

**URBAN ACADEMY
CHARTER SCHOOL NO. 4088**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

For The Year Ended June 30, 2018

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URBAN ACADEMY
CHARTER SCHOOL NO. 4088
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INTRODUCTORY SECTION

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SCHOOL BOARD

<u>Name</u>	<u>Board Position</u>
Melissa Jensen	Chair
Tamara Mattison	Finance Chair
Fong Lor	Vice Chair
Yuyin Liao	Secretary
Ying Thao	Member
Nancy Smith	Member
Caley Long	Member
Kristin Evans	Member

ADMINISTRATION

Mongsher Ly	Executive Director
Stacey Beethem	Contract Business Manager with Designs for Learning

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Urban Academy
Charter School No. 4088
Saint Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Urban Academy, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Urban Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Urban Academy, as of June 30, 2018, 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 Comparative Information

We have previously audited Urban Academy's 2017 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities and each major fund in our report dated October 31, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 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, budgetary comparison information, and pension information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Urban Academy's basic financial statements. The introductory section and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Uniform Financial Accounting and Reporting Standards Compliance Table is presented as supplemental information as required by the Minnesota Department of Education and is also not part of the basic financial statements.

The individual fund financial statements and the Uniform Financial Accounting and Reporting Standards Compliance Table are the responsibility of management and were 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 individual fund financial 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, on our consideration of Urban Academy'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Urban Academy's 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 Urban Academy's internal control over financial reporting and compliance.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

October 31, 2018

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URBAN ACADEMY
INDEPENDENT SCHOOL DISTRICT NO. 4088
St. Paul, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018

This section of Urban Academy's (the School) annual audited financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the School's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2017-2018 fiscal year includes the following:

- Total net position decreased by \$443,230. This follows a decrease of \$578,632 in the School's net position for fiscal year 2017. These decreases were due to the effects of GASB 68 – Accounting and Financial Reporting for Pensions, which negatively impacted the School by \$694,356 and \$736,362 for fiscal years 2018 and 2017, respectively.
- General Fund revenues were \$4,566,134 as compared to \$4,364,743 of expenditures, an excess of \$201,391.
- Total fund balance increased in fiscal year 2018 by \$196,793 to a positive balance of \$1,410,282.
- The School continued its teacher compensation schedule to include Quality Compensation Programs and invest in quality teachers.
- School management continues to carefully monitor enrollment which is key to the financial stability of its programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

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, liabilities, and deferred inflows/outflows of resources. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school-wide statements report the School’s net position and how they have changed. Net position, or the difference between the School’s assets plus deferred outflows, and liabilities plus deferred inflows, 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. To assess the overall health of the School you need to consider additional non-financial factors such as changes in the condition of the school building and other facilities.

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

- **Governmental activities:** All of the School’s basic services are included here, such as regular and special education, and administration. State and federal 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. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. In other words, funds are accounting devices the School uses to keep track of specific resources of funding and spending on particular programs. State law requires two different programmatic funds for charter schools:

- General Fund
- Food Service Fund

When these two funds are added together, they equal the total governmental funds, as seen in Statement 3 and Statement 4.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the school-wide and fund financial statements.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's net position was (\$1,549,034) and (\$1,105,804) at June 30, 2018 and 2017, respectively.

The School's Net Position		
	June 30,	
	2018	2017
Current assets	\$1,705,540	\$1,449,889
Capital assets	202,141	163,837
Deferred outflows of resources	2,711,614	3,656,698
Total assets and deferred outflows	4,619,295	5,270,424
Current liabilities	295,258	236,400
Noncurrent liabilities	4,851,147	5,796,593
Deferred inflows of resources	1,021,924	343,235
Total liabilities and deferred inflows	6,168,329	6,376,228
Net position:		
Net investment in capital assets	202,141	163,837
Restricted for food service	12,964	17,562
Restricted for letter of credit collateral	300,000	250,000
Restricted for medical assistance	193	-
Unrestricted	(2,064,332)	(1,537,203)
Total net position	(\$1,549,034)	(\$1,105,804)

The School participates in cost-sharing multiple-employer defined benefit pension plans administered by the Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA). Governmental accounting standards require that the School's share of each plan's net pension liability be recorded on the Statement of Net Position. The portion attributable to the School is based on its contributions to each plan in comparison to contributions made by all plan participants.

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

The School’s net pension liability, combined with pension related deferred outflows and inflows of resources, negatively impacted unrestricted net position by \$2,969,116 and \$2,274,760 as of June 30, 2018 and 2017, respectively. The increased deficit was primarily due to recognizing the previous effects of changes in actuarial assumptions used to calculate the net pension liability. The School continues to make its required contributions to each plan. Additional information can be found in Note 5 to the financial statements.

Urban Academy uses a community vision as its foundation for strategic planning. Its Board sets priorities to educate students and incorporates careful management of its resources and academic priorities. In fiscal year 2018, Urban Academy achieved its objective to set aside funds for the future. The School has added a Pre-K Program, and is working toward a goal of adding more grades in the future.

Urban Academy continues to have successful financial management using a conservative approach to enrollment projections, careful spending, and a budgetary vision towards the future.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Change in Net Position

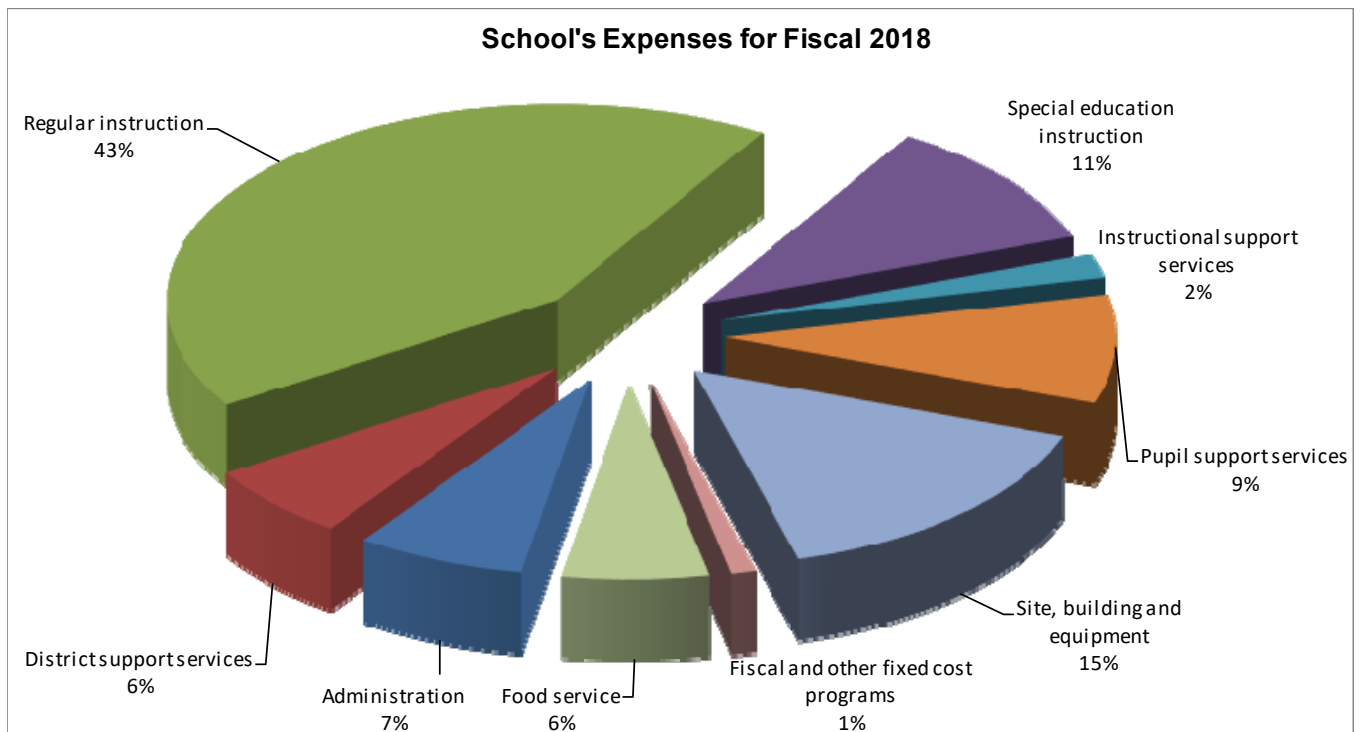
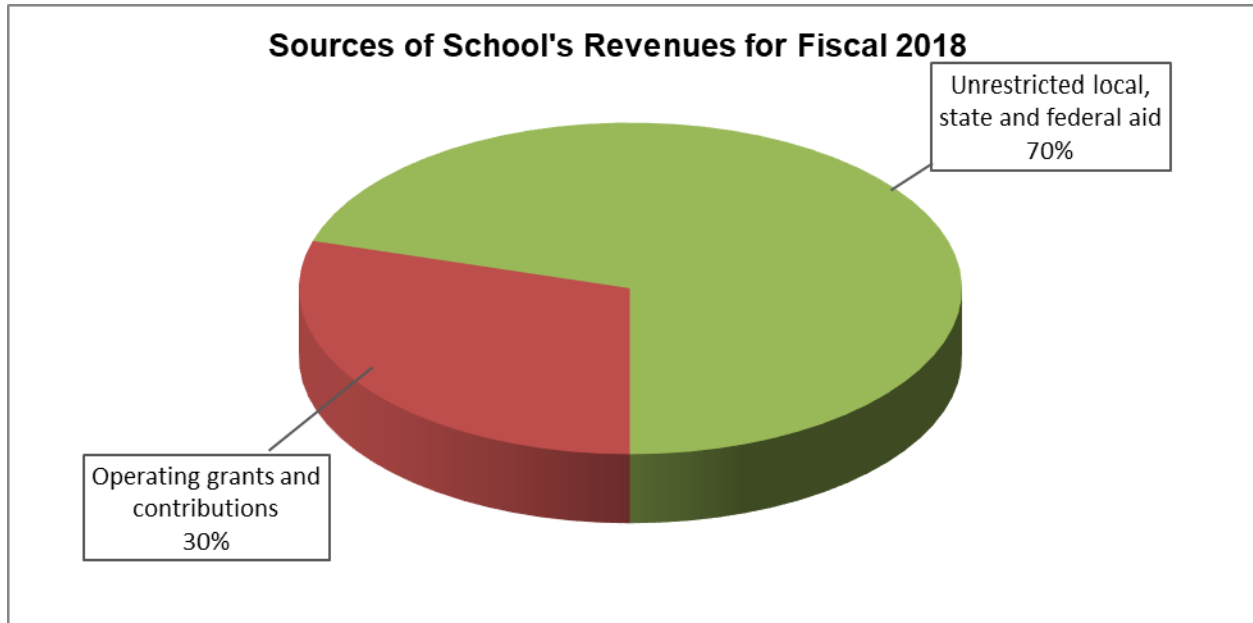
The School's total revenues were \$4,913,162 for the year ended June 30, 2018 . Operating revenue accounted for 30% and the other 70% came from other general revenue combined with other investments and program service revenues.

Change in Net Position		
	2018	2017
Revenues:		
Program revenues:		
Operating grants and contributions	\$1,455,042	\$1,335,146
General revenues:		
Unrestricted local, state and federal aid	3,458,120	3,089,305
Total revenues	<u>4,913,162</u>	<u>4,424,451</u>
Expenses:		
Administration	377,383	411,746
District support services	335,357	343,539
Regular instruction	2,304,820	2,045,537
Special education instruction	579,902	563,871
Instructional support services	77,062	109,985
Pupil support services	483,851	451,827
Site, building and equipment	821,374	748,155
Fiscal and other fixed cost programs	48,809	52,238
Food service	327,834	276,185
Total expenses	<u>5,356,392</u>	<u>5,003,083</u>
Change in net position	(443,230)	(578,632)
Net position - beginning	<u>(1,105,804)</u>	<u>(527,172)</u>
Net position - ending	<u><u>(\$1,549,034)</u></u>	<u><u>(\$1,105,804)</u></u>

The total cost of all programs and services including interest and fiscal charges was \$5,356,392, an increase of \$353,309 from the prior year. Total expenses exceeded revenues which decreased net position by \$443,230 over last year.

- The federal and state governments subsidized certain programs and grants (\$1,455,042).
- The remaining portion of governmental activities was paid for primarily with unrestricted State and local aid.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Typically the School does not include in an analysis of all governmental funds a breakout of expenditures. To do so distorts the latitude available to the School to allocate resources to instruction. All governmental funds include not only funds received for the general operation of the School, which are used for classroom instruction, but also include resources from the entrepreneurial-type fund of Food Service and from resources for fiscal service transactions. Funding for the general operation of the School is controlled by the state and the School does not have the latitude to allocate money received in Food Service or for fiscal services to enhance classroom instruction resources. The School cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction. The preceding graph, by pooling all expenditures, implies that the School does have equal access to all funds to impact classroom instruction. In Minnesota, that is simply not an option.

Program Expenses and Net Cost of Services						
	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2018	2017		2018	2017	
Administration	\$377,383	\$411,746	(8.35%)	\$377,383	\$411,419	(8.27%)
District support services	335,357	343,539	(2.38%)	335,357	343,539	(2.38%)
Regular instruction	2,304,820	2,045,537	12.68%	2,152,569	1,856,621	15.94%
Special education instruction	579,902	563,871	2.84%	50,607	81,021	(37.54%)
Instructional support services	77,062	109,985	(29.93%)	77,062	109,985	(29.93%)
Pupil support services	483,851	451,827	7.09%	483,851	451,827	7.09%
Sites and buildings	821,374	748,155	9.79%	386,816	364,520	6.12%
Fiscal and other fixed cost programs	48,809	52,238	(6.56%)	48,809	52,238	(6.56%)
Food service	327,834	276,185	18.70%	(11,104)	(3,233)	243.46%
Total	<u>\$5,356,392</u>	<u>\$5,003,083</u>	7.06%	<u>\$3,901,350</u>	<u>\$3,667,937</u>	6.36%

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 combined fund balance of \$1,410,282 which is \$196,793 above last year's ending fund balance of \$1,213,489.

Revenues for the School's governmental funds were \$4,905,072 of which total expenditures were \$4,708,279.

GENERAL FUND

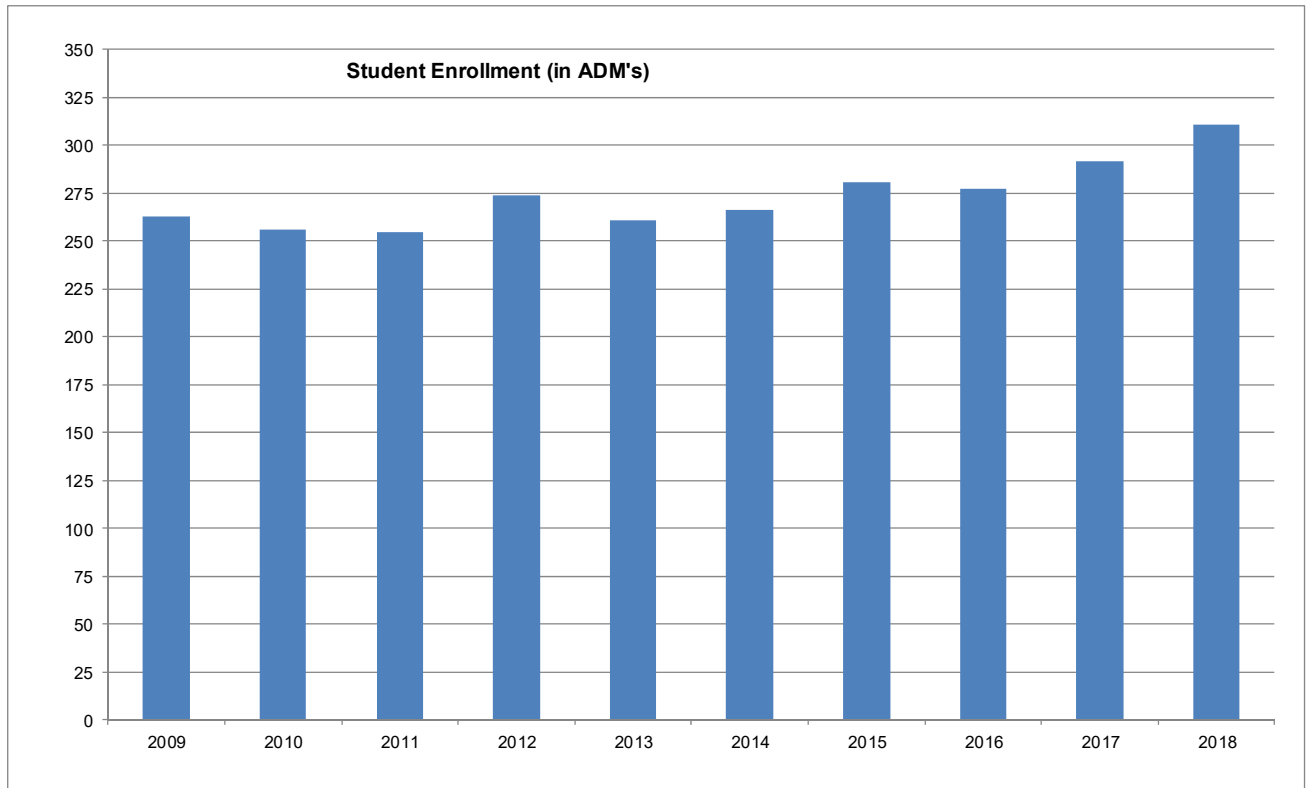
The General Fund includes the primary operations of the School in providing educational services to students from kindergarten through grade 6, including pupil transportation activities.

A significant amount 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. This includes basic general education aid which is determined by multiple state formulas and is largely enrollment driven and special education state aid, which is based upon a cost reimbursement model.

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

ENROLLMENT

Enrollment is a critical factor in determining revenue. The following chart shows the latest ten years of student enrollment at the School.



Enrollment increased from 292 ADMs (average daily membership) at the end of the 2016-2017 school year to 311 in school year 2017-2018. The change in student enrollment reflects an increase of 19 ADM. The School plans to continue to increase this number over the next few years.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The following schedule presents a summary of General Fund revenues.

General Fund Revenues				
Fund	Year Ended June 30,		Change	
	2018	2017	Increase (Decrease)	Percent
Local sources	\$13,022	\$3,349	\$9,673	289%
State sources	4,338,042	3,894,704	443,338	11%
Federal sources	215,070	173,741	41,329	24%
Total general fund revenue	<u>\$4,566,134</u>	<u>\$4,071,794</u>	<u>\$494,340</u>	12%

During the current fiscal year the General Fund revenues increased by \$494,340 from the previous year. The difference primarily results from an increase in State funding.

The following schedule presents a summary of General Fund expenditures.

General Fund Expenditures				
	Year Ended June 30,		Change	
	2018	2017	Increase (Decrease)	Percent
Salaries	\$1,983,988	\$1,772,362	\$211,626	12%
Employee benefits	492,639	439,585	53,054	12%
Purchased services	1,635,941	1,529,998	105,943	7%
Supplies and materials	148,597	114,184	34,413	30%
Capital expenditures	73,088	27,073	46,015	170%
Other expenditures	30,490	31,203	(713)	(2%)
Total expenditures	<u>\$4,364,743</u>	<u>\$3,914,405</u>	<u>\$450,338</u>	12%

Total General Fund expenditures increased \$450,338 from the previous year. In the 2017-2018 school-year Urban Academy continued to increase its investment in instructional salaries and benefits. The School's vision is to provide high quality staffing which ultimately enriches student learning and achievement.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

General Fund Budgetary Highlights

The School adopts an operating budget prior to the start of each fiscal year. During the year, the School monitors actual performance against budget, and watches for changes to the assumptions made during the budgeting process. When necessary, the School approves a revised budget. No revisions to the budget were necessary during fiscal year 2018.

General Fund revenues were budgeted at \$4,670,479. By the end of the fiscal year, the actual amount was at \$4,566,134, which is \$104,345 less than the revised budgeted amount or 98% of the budgeted amount. This was primarily due to State General Education revenue being lower due to lower actual ADMs than were budgeted.

General Fund expenditures were budgeted at \$4,285,219. By the end of the fiscal year, the actual amount was \$4,364,743 which was \$79,524 more than the budgeted amount or 102% of the budgeted amount. The increase is split among the budget categories and was due to information not available during the budgeting process.

From the standpoint of maintaining current operating expenditures within the range of annual revenue and maintaining a sound fund balance, the General Fund is operating on a sound financial basis.

OTHER MAJOR FUNDS

Expenditures exceeded revenue in the Food Service Fund by \$4,598 compared to budgeted revenues equaling expenditures. The School monitors its food purchases and meal distribution closely.

From the standpoint of maintaining current operating expenditures within the range of annual revenue and maintaining a sound fund balance, the Food Service Fund is operating on a sound financial basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2018, the School had invested \$463,308 in equipment. Total depreciation expense for the year was \$50,134.

	2018	2017
Capital assets, being depreciated:		
Computers and office equipment	\$93,861	\$64,057
Furniture and fixtures	239,683	202,241
Vehicles	65,685	56,870
Leasehold improvements	64,079	64,079
Total capital assets, being depreciated	463,308	387,247
Less accumulated depreciation for:		
Computers and office equipment	52,671	42,097
Furniture and fixtures	151,642	136,634
Vehicles	38,314	32,546
Leasehold improvements	18,540	12,133
Total accumulated depreciation	261,167	223,410
Total capital assets being depreciated - net	\$202,141	\$163,837

FACTORS BEARING ON THE SCHOOL'S FUTURE

The School is dependent on the State of Minnesota for the majority of its revenue. A significant amount of state revenue is controlled by a complex set of funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. Therefore, the School must carefully plan how to use the resources that are available to achieve its goals.

Urban Academy commits to maintain and strive for academic excellence and educational opportunities for students within a framework of financial fiduciary responsibility.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors 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 the Business Office, Charter School No. 4088, Urban Academy, 1668 Montreal Avenue, St. Paul, Minnesota 55116.

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BASIC FINANCIAL STATEMENTS

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
STATEMENT OF NET POSITION
June 30, 2018
With Comparative Totals For June 30, 2017

Statement 1

	Governmental Activities	
	2018	2017
Assets:		
Cash and cash equivalents	\$903,709	\$543,007
Restricted cash	300,000	250,000
Due from other governments	474,107	622,746
Other receivables	26,224	26,224
Prepaid items	1,500	7,912
Capital assets (net of accumulated depreciation)	202,141	163,837
Total assets	1,907,681	1,613,726
Deferred outflows of resources related to pensions	2,711,614	3,656,698
Total assets and deferred outflows of resources	\$4,619,295	\$5,270,424
Liabilities:		
Accounts payable	\$86,030	\$72,575
Salaries and taxes payable	209,228	163,825
Net pension liability, due in more than 1 year	4,851,147	5,796,593
Total liabilities	5,146,405	6,032,993
Deferred inflows of resources related to:		
Lease incentive	192,341	208,370
Pensions	829,583	134,865
Total deferred inflows of resources	1,021,924	343,235
Net position:		
Net investment in capital assets	202,141	163,837
Restricted for food service	12,964	17,562
Restricted for letter of credit collateral	300,000	250,000
Restricted for medical assistance	193	-
Unrestricted	(2,064,332)	(1,537,203)
Total net position	(1,549,034)	(1,105,804)
Total liabilities, deferred inflows and net position	\$4,619,295	\$5,270,424

The accompanying notes are an integral part of these financial statements.

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
 STATEMENT OF ACTIVITIES
 For The Year Ended June 30, 2018
 With Comparative Totals For The Year Ended June 30, 2017

Statement 2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Operating Grants and Contributions</u>	<u>2018</u>	<u>2017</u>
Governmental activities:				
Administration	\$377,383	\$ -	(\$377,383)	(\$411,419)
District support services	335,357	-	(335,357)	(343,539)
Regular instruction	2,304,820	152,251	(2,152,569)	(1,856,621)
Special education instruction	579,902	529,295	(50,607)	(81,021)
Instructional support services	77,062	-	(77,062)	(109,985)
Pupil support services	483,851	-	(483,851)	(451,827)
Site, building and equipment	821,374	434,558	(386,816)	(364,520)
Fiscal and other fixed costs	48,809	-	(48,809)	(52,238)
Food service	327,834	338,938	11,104	3,233
Total governmental activities	<u>\$5,356,392</u>	<u>\$1,455,042</u>	<u>(3,901,350)</u>	<u>(3,667,937)</u>
General revenues:				
Local sources			13,022	3,349
State sources			3,445,098	3,085,956
Total general revenues			<u>3,458,120</u>	<u>3,089,305</u>
Change in net position			(443,230)	(578,632)
Net position - beginning			<u>(1,105,804)</u>	<u>(527,172)</u>
Net position - ending			<u>(\$1,549,034)</u>	<u>(\$1,105,804)</u>

The accompanying notes are an integral part of these financial statements.

**URBAN ACADEMY
CHARTER SCHOOL NO. 4088**

Statement 3

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2018

With Comparative Totals For June 30, 2017

	General	Food Service Fund	Total	
			2018	2017
Assets				
Cash and cash equivalents	\$890,432	\$13,277	\$903,709	\$543,007
Restricted cash	300,000	-	300,000	250,000
Due from Minnesota Department of Education	363,326	323	363,649	518,915
Due from Federal Government through Minnesota Department of Education	98,022	12,318	110,340	101,043
Due from other governments	118	-	118	2,788
Other receivables	26,224	-	26,224	26,224
Prepaid items	1,500	-	1,500	7,912
Total assets	\$1,679,622	\$25,918	\$1,705,540	\$1,449,889
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$73,076	\$12,954	\$86,030	\$72,575
Salaries and taxes payable	209,228	-	209,228	163,825
Total liabilities	282,304	12,954	295,258	236,400
Fund balance:				
Nonspendable - prepaid items	1,500	-	1,500	7,912
Restricted for food service	-	12,964	12,964	17,562
Restricted for letter of credit collateral	300,000	-	300,000	250,000
Restricted for medical assistance	193	-	193	-
Unassigned	1,095,625	-	1,095,625	938,015
Total fund balance	1,397,318	12,964	1,410,282	1,213,489
Total liabilities and fund balance	\$1,679,622	\$25,918	\$1,705,540	\$1,449,889
Amounts reported for governmental activities in the statement of net position are different because:				
Fund balance reported above			\$1,410,282	\$1,213,489
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds			202,141	163,837
Deferred outflows of resources related to pensions			2,711,614	3,656,698
Net pension liability is not due and payable in the current period, and therefore, is not reported in the funds			(4,851,147)	(5,796,593)
Deferred inflows of resources related to pensions			(829,583)	(134,865)
Deferred inflows of resources related to lease incentive			(192,341)	(208,370)
Net position of governmental activities (Statement 1)			(\$1,549,034)	(\$1,105,804)

The accompanying notes are an integral part of these financial statements.

URBAN ACADEMY
CHARTER SCHOOL NO. 4088

Statement 4

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2018
With Comparative Totals For The Year Ended June 30, 2017

	General	Food Service Fund	Total	
			2018	2017
Revenues:				
Local sources	\$13,022	\$ -	\$13,022	\$3,349
State sources	4,338,042	6,881	4,344,923	3,901,064
Federal sources	215,070	332,057	547,127	446,799
Total revenues	<u>4,566,134</u>	<u>338,938</u>	<u>4,905,072</u>	<u>4,351,212</u>
Expenditures:				
Current:				
Administration	278,421	-	278,421	277,904
District support services	335,357	-	335,357	343,539
Regular instruction	1,780,053	-	1,780,053	1,485,074
Special education instruction	493,890	-	493,890	467,330
Instructional support services	71,735	-	71,735	90,367
Pupil support services	460,243	-	460,243	425,942
Site, building and equipment	823,147	-	823,147	744,938
Fiscal and other fixed costs	48,809	-	48,809	52,238
Food service	-	327,834	327,834	276,185
Capital outlay	73,088	15,702	88,790	27,073
Total expenditures	<u>4,364,743</u>	<u>343,536</u>	<u>4,708,279</u>	<u>4,190,590</u>
Revenues over (under) expenditures	201,391	(4,598)	196,793	160,622
Fund balance - beginning	<u>1,195,927</u>	<u>17,562</u>	<u>1,213,489</u>	<u>1,052,867</u>
Fund balance - ending	<u>\$1,397,318</u>	<u>\$12,964</u>	<u>\$1,410,282</u>	<u>\$1,213,489</u>

Amounts reported for governmental activities in the statement of activities are different because:

Revenues over expenditures reported above		\$196,793	\$160,622
Governmental funds report capital outlays as expenditures, however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:			
Depreciation		(50,134)	(38,971)
Capital outlay		88,790	27,073
Loss on disposal of capital assets		(352)	(7,023)
Governmental funds report pension contributions as expenditures, however, pension expense is reported in the statement of activities.			
Pension contributions	148,065		
Pension expense (net of direct aid in the amount of \$8,090)	(842,421)	(694,356)	(736,362)
Amortization of deferred lease incentive		16,029	16,029
Change in net position of governmental activities (Statement 2)		<u>(\$443,230)</u>	<u>(\$578,632)</u>

The accompanying notes are an integral part of these financial statements.

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Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Urban Academy (the School) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies.

A. FINANCIAL REPORTING ENTITY

As required by state statute, the School operates as a nonprofit corporation under Minnesota Statutes §317A. 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 accounting structure.

The financial statements of the reporting entity include those of the School (the primary government) and its component units. Generally, component units are legally separate organizations for which the primary government is financially accountable. The School does not have any component units.

The School is required to operate under a charter agreement with an entity that has been approved by the Minnesota Department of Education (MDE) to be a charter school “authorizer.” The authorizer monitors and evaluates the School’s performance, and periodically determines whether to renew the School’s charter. The School’s authorizer is Novation Education Opportunities. Aside from its responsibilities as authorizer, Novation Education Opportunities has no authority or control over the School, and is not financially accountable for it. Therefore, the School is not considered a component unit of Novation Education Opportunities.

B. SCHOOL-WIDE FINANCIAL STATEMENTS

The school-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School. Amounts are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. *Governmental activities* generally are financed through intergovernmental revenues, and other non-exchange transactions. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

As a general rule the effect of interfund activity has been eliminated from the school-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services, are similarly treated when they involve other funds of the School. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include charges for goods and services, as well as operating and capital grants and contributions that are restricted to meeting the operational or

capital requirements of a particular function. Other items not included among program revenues are reported instead as *general revenues*.

C. FUND FINANCIAL STATEMENTS

Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized when it becomes both measurable and available. *Measurable* means the amount of the transaction can be determined and *available* means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota Statutes and GAAP. Minnesota Statutes include state aid formulas for specific fiscal years. Federal revenue and other non-exchange transactions are recognized when all eligibility requirements imposed by the provider have been met and the resources are available. Food service sales and other miscellaneous revenue are recorded as revenue when received because they are generally not measurable until then. A 60 day availability period is used for other fund revenue.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, as applicable, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The emphasis of fund financial statements is on major funds, each displayed in a separate column. The School reports the following major funds:

The *General Fund* is the general operating fund of the School. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

The *Food Service Special Revenue Fund* is used to account for the School's child nutrition program.

D. 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.

A tax expense or benefit from an uncertain income tax position (including tax-exempt status) may be recognized only when it is more likely than not that the position will be sustained upon examination by taxing authorities. Management believes the School has no uncertain income tax positions that would result in an accrual, expense or benefit under the more likely than not standard.

E. BUDGETS

The School's Board adopts an annual budget for the General Fund and the Food Service Special Revenue Fund. Budgets are prepared on the same basis of accounting as the financial statements. Legal budgetary control is at the fund level. Budgeted amounts are as originally adopted or as amended by the Board. Budgeted expenditure appropriations lapse at year end. Encumbrance accounting is not used.

Expenditures of the General Fund and the Food Service Special Revenue Fund exceeded budgeted appropriations by \$79,524 and \$67,331, respectively, during the year ended June 30, 2018.

F. STUDENT ACTIVITIES

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's Board has elected to control extracurricular activities. Therefore, the extracurricular student activity accounts are included in the School's General Fund.

G. CASH AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

H. RESTRICTED CASH

The School purchased certificates of deposit to be used as collateral to secure its letter of credit (see Note 4). The amount of collateral required to be held at June 30, 2018 was \$300,000.

I. RECEIVABLES

Receivables represent amounts receivable from other governments, 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.

J. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the school-wide and fund financial statements. Prepaid items are reported using the consumption method and are recorded as expenditures at the time of consumption.

K. CAPITAL ASSETS

Capital assets, which include property, plant and equipment are reported in the school-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. 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 depreciated using the straight-line method over the following estimated useful lives:

Computers and office equipment	3 - 10 years
Furniture and fixtures	5 - 20 years
Vehicles	5 years
Leasehold improvements	10 years

L. ACCRUED EMPLOYEE BENEFITS

Since vacation benefits do not carryover at year end, no long-term liability for unused vacation has been recorded. Substantially all employees are entitled to sick leave at rates specified in their contracts. Employees are not compensated for unused sick leave upon termination of employment; therefore, no long-term liability for unused sick leave has been recorded.

M. DEFINED BENEFIT PENSION PLANS

For purposes of measuring the net pension liability, deferred outflows and inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA) and additions to and deductions from TRA's and PERA's fiduciary net position have been determined on the same basis as they are reported by TRA and PERA. Plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with 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, the City of Minneapolis, and the Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association 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 in 2015. PERA also has a special funding situation created by direct aid contributions made by the State of Minnesota.

N. DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an

outflow of resources (expense/expenditure) until then. The School has one item that qualifies for reporting in this category. It is the pension related deferred outflows of resources reported in the school-wide Statement of Net Position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The School has two items that qualifies for reporting in this category. They are the pension related deferred inflows of resources and the lease incentive reported in the school-wide Statement of Net Position.

O. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OPEB are defined as benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment. The School does not offer such benefits to its employees. Also, employee health insurance premiums are age-adjusted. Therefore, an implicit rate subsidy does not exist and a liability for OPEB has not been recorded.

P. FUND BALANCE

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - consists of amounts that are not in spendable form, such as prepaid items.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - consists of internally imposed constraints that are established by resolution of the School's Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned - consists of internally imposed constraints that are intended to be used by the School for specific purposes, but do not meet the criteria to be classified as restricted or committed. Assigned amounts represent intended uses established by the School's Board itself or by an official to which the governing body delegates the authority. The Board has delegated to the School Director the authority to assign fund balance for specific purposes.

Unassigned - is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the School's policy to first use restricted resources, then use unrestricted resources as they are needed. When

committed, assigned or unassigned resources are available for use, it is the School's policy to use resources in the following order; 1) committed 2) assigned and 3) unassigned.

Q. MINIMUM FUND BALANCE POLICY

The School's Board has formally adopted a fund balance policy for the General Fund. The policy establishes a minimum fund balance for the General Fund equal to 20% of the ensuing year's budgeted expenditures.

At June 30, 2018, the targeted minimum fund balance for the General Fund was \$891,363. Actual fund balance in the General Fund was \$1,397,318. However, \$300,000 of fund balance is reported as restricted. This amount relates to the collateral provided for the letter of credit.

R. NET POSITION

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

S. COMPARATIVE DATA

The basic financial statements and schedules 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, 2017 from which the summarized information was derived.

T. USE OF ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

U. 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 for which the School carries commercial insurance. There were no significant reductions in insurance coverage from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

V. FAIR VALUE OF FINANCIAL INSTRUMENTS

The School defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. To determine fair value, the School uses a fair value hierarchy categorized into three levels based on the inputs used. Generally, the three levels are as follows:

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Significant other observable inputs.
- Level 3 – Significant unobservable inputs.

The School does not have any significant fair value measurements as of June 30, 2018.

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with Minnesota Statutes, the School maintains deposits at financial institutions which are authorized by the School’s Board.

Custodial Credit Risk – 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 include: 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 department of a commercial bank or other financial institution not owned or controlled by the depository.

At June 30, 2018, all of the School’s deposits were covered by insurance or collateral.

B. INVESTMENTS

Minnesota Statutes outline authorized investments for charter schools. During 2018, the School did not have any such investments.

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June 30, 2018

Note 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Computers and office equipment	\$64,057	\$35,535	(\$5,731)	\$93,861
Furniture and fixtures	202,241	38,542	(1,100)	239,683
Vehicles	56,870	14,713	(5,898)	65,685
Leasehold improvements	64,079	-	-	64,079
Total capital assets, being depreciated	387,247	88,790	(12,729)	463,308
Less accumulated depreciation for:				
Computers and office equipment	42,097	15,953	(5,379)	52,671
Furniture and fixtures	136,634	16,108	(1,100)	151,642
Vehicles	32,546	11,666	(5,898)	38,314
Leasehold improvements	12,133	6,407	-	18,540
Total accumulated depreciation	223,410	50,134	(12,377)	261,167
Total capital assets being depreciated - net	\$163,837	\$38,656	(\$352)	\$202,141

Depreciation expense was charged to functions/programs as follows:

Regular instruction	\$18,047
Special education instruction	571
Instructional support services	3,205
Pupil support services	15,792
Site, building and equipment	12,519
Total depreciation expense - governmental activities	\$50,134

Note 4 SHORT-TERM DEBT

LINE OF CREDIT AGREEMENT

The School has a line of credit to assist with the timing of cash flows. The line has a maximum amount of \$450,000 with a variable interest rate equal to the prime rate plus 1.75% and a maturity date of April 29, 2019. The line is secured by substantially all School assets. At June 30, 2018, the outstanding balance was \$0 and the interest rate was 6.75%. There was no activity on the line of credit during the year ended June 30, 2018.

LETTER OF CREDIT AGREEMENT

The School has an irrevocable letter of credit in the amount of \$300,000 with a variable interest rate equal to the prime rate plus 5.00% with a maturity date of June 30, 2020. The School's landlord has the right to draw on the letter of credit if the School defaults on its lease agreement, as defined in Article 10 of the agreement. The letter of credit is secured by certificates of deposit that the School purchased, as described in Note 1H. At June 30, 2018, the outstanding balance on the letter of credit

was \$0 and the interest rate was 10.00%. There was no activity on the letter of credit during the year ended June 30, 2018.

Note 5 DEFINED BENEFIT PENSION PLANS

The School participates in cost-sharing multiple-employer defined benefit pension plans administered on a statewide basis by the Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA). The defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code. Disclosures relating to these plans are as follows:

A. PLAN DESCRIPTIONS

TRA administers a Coordinated Plan in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity 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 are required to be TRA members.

PERA administers the General Employees Retirement Fund (GERF) in accordance with Minnesota Statutes, Chapters 353 and 356, and is governed by an eleven member Board of Trustees. All full-time and certain part-time employees of the School, other than teachers, are covered by the GERF.

B. BENEFITS PROVIDED

TRA

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 (Tier I and Tier II) are used to compute benefits.

Tier I Benefits – for members with service years up to July 1, 2006, a step rate formula of 1.2% per year for the first ten years of service and 1.7% per year thereafter is applied. For members with service years beginning July 1, 2006, a step rate formula of 1.4% per year for the first ten years of service and 1.9% per year thereafter is applied.

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

Members first employed before July 1, 1989 receive the greater of the Tier I or Tier II benefits as described. Members first employed after June 30, 1989 receive only the Tier II calculation with a

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normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

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.

PERA

PERA provides retirement, disability, and death benefits. Benefit provisions are established by Minnesota Statute and can only be modified by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraph 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.

GERF 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. 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 is 1.2% of average salary for each of the first ten years of service and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 1.7% 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.

C. CONTRIBUTIONS

Employee and employer contribution rates are established by Minnesota Statutes. Rates for the years ended June 30, 2018 and 2017 are as follows:

	<u>Employee</u>	<u>Employer</u>
TRA	7.5%	7.5%
PERA	6.5%	7.5%

The School's contributions to TRA and PERA were equal to the required contributions as set by state statute. Contributions to TRA and PERA for the previous two fiscal years were as follows:

<u>Year Ended</u>	<u>TRA</u>	<u>PERA</u>
June 30, 2018	\$96,530	\$51,535
June 30, 2017	\$85,486	\$46,616

D. NET PENSION LIABILITY AND PENSION EXPENSE

The net pension liability reported at June 30, 2018 was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the measurement date. The School's proportionate share of the net pension liability was based on contributions received by each respective plan during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017, relative to the total contributions to the plan, which included direct aid from the State of Minnesota, the City of Minneapolis and the Minneapolis School District. The School has no pension-related assets.

The School's net pension liability, its proportionate share of the plan's net pension liability, and pension expense as of and for the year ended June 30, 2018 are as follows:

	TRA	PERA	Total
Net pension liability	\$4,231,905	\$619,242	\$4,851,147
Proportionate share of net pension liability:			
Measurement date	0.0212%	0.0097%	
Prior measurement date	0.0210%	0.0097%	
Pension expense	\$771,490	\$79,021	\$850,511

The pension expense related to TRA and PERA includes recognition of \$7,863 and \$227, respectively, as an increase to pension expense (and grant revenue) for the support provided by direct aid.

The net pension liability related to TRA reflected a reduction due to direct aid in the amount of \$35,587,410 provided to TRA. The amount recognized by the School as its proportionate share of the net pension liability, the State's proportionate share of the net pension liability, and the total portion of the net pension liability that was associated with the School were \$4,231,905, \$408,217 and \$4,640,122, respectively.

The net pension liability related to PERA reflected a reduction due to direct aid in the amount of \$6,000,000 provided to PERA. The amount recognized by the School as its proportionate share of the net pension liability, the State's proportionate share of the net pension liability, and the total portion of the net pension liability that was associated with the School were \$619,242, \$7,810 and \$627,052, respectively.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

E. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience:		
TRA	\$33,964	\$29,604
PERA	20,408	39,838
Difference between projected and actual investment earnings:		
TRA	-	33,162
PERA	-	26,778
Changes in actuarial assumptions:		
TRA	2,293,627	592,823
PERA	102,807	62,079
Changes in proportion:		
TRA	103,193	39,427
PERA	9,550	5,872
Contributions paid subsequent to the measurement date:		
TRA	96,530	-
PERA	51,535	-
Total	<u>\$2,711,614</u>	<u>\$829,583</u>

Amounts reported as deferred outflows of resources resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense during the following years:

Year	Pension Expense		
	TRA	PERA	Total
2019	\$472,250	(\$4,445)	\$467,805
2020	549,030	40,654	589,684
2021	452,284	(11,727)	440,557
2022	383,591	(26,284)	357,307
2023	(121,387)	-	(121,387)
Thereafter	-	-	-

F. ACTUARIAL ASSUMPTIONS

TRA

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Information

Measurement date	June 30, 2017
Valuation date	July 1, 2017
Experience study	June 5, 2015 and November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	5.12%, from the Single Equivalent Interest Rate calculation
Price inflation	2.50%
Wage growth rate	2.85% for 10 years and 3.25% thereafter
Projected salary increase	2.85 to 8.85% for 10 years and 3.25 to 9.25% thereafter
Cost of living adjustment	2.0%

Mortality Assumptions:

Pre-retirement	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is six years. The “Difference Between Expected and Actual Economic Experience,” “Changes in Actuarial Assumptions,” and “Changes in Proportion” use the amortization period of six years in the schedule presented. The amortization period for “Difference Between Projected and Actual Investment Earnings” is five years as required by GASB 68.

The following changes in actuarial assumptions occurred since the 2016 valuation:

- The investment return assumption was changed from 8.00% to 7.50%.
- The price inflation assumption was lowered from 2.75% to 2.50%.
- The payroll growth assumption was lowered from 3.50% to 3.00%.
- The general wage growth assumption was lowered from 3.50% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.

PERA

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1% per through 2044 and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study was completed in 2015.

The following changes in actuarial assumptions occurred in 2017:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

TRA and PERA

The State Board of Investment, which manages the investments of TRA and PERA, prepares an analysis on a regular basis of the reasonableness of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	39%	5.10%
International stocks	19%	5.30%
Bonds	20%	0.75%
Alternative assets	20%	5.90%
Unallocated cash	2%	0.00%
Total	100%	

G. DISCOUNT RATE

TRA

The discount rate used to measure the total pension liability was 5.12%. This is an increase from the discount rate at the prior measurement date of 4.66%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2017 contribution rate, contributions from schools will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2053 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return (7.50%) was applied to periods before 2053 and the Municipal Bond Index Rate of 3.56% was applied to periods on and after 2053, resulting in a SEIR of 5.12%. There was a change in the Municipal Bond Index Rate from the prior year measurement date (3.01%).

PERA

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on that assumption, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. PENSION LIABILITY SENSITIVITY

The following presents the School's proportionate share of the net pension liability calculated using the discount rate for each plan, as well as the liability measured using one percent lower (4.12% for TRA; 6.50% for PERA) and one percent higher (6.12% for TRA; 8.50% for PERA).

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
TRA	\$5,585,299	\$4,231,905	\$3,090,829
PERA	960,490	619,242	339,868

I. PENSION PLAN FIDUCIARY NET POSITION

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, MN, 55103; or by calling 651-296-2409 or 1-800-657-3669.

Detailed information about PERA's fiduciary net position is available in a separately issued PERA financial report. That report may be obtained at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, MN, 55103; or by calling 651-296-7460 or 1-800-652-9026.

Note 6 COMMITMENTS AND CONTINGENCIES

A. GRANTS

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 funds. 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. The federal financial assistance received may be subject to an audit pursuant to Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) or audits by the grantor agency.

B. OPERATING LEASE COMMITMENTS AND TERMS

Effective July 1, 2015, the School entered into a lease agreement for classroom and office space at 1668 Montreal Avenue, St. Paul, MN. The term of the lease is for fifteen years, expiring June 30, 2030. Annual base rent is the greater of (a) minimum amounts summarized below, or (b) the lease aid maximum amount, as defined in the lease agreement. Base lease expense was \$525,391 for 2018. Future estimated lease payments based on these terms are as follows:

<u>Year Ending June 30,</u>	<u>Minimum Lease Payments</u>
2019	\$533,391
2020	541,391
2021	549,391
2022	503,000
2023	511,000
2024-2028	2,675,000
2029-2030	<u>1,126,000</u>
Total	<u><u>\$6,439,173</u></u>

Additional rent not included in the above schedule is also required for the School's share of operating costs.

The School's ability to make payments under the 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. For fiscal year 2018, the School qualified for estimated lease aid of \$408,155 based on a statutory cap equal to \$1,314 times the pupil units served.

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7 DEFERRED LEASE INCENTIVE

As part of the lease agreement for classroom and office space, as summarized in Note 6, the School's landlord provided the School a tenant allowance upon executing the lease. The School used \$240,428 of this allowance. Accounting standards require the School to recognize the allowance used as a reduction to rental expense on the Statement of Activities over the lease term. The amount to be recognized in future periods is recorded as a deferred lease incentive on the Statement of Net Position.

During fiscal year 2018, the School recorded \$16,029 as a reduction to rental expense, leaving \$192,341 to be recognized in future periods as summarized below:

Year Ending June 30,	Amount
2019	\$16,029
2020	16,029
2021	16,029
2022	16,029
2023	16,029
2024-2028	80,145
2029-2030	32,051
Total	<u>\$192,341</u>

Note 8 RECENTLY ISSUED ACCOUNTING STANDARDS

The Governmental Accounting Standards Boards (GASB) recently approved the following statements which were not implemented for these financial statements:

Statement No. 83 *Certain Asset Retirement Obligations*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84 *Fiduciary Activities*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87 *Leases*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Periods*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019.

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Statement No. 90 *Majority Equity Interests*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2018.

The effect these standards may have on future financial statements is not determinable at this time, but it is expected that statement No. 87 may have a material impact.

REQUIRED SUPPLEMENTARY INFORMATION

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For The Year Ended June 30, 2018

With Comparative Actual Amounts For the Year Ended June 30, 2017

Statement 5
Page 1 of 2

	2018				
	Budgeted Amounts		Actual	Variance with	2017
	Original	Final	Amounts	Final Budget -	Actual
				Over (Under)	Amounts
Revenues:					
Local sources	\$7,750	\$7,750	\$13,022	\$5,272	\$3,349
State sources	4,479,075	4,479,075	4,338,042	(141,033)	3,894,704
Federal sources	183,654	183,654	215,070	31,416	173,741
Total revenues	4,670,479	4,670,479	4,566,134	(104,345)	4,071,794
Expenditures:					
Administration:					
Current:					
Salaries	184,424	184,424	177,424	(7,000)	181,820
Employee benefits	42,665	42,665	35,284	(7,381)	34,491
Purchased services	36,000	36,000	33,134	(2,866)	31,420
Supplies and materials	850	850	2,178	1,328	567
Other expenditures	32,000	32,000	30,401	(1,599)	29,606
Total administration	295,939	295,939	278,421	(17,518)	277,904
District support services:					
Current:					
Salaries	181,960	181,960	145,506	(36,454)	146,803
Employee benefits	41,587	41,587	35,287	(6,300)	37,202
Purchased services	160,050	160,050	139,633	(20,417)	143,311
Supplies and materials	19,000	19,000	14,931	(4,069)	14,679
Other expenditures	1,550	1,550	-	(1,550)	1,544
Total district support services	404,147	404,147	335,357	(68,790)	343,539
Regular instruction:					
Current:					
Salaries	1,147,032	1,147,032	1,259,692	112,660	1,087,908
Employee benefits	299,280	299,280	330,606	31,326	285,984
Purchased services	37,100	37,100	84,695	47,595	39,860
Supplies and materials	137,150	137,150	104,971	(32,179)	71,269
Other expenditures	350	350	89	(261)	53
Capital outlay	30,000	30,000	17,765	(12,235)	8,577
Total regular instruction	1,650,912	1,650,912	1,797,818	146,906	1,493,651
Special education instruction:					
Current:					
Salaries	253,968	253,968	264,405	10,437	207,750
Employee benefits	52,606	52,606	65,874	13,268	51,221
Purchased services	213,600	213,600	162,199	(51,401)	205,854
Supplies and materials	3,250	3,250	1,412	(1,838)	2,505
Capital outlay	-	-	4,995	4,995	-
Total special education instruction	523,424	523,424	498,885	(24,539)	467,330

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For The Year Ended June 30, 2018

With Comparative Actual Amounts For the Year Ended June 30, 2017

Statement 5
Page 2 of 2

	2018				
	Budgeted Amounts		Actual	Variance with	2017
	Original	Final	Amounts	Final Budget -	Actual
				Over (Under)	Amounts
Expenditures: (continued)					
Instructional support services:					
Current:					
Salaries	\$53,060	\$53,060	\$57,060	\$4,000	\$68,250
Employee benefits	12,275	12,275	12,914	639	15,187
Purchased services	5,250	5,250	60	(5,190)	1,592
Supplies and materials	7,750	7,750	1,701	(6,049)	5,338
Total instructional support services	78,335	78,335	71,735	(6,600)	90,367
Pupil support services:					
Current:					
Salaries	50,306	50,306	45,271	(5,035)	55,384
Employee benefits	15,734	15,734	5,017	(10,717)	7,513
Purchased services	362,300	362,300	403,645	41,345	354,159
Supplies and materials	10,750	10,750	6,310	(4,440)	8,886
Capital outlay	-	-	14,713	14,713	-
Total pupil support services	439,090	439,090	474,956	35,866	425,942
Site, building and equipment:					
Current:					
Salaries	25,469	25,469	34,630	9,161	24,447
Employee benefits	7,513	7,513	7,657	144	7,987
Purchased services	745,390	745,390	763,766	18,376	701,564
Supplies and materials	15,000	15,000	17,094	2,094	10,940
Capital outlay	40,000	40,000	35,615	(4,385)	18,496
Total site, building and equipment	833,372	833,372	858,762	25,390	763,434
Fiscal and other fixed costs:					
Current:					
Purchased services	60,000	60,000	48,809	(11,191)	52,238
Total expenditures	4,285,219	4,285,219	4,364,743	79,524	3,914,405
Revenues over (under) expenditures	\$385,260	\$385,260	201,391	(\$183,869)	157,389
Fund balance - beginning			1,195,927		1,038,538
Fund balance - ending			\$1,397,318		\$1,195,927

URBAN ACADEMY
CHARTER SCHOOL NO. 4088

Statement 6

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - FOOD SERVICE SPECIAL REVENUE FUND

For The Year Ended June 30, 2018

With Comparative Actual Amounts For the Year Ended June 30, 2017

	2018				
	Budgeted Amounts		Actual	Variance with	2017
	Original	Final	Amounts	Final Budget -	Actual
				Over (Under)	Amounts
Revenues:					
Local sources	\$10	\$10	\$ -	(\$10)	\$ -
State sources	7,000	7,000	6,881	(119)	6,360
Federal sources	269,195	269,195	332,057	62,862	273,058
Total revenues	276,205	276,205	338,938	62,733	279,418
Expenditures:					
Food service					
Current:					
Salaries	15,150	15,150	21,895	6,745	22,692
Employee benefits	3,505	3,505	3,587	82	3,976
Purchased services	1,200	1,200	150	(1,050)	1,445
Supplies and materials	256,350	256,350	302,202	45,852	248,072
Capital outlay	-	-	15,702	15,702	-
Total expenditures	276,205	276,205	343,536	67,331	276,185
Revenues over (under) expenditures	\$0	\$0	(4,598)	(\$4,598)	3,233
Fund balance - beginning			17,562		14,329
Fund balance - ending			\$12,964		\$17,562

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 For The Year Ended June 30, 2018

Statement 7

Measurement Date	School Fiscal Year Ending	School's Proportion (Percentage) of the Net Pension Liability	School's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the School (b)	Total Proportionate Share of the Net Pension Liability (a+b)	Covered Payroll (c)	School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>Teachers Retirement Association</u>								
June 30, 2014	June 30, 2015	0.0233%	\$1,073,647	\$75,411	\$1,149,058	\$1,096,576	104.8%	81.5%
June 30, 2015	June 30, 2016	0.0204%	1,261,942	154,774	1,416,716	1,037,627	136.5%	76.8%
June 30, 2016	June 30, 2017	0.0210%	5,009,001	502,602	5,511,603	1,091,554	504.9%	44.9%
June 30, 2017	June 30, 2018	0.0212%	4,231,905	408,217	4,640,122	1,139,813	407.1%	51.6%
<u>PERA - General Employees Retirement Fund</u>								
June 30, 2014	June 30, 2015	0.0098%	\$460,355	\$ -	\$460,355	\$513,308	89.7%	78.8%
June 30, 2015	June 30, 2016	0.0093%	481,974	-	481,974	547,590	88.0%	78.2%
June 30, 2016	June 30, 2017	0.0097%	787,592	10,258	797,850	602,889	132.3%	68.9%
June 30, 2017	June 30, 2018	0.0097%	619,242	7,810	627,052	621,547	100.9%	75.9%

The schedule is provided prospectively beginning with the School's fiscal year ended June 30, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

URBAN ACADEMY**CHARTER SCHOOL NO. 4088****Statement 8****REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF PENSION CONTRIBUTIONS**

For The Year Ended June 30, 2018

School Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)

Teachers Retirement Association

June 30, 2015	\$77,822	\$77,822	\$ -	\$1,037,627	7.50%
June 30, 2016	81,867	81,867	-	1,091,554	7.50%
June 30, 2017	85,486	85,486	-	1,139,813	7.50%
June 30, 2018	96,530	96,530	-	1,287,067	7.50%

PERA - General Employees Retirement Fund

June 30, 2015	\$40,328	\$40,328	\$ -	\$547,590	7.36%
June 30, 2016	45,219	45,219	-	602,889	7.50%
June 30, 2017	46,616	46,616	-	621,547	7.50%
June 30, 2018	51,535	51,535	-	687,133	7.50%

The schedule is provided prospectively beginning with the School's fiscal year ended June 30, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

**URBAN ACADEMY
CHARTER SCHOOL NO. 4088
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
June 30, 2018**

Note A BUDGETARY INFORMATION

The General Fund and Food Service Special Revenue Fund budgets are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the fund level.

Note B PENSION INFORMATION

TEACHERS RETIREMENT ASSOCIATION

2017 Changes

Changes in actuarial assumptions:

- The investment return assumption was changed from 8.00% to 7.50%.
- The price inflation assumption was lowered from 2.75% to 2.50%.
- The payroll growth assumption was lowered from 3.50% to 3.00%.
- The general wage growth assumption was lowered from 3.50% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.

2016 Changes

Changes in actuarial assumptions:

- The assumed investment rate of return and discount rate was reduced from 8.00% to 4.66%.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The general wage growth and payroll growth assumptions were reduced from 3.75% to 3.50%.
- Projected salary increases of 3.5% – 12.0% were changed to 3.5% – 9.5%.
- Mortality assumptions changed as a result of using updated mortality tables.

2015 Changes

Changes of benefit terms:

- The Duluth Teacher's Retirement Fund Association was merged into TRA on June 30, 2015.

Changes in actuarial assumptions:

- Post-retirement benefit adjustments are assumed to remain level at 2.0% annually. The previous valuation assumed a 2.5% increase commencing July 1, 2034.
- The discount rate was reduced from 8.25% to 8.00%

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2017 Changes

Changes in actuarial assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1% per year for all future years to 1% per year through 2044 and 2.5% per year thereafter.

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
June 30, 2018

2016 Changes

Changes in actuarial assumptions:

- The assumed post-retirement benefit increase rate was changed from 1% per year through 2035 and 2.5% per year thereafter to 1% per year for all future years.
- The assumed investment rate of return and discount rate was reduced from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. Assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.5% for inflation.

2015 Changes

None

Additional details can be obtained from the financial reports of TRA and PERA.

INDIVIDUAL FUND FINANCIAL STATEMENTS

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
 BALANCE SHEET - GENERAL FUND
 June 30, 2018
 With Comparative Totals For June 30, 2017

Statement 9

Assets	2018	2017
Cash and cash equivalents	\$890,432	\$533,295
Restricted cash	300,000	250,000
Due from Minnesota Department of Education	363,326	518,584
Due from Federal Government through Minnesota Department of Education	98,022	88,531
Due from other governments	118	2,788
Other receivables	26,224	26,224
Prepaid items	1,500	7,912
Total assets	<u>\$1,679,622</u>	<u>\$1,427,334</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$73,076	\$68,066
Salaries and taxes payable	209,228	163,341
Total liabilities	<u>282,304</u>	<u>231,407</u>
Fund balance:		
Nonspendable - prepaid items	1,500	7,912
Restricted for letter of credit collateral	300,000	250,000
Restricted for medical assistance	193	-
Unassigned	1,095,625	938,015
Total fund balance	<u>1,397,318</u>	<u>1,195,927</u>
Total liabilities and fund balance	<u>\$1,679,622</u>	<u>\$1,427,334</u>

URBAN ACADEMY
CHARTER SCHOOL NO. 4088

Statement 10

BALANCE SHEET - FOOD SERVICE SPECIAL REVENUE FUND

June 30, 2018

With Comparative Totals For June 30, 2017

Assets	2018	2017
Cash and cash equivalents	\$13,277	\$9,712
Due from Minnesota Department of Education	323	331
Due from Federal Government through Minnesota Department of Education	12,318	12,512
Total assets	\$25,918	\$22,555
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$12,954	\$4,509
Salaries and taxes payable	-	484
Total liabilities	12,954	4,993
Fund balance:		
Restricted for food service	12,964	17,562
Total liabilities and fund balance	\$25,918	\$22,555

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SUPPLEMENTAL INFORMATION

	Audit	UFARS	Variance		Audit	UFARS	Variance
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$4,566,134	\$4,566,133	\$1	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	4,364,743	4,364,744	(1)	Total Expenditures	-	-	-
<i>Non-Spendable:</i>				<i>Non-Spendable:</i>			
4.60 Non Spendable Fund Balance	1,500	1,500	-	4.60 Non Spendable Fund Balance	-	-	-
<i>Restricted/Reserve:</i>				<i>Restricted/Reserve:</i>			
4.03 Staff Development	-	-	-	4.07 Capital Projects Levy	-	-	-
4.06 Health and Safety	-	-	-	4.13 Projects Funded By COP	-	-	-
4.07 Capital Projects Levy	-	-	-	4.67 LTFM	-	-	-
4.08 Cooperative Revenue	-	-	-	<i>Restricted:</i>			
4.13 Project Funded By COP	-	-	-	4.64 Restricted Fund Balance	-	-	-
4.14 Operating Debt	-	-	-	<i>Unassigned:</i>			
4.16 Levy Reduction	-	-	-	4.63 Unassigned Fund Balance	-	-	-
4.17 Taconite Building Maint	-	-	-				
4.24 Operating Capital	-	-	-	07 DEBT SERVICE			
4.26 \$25 Taconite	-	-	-	Total Revenue	\$ -	\$ -	\$ -
4.27 Disabled Accessibility	-	-	-	Total Expenditures	-	-	-
4.28 Learning and Development	-	-	-	<i>Non-Spendable:</i>			
4.34 Area Learning Center	-	-	-	4.60 Non Spendable Fund Balance	-	-	-
4.35 Contracted Alt. Programs	-	-	-	<i>Restricted/Reserve:</i>			
4.36 St. Approved Alt. Program	-	-	-	4.25 Bond Refundings	-	-	-
4.38 Gifted & Talented	-	-	-	4.33 Maximum Effort Loan Aid	-	-	-
4.40 Teacher Development and Evaluation	-	-	-	4.51 QZAB Payments	-	-	-
4.41 Basic Skills Programs	-	-	-	<i>Restricted:</i>			
4.45 Career & Tech Programs	-	-	-	4.64 Restricted Fund Balance	-	-	-
4.48 Achievement and Integration	-	-	-	<i>Unassigned:</i>			
4.49 Safe Schools Levy	-	-	-	4.63 Unassigned Fund Balance	-	-	-
4.50 Pre-Kindergarten	-	-	-				
4.51 QZAB Payments	-	-	-	08 TRUST			
4.52 OPEB Liab Not In Trust	-	-	-	Total Revenue	\$ -	\$ -	\$ -
4.53 Unfunded Sev & Retirement Levy	-	-	-	Total Expenditures	-	-	-
4.59 Basic Skill Extended Time	-	-	-	<i>Unrestricted:</i>			
4.67 LTFM	-	-	-	4.22 Unassigned Fund Balance (Net Assets)	-	-	-
4.72 Medical Assistance	193	193	-				
<i>Restricted:</i>				20 INTERNAL SERVICE			
4.64 Restricted Fund Balance	300,000	300,000	-	Total Revenue	\$ -	\$ -	\$ -
4.75 Title VII Impact Aid	-	-	-	Total Expenditures	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-	<i>Unrestricted:</i>			
<i>Committed:</i>				4.22 Unassigned Fund Balance (Net Assets)	-	-	-
4.18 Committed For Separation	-	-	-				
4.61 Committed Fund Balance	-	-	-	25 OPEB REVOCABLE TRUST			
<i>Assigned:</i>				Total Revenue	\$ -	\$ -	\$ -
4.62 Assigned Fund Balance	-	-	-	Total Expenditures	-	-	-
<i>Unassigned:</i>				<i>Unrestricted:</i>			
4.22 Unassigned Fund Balance	1,095,625	1,095,623	2	4.22 Unassigned Fund Balance (Net Assets)	-	-	-
02 FOOD SERVICE				45 OPEB IRREVOCABLE TRUST			
Total Revenue	\$338,938	\$338,938	\$ -	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	343,536	343,537	(1)	Total Expenditures	-	-	-
<i>Non-Spendable:</i>				<i>Unrestricted:</i>			
4.60 Non Spendable Fund Balance	-	-	-	4.22 Unassigned Fund Balance (Net Assets)	-	-	-
<i>Restricted/Reserve:</i>							
4.52 OPEB Liab Not In Trust	-	-	-	47 OPEB DEBT SERVICE FUND			
<i>Restricted:</i>				Total Revenue	\$ -	\$ -	\$ -
4.64 Restricted Fund Balance	12,964	12,963	1	Total Expenditures	-	-	-
<i>Unassigned:</i>				<i>Non-Spendable:</i>			
4.63 Unassigned Fund Balance	-	-	-	4.60 Non Spendable Fund Balance	-	-	-
				<i>Restricted/Reserve:</i>			
04 COMMUNITY SERVICE				4.25 Bond Refundings	-	-	-
Total Revenue	\$ -	\$ -	\$ -	<i>Restricted:</i>			
Total Expenditures	-	-	-	4.64 Restricted Fund Balance	-	-	-
<i>Restricted/Reserve:</i>				<i>Unassigned:</i>			
4.26 \$25 Taconite	-	-	-	4.63 Unassigned Fund Balance	-	-	-
4.31 Community Education	-	-	-				
4.32 E.C.F.E	-	-	-				
4.40 Teacher Development and Evaluation	-	-	-				
4.44 School Readiness	-	-	-				

OTHER REQUIRED REPORTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Urban Academy
Charter School No. 4088
Saint Paul, 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 Urban Academy, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Urban Academy's basic financial statements, and have issued our report thereon dated October 31, 2018.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 Urban Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

October 31, 2018



MINNESOTA LEGAL COMPLIANCE REPORT

To the Board of Directors
Urban Academy
Charter School No. 4088
Saint Paul, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and each major fund of Urban Academy as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Urban Academy's basic financial statements, and have issued our report thereon dated October 31, 2018.

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

In connection with our audit, nothing came to our attention that caused us to believe that Urban Academy failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Charter Schools*. 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 Urban Academy's noncompliance with the above referenced provisions.

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

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

October 31, 2018

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