Support Services	32,334	-	-	32,334	33,437
Pupil Support Services	3,228	-	-	3,228	538
Sites and Buildings	595,745	-	-	595,745	528,881
Fiscal and Other Fixed Cost Programs	16,913	-	-	16,913	16,513
Food Service	-	157,621	-	157,621	121,788
Community Service	-	-	4,519	4,519	1,288
Capital Outlay	92,717	4,369	-	97,086	64,450
Total Expenditures	2,966,943	161,990	4,519	3,133,452	2,883,126
Net Change in Fund Balance	265,414	(21,833)	(2,591)	240,990	192,989
Fund Balance - Beginning	889,762	29,582	6,678	926,022	733,033
Fund Balance - Ending	<u>\$ 1,155,176</u>	<u>\$ 7,749</u>	<u>\$ 4,087</u>	<u>\$ 1,167,012</u>	<u>\$ 926,022</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, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	2016	2015
Net Change in Fund Balance - Total Governmental Funds	\$ 240,990	\$ 192,989
<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	78,623	65,485
Gain (Loss) on Disposal of Capital Assets	(888)	-
Depreciation Expense	(46,890)	(51,574)
Pension expenses on the governmental funds are measured by current year employee contributions. Pension expenditures on the statement of activities are measured by the change in Net Pension Liability and the related deferred inflows and outflows of resources.	(48,103)	12,830
Change in Net Position of Governmental Activities	\$ 223,732	\$ 219,730

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, 2016**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Other	\$ 24,977	\$ 30,000	\$ 38,002	\$ 8,002
State Sources	3,100,461	3,066,004	3,068,912	2,908
Federal Sources	118,948	124,697	125,443	746
Total Revenues	<u>3,244,386</u>	<u>3,220,701</u>	<u>3,232,357</u>	<u>11,656</u>
EXPENDITURES				
Current:				
Administration	141,700	145,580	133,655	(11,925)
District Support Services	300,935	337,763	279,410	(58,353)
Elementary and Secondary Regular Instruction	1,434,011	1,352,565	1,329,150	(23,415)
Special Education Instruction	520,408	472,447	483,791	11,344
Instructional Support Services	43,580	45,050	32,334	(12,716)
Pupil Support Services	500	1,014	3,228	2,214
Sites and Buildings	614,892	624,858	595,745	(29,113)
Fiscal and Other Fixed Cost Programs	21,142	21,142	16,913	(4,229)
Capital Outlay	95,826	95,326	92,717	(2,609)
Total Expenditures	<u>3,172,994</u>	<u>3,095,745</u>	<u>2,966,943</u>	<u>(128,802)</u>
Excess of Revenues Over Expenditures	71,392	124,956	265,414	(117,146)
OTHER FINANCING USES				
Transfers Out	-	(15,710)	-	15,710
Net Change in Fund Balance	<u>\$ 71,392</u>	<u>\$ 109,246</u>	265,414	<u>\$ (101,436)</u>
FUND BALANCE				
Beginning of Year			<u>889,762</u>	
End of Year			<u>\$ 1,155,176</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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	\$ 55,204	\$ 62,000	\$ 54,073	\$ (7,927)
State Sources	10,200	12,700	12,659	(41)
Federal Sources	<u>62,000</u>	<u>70,998</u>	<u>73,425</u>	<u>2,427</u>
Total Revenues	127,404	145,698	140,157	(5,541)
EXPENDITURES				
Current:				
Food Service	115,329	154,068	157,621	3,553
Capital Outlay	-	4,400	4,369	(31)
Total Expenditures	<u>115,329</u>	<u>158,468</u>	<u>161,990</u>	<u>3,522</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,075	(12,770)	(21,833)	(9,063)
OTHER FINANCING SOURCES				
Transfer In	<u>-</u>	<u>12,770</u>	<u>-</u>	<u>(12,770)</u>
Net Change in Fund Balance	<u>\$ 12,075</u>	<u>\$ -</u>	(21,833)	<u>\$ (21,833)</u>
FUND BALANCE				
Beginning of Year			<u>29,582</u>	
End of Year			<u>\$ 7,749</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, 2016**

	Budgeted Amounts		Actual Amounts	Over Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Other - Primarily Tuition and Fees	\$ 2,743	\$ 2,743	\$ 1,928	\$ (815)
EXPENDITURES				
Current:				
Community Service	285	5,683	4,519	(1,164)
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,458	(2,940)	(2,591)	349
OTHER FINANCING SOURCES				
Transfer In	-	2,940	-	(2,940)
Net Change in Fund Balance	\$ 2,458	\$ -	(2,591)	\$ (2,591)
FUND BALANCE				
Beginning of Year			6,678	
End of Year			\$ 4,087	

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, 2016**

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 the 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, 2016**

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:

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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 revenues (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.

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.

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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:

Revenues	Original Budget	Amendments	Amended Budget
General Fund	\$ 3,244,386	\$ (23,685)	\$ 3,220,701
Special Revenue Funds:			
Food Service Fund	127,404	18,294	145,698
Community Service Fund	2,743	-	2,743
Expenditures			
General Fund	\$ 3,172,994	\$ (77,249)	\$ 3,095,745
Special Revenue Funds:			
Food Service Fund	115,329	38,739	154,068
Community Service Fund	285	5,398	5,683

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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. 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.

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.

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Pensions

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis, and Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 5.

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, 2015, from which the summarized information was derived.

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts at June 30, 2016 as follows:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Funds:			
Food Service Fund	\$ 154,068	\$ 157,621	\$ 3,553

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, 2016 were \$1,196,623. In accordance with Minnesota Statutes, all balances are to be entirely covered by federal depository insurance or by surety bonds and collateral.

**CANNON RIVER STEM SCHOOL
 CHARTER SCHOOL NO. 4194
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016**

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Being Depreciated:				
Equipment	\$ 412,139	\$ 78,623	\$ (2,040)	\$ 488,722
Accumulated Depreciation for:				
Equipment	<u>(200,050)</u>	<u>(46,890)</u>	<u>1,152</u>	<u>(245,788)</u>
Governmental Activities Capital Assets, Net	<u>\$ 212,089</u>	<u>\$ 31,733</u>	<u>\$ (888)</u>	<u>\$ 242,934</u>

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

Governmental Activities	
District Support Services	\$ 4,791
Elementary and Secondary Regular Instruction	27,102
Special Education Instruction	179
Instructional Support Services	260
Pupil Support Services	265
Sites and Buildings	14,147
Food Service	146
Total Depreciation Expense, Governmental Activities	<u>\$ 46,890</u>

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 DEFINED BENEFIT PENSION PLANS

Substantially all employees of the Cannon River STEM 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 follow:

A. Plan Description

The District participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and Teachers Retirement Fund (TRA). PERA's and TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes. PERA's and TRA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (GERF)

PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. All full-time and certain part-time employees of the School other than teachers 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.

2. Teachers Retirement Fund (TRA)

TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials.

Teachers employed in Minnesota's public elementary and secondary schools, 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.

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided

PERA and TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

PERA: 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.

TRA: Postretirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0%. After the TRA funded ratio exceeds 90% for two consecutive years, the annual postretirement benefit will increase to 2.5%.

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.

1. 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.

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits

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 benefits as described.

Tier 1 Benefits

<u>Tier 1</u>	<u>Step Rate Formula</u>	<u>Percentage</u>
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years of Service are Up to July 1, 2006	1.2% per Year
	First Ten Years, If Service Years are July 1, 2006 or After	1.4% per Year
	All Other Years of Service If Service Years are Up to July 1, 2006	1.7% per Year
	All Other Years of Service If Services Years are July 1, 206 or After	1.9% 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.
- (b) 3.0% per year early retirement reduction factor 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% per year for coordinated members and 2.7% per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statutes. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

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

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

C. Contributions

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

1. 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 2016. In fiscal year 2016, the School was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members. The School's contributions to the GERF for the plan's fiscal year ended June 30, 2016 were \$27,743. The School's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

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

	Ended June 30, 2015		Ended June 30, 2016	
	Employee	Employer	Employee	Employer
Basic	11.0 %	11.5 %	11.0 %	11.5 %
Coordinated	7.5	7.5	7.5	7.5

The School's contributions to TRA for the plan's fiscal year ended June 30, 2016 were \$85,367. The School's contributions were equal to the required contributions for each year as set by state statute.

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs

1. GERF Pension Costs

At June 30, 2016, the School reported a liability of \$295,404 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014 through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the School's proportion was .0057%, which was an increase of .0006% from its proportion measured as of June 30, 2015.

GERF benefit provision changes during the measurement period included (1) the merger of the former Minneapolis Employees Retirement Fund division into GERF, effective January 1, 2015, and (2) revisions to Minnesota Statutes to make changes to contribution rates less prescriptive and more flexible.

The discount rate used to calculate liabilities for the June 30, 2015 measurement date was 7.9%. The Legislature has since set the discount rate in statute at 8% beginning with the June 30, 2016 measurement date the discount rate used when calculating liabilities based on GASB 68 accounting requirements will be increased to 8% to be consistent with the rate set in statute used for funding purposes.

For the year ended June 30, 2016, the School recognized pension expense of \$39,974 for its proportionate share of GERF's pension expense.

At June 30, 2016, the School reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 2,740	\$ 14,893
Changes in Actuarial Assumptions	18,397	-
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	26,296
Changes in Proportion and Differences Between School Contributions and Proportionate Share of Contributions	24,347	-
School Contributions Subsequent to the Measurement Date	27,743	-
Total	<u>\$ 73,227</u>	<u>\$ 41,189</u>

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERF Pension Costs (Continued)

A total of \$27,743 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expenses Amount
2017	\$ 2,624
2018	2,624
2019	(7,944)
2020	6,991
2021	-
Thereafter	-

2. TRA Pension Costs

At June 30, 2016, the School reported a liability of \$1,206,268 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2015, 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 to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The School's proportionate share was 0.0195% at the end of the measurement period and .019% for the beginning of the period.

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:

Description	Amount
School's Proportionate Share of the TRA Net Pension Liability	\$ 1,206,268
State's Proportionate Share of TRA's Net Pension Liability Associated with the School	148,015

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

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.

For the year ended June 30, 2016, the School recognized pension expense of \$119,586. It also recognized \$26,167 as pension expense for the support provided by direct aid.

At June 30, 2016, the School reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 61,809	\$ -
Changes in Actuarial Assumptions	92,730	-
Net Difference Between Projected and Actual		
Investment Earnings	-	92,258
Changes in Proportion and Differences Between School Contributions and Proportionate Share of Contributions	150,540	-
School Contributions Subsequent to the Measurement Date	85,367	-
Total	<u>\$ 390,446</u>	<u>\$ 92,258</u>

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

A total of \$85,367 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 will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expenses Amount</u>
2017	\$ 34,168
2018	34,168
2019	34,168
2020	95,829
2021	14,488
Thereafter	-

E. Merger of Duluth Teacher's Retirement Fund Association (DTRFA)

Legislation enacted in 2014 merged the Duluth Teachers Retirement Fund Association (DTRFA) with TRA effective June 30, 2015. The beginning balances of total pension liability and fiduciary net position were adjusted to reflect the merger of DTRFA.

	<u>6/30/14 CAFR</u>	<u>Restated</u>
Total Pension Liability (A)	<u>\$ 24,901,612,000</u>	<u>\$ 25,299,564,000</u>
Plan Fiduciary Net Position (B)	<u>20,293,684,000</u>	<u>20,519,756,000</u>
Net Pension Liability (A-B)	<u>\$ 45,195,296,000</u>	<u>\$ 45,819,320,000</u>

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.75% per Year	3.00%
Active Member Payroll Growth	3.50% per Year	3.5 - 12%, Based on Years of Service
Investment Rate of Return	7.90%	8.00%

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.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The actuarial experience study in the GEF 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 actuarial experience study for TRA was for the period July 1, 2004 through 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 following changes in actuarial assumptions for GEF occurred in 2015: the discount rate was changed from 8.0% through June 30, 2017 and 8.5% thereafter to 8.0% for all years, the inflation assumption was changed from 3.0% to 2.75%, the payroll growth assumption was changed from 3.75% to 3.5%, assumed increases in member salaries were decreased by .25% at all ages and the assumed postretirement benefit increase rate was changed from 1.0% per year through 2026 and 2.5% thereafter to 1.0% per year through 2034 and 2.5% per year thereafter.

There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date for TRA. Post-retirement benefit adjustments are now assumed to be 2.0% annually with no increase to 2.5% projected. The prior year valuation assumed a 2.5% increase commencing July 1, 2034.

The long-term expected rate of return on pension plan investments is 7.9% for GEF and 8.0% for TRA. 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.

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

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

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

G. Discount Rate

The discount rate used to measure the total pension liability was 7.9% for GERF and 8.0% for TRA. For TRA, this was a decrease from the discount rate at the prior measurement date of 8.25%. 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.

H. 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 one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
<u>GERF Discount Rate</u>	6.90%	7.90%	8.90%
School's Proportionate Share of the GERF Net Pension Liability	\$ 464,479	\$ 295,404	\$ 155,773
<u>TRA Discount Rate</u>	7.25%	8.25%	9.25%
School's Proportionate Share of the TRA Net Pension Liability	\$ 1,836,096	\$ 1,206,268	\$ 680,658

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

I. Pension Plan Fiduciary Net Position

Detailed information about GERF's fiduciary's 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.

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org, by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-657-3669.

NOTE 6 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 \$1,314 per pupil unit with a maximum monthly payment of \$37,756 for the year ended June 30, 2016. The School is also responsible for its pro rata share of operating costs based on a rate of \$146 per pupil unit with a maximum monthly payment for operating expense of \$4,195 for the year ended June 30, 2016.

For fiscal 2016, the School had total lease expenditures of \$489,396 and qualified for state charter school lease aid based on a statutory cap \$1,314 per pupil unit, or \$433,751. 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.

REQUIRED SUPPLEMENTARY INFORMATION

**CANNON RIVER STEM SCHOOL
 CHARTER SCHOOL NO. 4194
 TRA SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 LAST 10 FISCAL YEARS***

	Measurement Date June 30,	
	2015	2014
School's Proportion of the Net Pension Liability	0.020%	0.019%
School's Proportionate Share of the Net Pension Liability	\$ 1,206,268	\$ 875,506
State's Proportionate Share of the Net Pension Liability Associated with School	148,015	61,480
Total	<u>\$ 1,354,283</u>	<u>\$ 936,986</u>
School's Covered-Employee Payroll	\$ 1,006,053	\$ 828,320
School's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	119.90%	105.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.80%	81.50%

*This schedule presents information for the years available, and will eventually include ten years of information

**CANNON RIVER STEM SCHOOL
 CHARTER SCHOOL NO. 4194
 TRA SCHEDULE OF SCHOOL CONTRIBUTIONS
 LAST 10 FISCAL YEARS***

	Year Ended June 30,	
	2016	2015
Statutorily Required Contribution	\$ 85,367	\$ 75,454
Contributions in Relation to the Statutorily Required Contribution	(85,367)	(75,454)
Contribution Deficiency (Excess)	\$ -	\$ -
 School's Covered-Employee Payroll	 \$ 1,138,227	 \$ 1,006,053
 Contributions as a Percentage of Covered Employee Payroll	 7.5%	 7.5%

*This schedule presents information for the years available, and will eventually include ten years of information

**CANNON RIVER STEM SCHOOL
 CHARTER SCHOOL NO. 4194
 PERA SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 LAST 10 FISCAL YEARS***

	Measurement Date June 30,	
	2015	2014
School's Proportion of the Net Pension Liability	0.0057%	0.0051%
School's Proportionate Share of the Net Pension Liability	\$ 295,404	\$ 239,572
School's Covered-Employee Payroll	345,112	273,315
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	85.60%	87.65%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	78.20%	78.70%

*This schedule presents information for the years available, and will eventually include ten years of information

**CANNON RIVER STEM SCHOOL
 CHARTER SCHOOL NO. 4194
 PERA SCHEDULE OF SCHOOL CONTRIBUTIONS
 LAST 10 FISCAL YEARS***

	Year Ended June 30,	
	2016	2015
Statutorily Required Contribution	\$ 27,743	\$ 25,452
Contributions in Relation to the Statutorily Required Contribution	(27,743)	(25,452)
Contribution Deficiency (Excess)	\$ -	\$ -
 School's Covered-Employee Payroll	 \$ 376,176	 \$ 345,112
 Contributions as a Percentage of Covered Employee Payroll	 7.38%	 7.38%

*This schedule presents information for the years available, and will eventually include ten years of information

SUPPLEMENTARY INFORMATION

**CANNON RIVER STEM SCHOOL
CHARTER SCHOOL NO. 4194
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2016**

	AUDIT	UFARS	Difference
01 GENERAL FUND			
Total Revenue	\$ 3,232,357	\$ 3,232,357	\$ -
Total Expenditures	2,966,943	2,966,943	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	14,146	14,146	-
<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	1,141,030	1,141,030	-
02 FOOD SERVICE			
Total Revenue	140,157	140,150	7
Total Expenditures	161,990	161,983	7
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
452 OPEB Liab Not In Trust	-	-	-
464 Restricted Fund Balance	7,749	7,749	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-
04 COMMUNITY SERVICE			
Total Revenue	1,928	1,928	-
Total Expenditures	4,519	4,519	-
<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	4,087	4,087	-
<i>Unreserved:</i>			
463 Unassigned Fund Balance	-	-	-

OTHER REQUIRED REPORTS



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, 2016, 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 October 1, 2016.

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
October 1, 2016

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, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 1, 2016.

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. 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.

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

Minneapolis, Minnesota
October 1, 2016