Annual Financial Report

Trio Wolf Creek
Distance Learning Charter School No. 4095

Chisago City, Minnesota

For the Year Ended
June 30, 2015

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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TRIO WOLF CREEK
DISTANCE LEARNING
CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2015

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TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
ANNUAL FINANCIAL REPORT
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FOR THE YEAR ENDED JUNE 30, 2015

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INTRODUCTORY SECTION

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2015

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TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
BOARD OF EDUCATION AND ADMINISTRATION
FOR THE YEAR ENDED JUNE 30, 2015

BOARD OF EDUCATION

Name	Position
Jeff Vitali	Chairperson
Jennifer Lake	Vice-Chairperson
Sandy Flint	Clerk/Treasurer
Sue Frame	Member
Lindsay Jarombek	Member
Becki Olseen	Member
Shanette Maloney	Member
Brian Bernier	Member

ADMINISTRATION

Name	Position
Tracy Quarnstrom	Director
Joseph Thimm	Authorizer Representative
Heide Miller	Director of Business Services

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FINANCIAL SECTION

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2015

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

The Board of Education
TRIO Wolf Creek
Distance Learning Charter School No. 4095
Chisago City, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the TRIO Wolf Creek Distance Learning Charter School No. 4095 (the Charter School), Chisago City, Minnesota as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Charter School'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 Charter School'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 the major fund of the Charter School as of June 30, 2015, and the respective changes in financial position and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Change in Accounting Standards

As described in Note 6 to the financial statements, the charter school adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68,* for the year ended June 30, 2015. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 13 and the Schedules of Employer's Shares of the Net Pension Liability and the Schedules of Employers Contributions starting on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 the Charter School's basic financial statements. The introductory section and individual fund schedules and table are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund schedules and 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 schedules and 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 November 2, 2015, on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
November 2, 2015

People + Process. Going Beyond the Numbers

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Management's Discussion and Analysis

As management of the TRIO Wolf Creek Distance Learning Charter School No. 4095 (the Charter School), Chisago City, Minnesota, we offer readers of the Charter School's financial statements this narrative overview and analysis of the financial activities of the Charter School for the fiscal year ended June 30, 2015.

Financial Highlights

- The assets and deferred outflows of resources of the Charter School exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $533,657 (*net position*). Of this amount, $219,417 (*unrestricted net position*) may be used to meet the Charter School's ongoing obligations to students and creditors.

- The Charter School's total net position increased $71,533 during the year. This was primarily a result of revenue and expenditures both having positive budget variances.

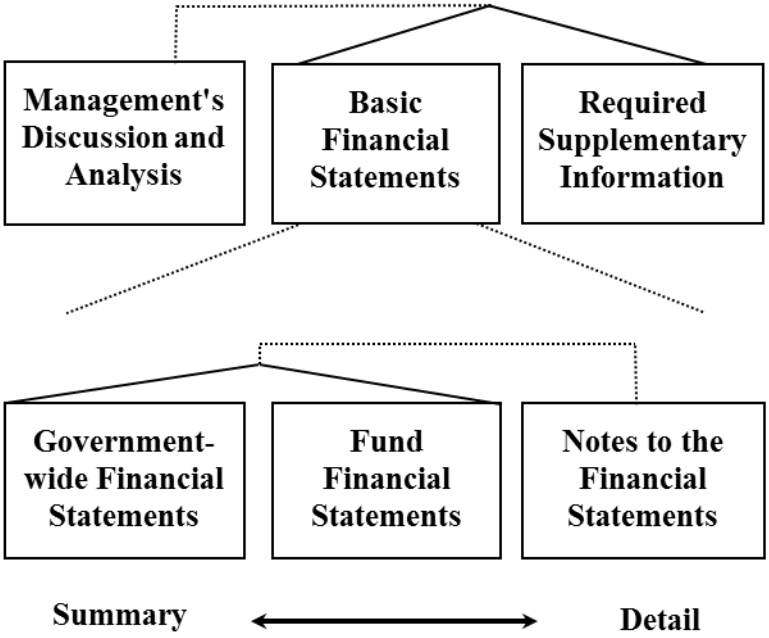
- As of the close of the current fiscal year, the Charter School's General fund reported an ending fund balance of $982,084, an increase of $77,924 in comparison with the prior year. Approximately 66.3 percent of this total amount, ($650,635) is available for spending at the Charter School's discretion (*unassigned fund balance*). The remaining fund balance is either nonspendable for prepaid items of $24,439 or assigned for other programs ($307,010).

- At the end of the current fiscal year, unassigned fund balance for the General fund was $650,635 or 40.9 percent of total current year General fund expenditures and transfers out.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Charter School's basic financial statements. The Charter School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of individual fund schedules that further explains and supports the information in the financial statements. The following chart shows how the required parts of this annual report are arranged and relate to one another.



The following chart summarizes the major features of the Charter School's financial statements, including the portion of the Charter School's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements:

Major Features of the Government-wide and Fund Financial Statements

		Fund Financial Statements
	Government-wide Statements	**Governmental Funds**
Scope	Entire Charter School	The activities of the Charter School that are not fiduciary, such as special education and building maintenance
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of inflow/out flow information	All revenues and expenditures during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Charter School's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Charter School's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Charter School is improving or deteriorating.

The *statement of activities* presents information showing how the Charter School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements display functions of the Charter School that are principally supported by intergovernmental revenues (*governmental activities*). The governmental activities of the Charter School include administration, district support services, elementary and secondary regular instruction, special education instruction, instructional support services, pupil support services, and sites and buildings.

The government-wide financial statements start on page 22 of this report.

Fund financial statements. 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. The Charter School, like other State and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Charter School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Charter School maintains one individual governmental fund, the General fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund.

The Charter School adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 26 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 31 of this report.

Other information. Individual fund schedules start on page 57 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Charter School, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $533,657 at the close of the most recent fiscal year.

A portion of the Charter School's net position (58.9 percent) reflects its net investment in capital assets (e.g. equipment, site improvements and building improvements). The Charter School uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending.

TRIO Wolf Creek Distance Learning Charter School's Summary of Net Position

	Governmental Activities		
	2015	2014	Increase (Decrease)
Assets			
Current and other assets	$ 1,187,192	$ 1,096,653	$ 90,539
Capital assets, net of depreciation	314,240	322,627	(8,387)
Total assets	1,501,432	1,419,280	82,152
Deferred outflows of resources			
Deferred pension resources	199,077	-	199,077
Liabilities			
Current	205,108	192,493	12,615
Noncurrent	733,915	-	733,915
Total liabilities	939,023	192,493	746,530
Deferred inflows of resources			
Deferred pension resources	227,829	-	227,829
Net position			
Investment in capital assets	314,240	322,627	(8,387)
Unrestricted	219,417	904,160	(684,743)
Total net position	$ 533,657	$ 1,226,787	$ (693,130)

The balance of *unrestricted net position* ($219,417) may be used to meet the Charter School's ongoing obligations to students and creditors. At the end of the current fiscal year, the Charter School is able to report positive balances in both categories of net position. The same situation held true for the prior fiscal year. The Charter School's net position increased $71,533 during the current fiscal year. Significant changes from the prior year are noted below:

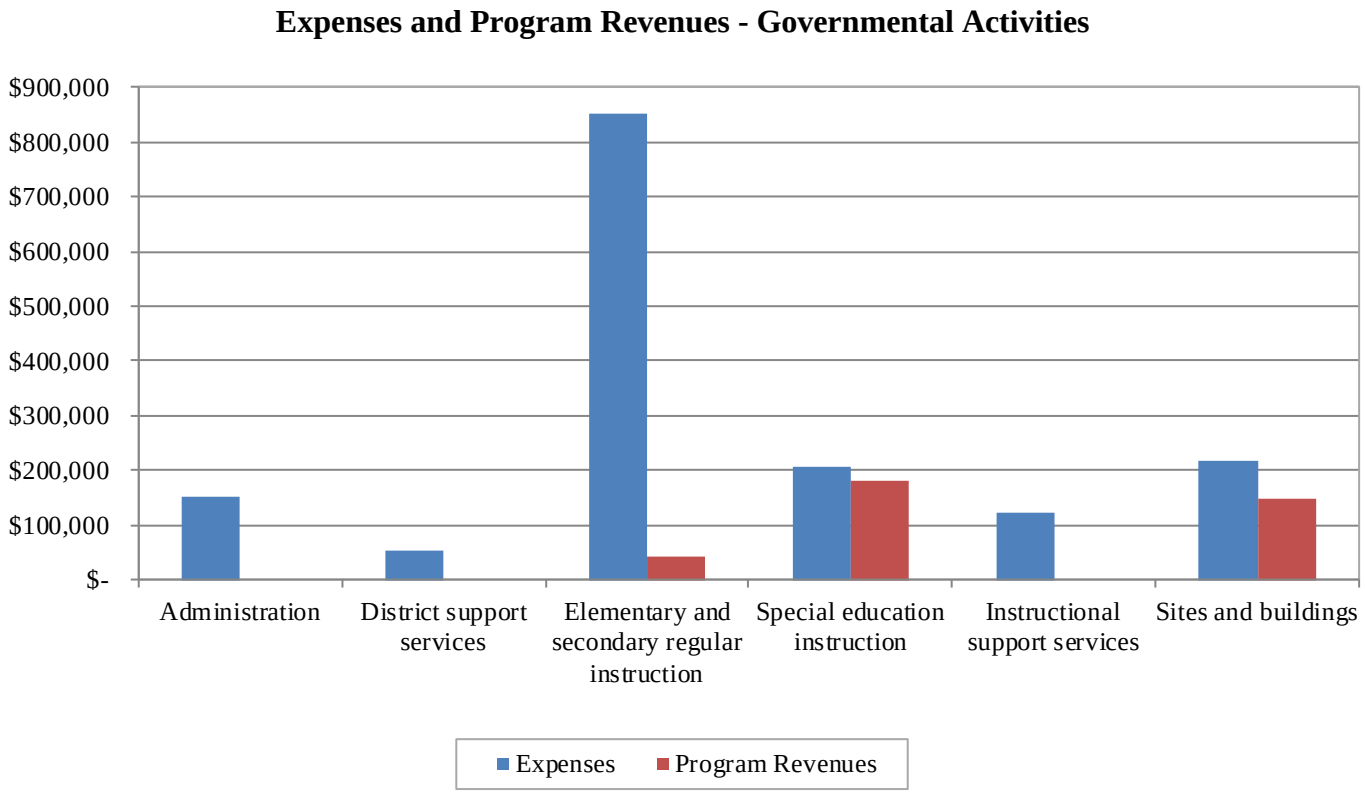
TRIO Wolf Creek Distance Learning Charter School's Changes in Net Position

	Governmental Activities		
	2015	2014*	Increase (Decrease)
Revenues			
Program revenues			
Charges for services	$ 5,693	$ 3,126	$ 2,567
Operating grants and contributions	368,634	315,080	53,554
General revenues			
State aid formula grants	1,293,795	1,118,726	175,069
Other general revenues not restricted to specific program	2,048	-	2,048
Unrestricted investment earnings	1,630	1,215	415
Total revenues	1,671,800	1,438,147	233,653
Expenses			
Administration	152,302	149,440	2,862
District support services	51,814	44,338	7,476
Elementary and secondary regular instruction	850,724	790,477	60,247
Special education instruction	204,956	168,046	36,910
Instructional support services	123,960	117,311	6,649
Sites and buildings	216,511	226,880	(10,369)
Total expenses	1,600,267	1,496,492	103,775
Change in net position	71,533	(58,345)	129,878
Net position (restated), July 1	462,124	1,285,132	(823,008)
Net position, June 30	$ 533,657	$ 1,226,787	$ (693,130)

* GASB Statement No. 68 was implemented for the year ended June 30, 2015 and required a $764,663 restatement of beginning net position. Prior year amounts were not restated causing a variance in ending net position at June 30, 2014 and beginning net position on July 1, 2015. See Note 6.

The total Average Daily Membership (ADM) for 2014-15 was 151.8 as compared to 138.3 for 2013-14 and the total Adjusted Marginal Cost Pupil Units (AMCPU) for 2014-15 was 182.1 as compared to 178.89 for 2013-14. The Charter School also received $21,578 in Federal revenues from a Title VI REAP grant.

The following graph depicts various governmental activities and shows the expenses and program revenues directly related to those activities.



Financial Analysis of the Government's Funds

As noted earlier, the Charter School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Charter School's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Charter School's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Charter School's General fund reported a combined ending fund balance of $982,084, an increase of $77,924 in comparison with the prior year. Approximately 66.3 percent of the total fund balance ($650,635) constitutes *unassigned fund balance*, which is available for spending at the Charter School's discretion. The remainder of fund balance ($331,449) is not available for new spending because it is either nonspendable or assigned for purposes described in the fund balance section of the balance sheet on page 26 of this report.

As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 40.9 percent of total General fund expenditures, while total fund balance represents 61.7 percent of that same amount.

General Fund Budgetary Highlights

The budget was amended for fiscal year 2014-2015 at the board meeting on May 12, 2015. Based on the headcount of students attending the Charter School, the ADM for budgeting purposes remained the same at 162. In reality, once the MARSS reports were run over the summer, the Charter School's ADM count was 151.6 which was an increase of 13.3 ADMs (Average Daily Membership). This was after having very flat enrollment from FY13 to FY14. The increase in fund balance is due to the additional ADMs, additional revenue from the REAP grant of $21,578 and lower expenditures in the district paid employee health insurance than budgeted. It is difficult to project the actual enrollment for the Charter School since many of the students attend on a part-time basis and are "super" seniors that are taking credits so that they can graduate. The Charter School can serve students through the fiscal year when they turn age twenty-one. The actual headcount was 335 students. Since many of the students attend on a part-time basis, sometimes only for one or two quarters based on a temporary situation that requires them to utilize online learning options. It should also be noted that the majority of students at the Charter School are in the 12th grade or have seen their graduation date pass so many only need a few quarters of education to graduate, which is another reason that enrollment is hard to project for this particular charter school.

Special needs student enrollment increased and a second special education teacher was hired for FY15. Additional revenue was received in special education state aid and tuition billing. The Charter School enrolled 8th graders for the first time during the 2014-15 school year. Learning managers wrote additional curriculum for the 8th grade in FY14 to accommodate the enrollment of eighth graders. The 8th grade program only generated 5.96 ADMs for the 2014-15 school year so the Charter School Board of Education voted to discontinue the 8th grade program for the 2015-16 school year due to low enrollment. The Board of Education indicated that they would continue to look at an 8th grade program in the future. However, there has been an increase in enrollment for the start of the 2015-16 school year in the Grades 9-12 population. An additional learning manager was hired in August 2015 to assist with the increased student enrollment. The Charter School did close enrollment for Term 1 in the Fall 2015. Based on the strong enrollment numbers, the Charter School may need to hire an additional learning manager in the future. The Charter School did receive the REAP grant again for the 2015-16 school year in the amount of $21,395 which is similar to what was received for FY15.

Capital Assets

The Charter School's investment in capital assets for its governmental activities as of June 30, 2015, amounts to $314,240 (net of accumulated depreciation). This investment in capital assets consists of equipment, site improvements and building improvements. The total depreciation for the year was $40,494. The following is a schedule of capital assets as of June 30, 2015 and 2014.

TRIO Wolf Creek Distance Learning Charter School's Capital Assets
(net of depreciation)

	Governmental Activities		
	2015	2014	Increase (Decrease)
Equipment and furniture	$ 164,579	$ 161,119	$ 3,460
Site improvements	105,428	112,607	(7,179)
Building improvements	44,233	48,901	(4,668)
Total	$ 314,240	$ 322,627	$ (8,387)

Additional information on the Charter School's capital assets can be found in Note 3B on page 39 of this report.

Factors Bearing on the Charter School's Future

- The State general education aid formula did increase by $117 per pupil unit for 2015-16. This increase will generate approximately $23,000 in additional revenue for the Charter School. The Charter School has seen an increase in enrollment in the Fall of 2015 and will continue to monitor student enrollment and make adjustments as needed. An additional learning manager was hired in August 2015 and perhaps another learning manager will need to be hired in January 2016. The 2015-2016 budget is based on 162 pupils or 194.4 APU based on the new student weighting formula of 1.2 for students in Grades 7-12. The budget may need to be increased due to the current enrollment increases. The Charter School has a healthy fund balance so they will have adequate funds available for cash flow. The Charter School did increase their fund balance by $77,924 and now has a fund balance of $982,084 in both designated and undesignated areas. The Charter School does not anticipate borrowing any dollars for the 2015-16 school year for cash flow purposes.

- The Charter School's enrollment did increase 13.3 ADMs in 2014-15 from flat enrollment numbers in 2013-14. There were 151.6 ADMs for FY15 compared to 138.3 ADMs for FY14. TRIO has a very mobile student population so it is difficult to predict enrollment trends: FY15 was up, FY14 was down, FY13 was up slightly after enrollment declined in FY12 and FY11. There has been a significant increase in special needs students and a full-time special education teacher was hired for the 2014-15 school year. The special needs population warrants to full-time special education instructors. The administration at the Charter School is constantly looking at enrollment and staff ratios. Students have a number of choices on how they want to receive their education in Minnesota. The Charter School's marketing committee is continually working to find ways to draw students to the TRIO On-line Learning experience.

- The Charter School also received a Title I grant in the amount of $14,877 for the 2014-15 school year. Title I services were provided in the form of interventions for students below target scores in the areas of reading and math. The Charter School will receive approximately $14,186 in Title I funds for the 2015-16 school year to be used for math interventions to boost the Charter School's testing scores and increase the Charter School's graduation rate. In addition, The Charter School applied for and received a REAP grant in the amount of $21,395.00 for 2015-16 after receiving $21,578 for 2014-15. This grant will also be used for interventions in the areas of math and reading.

- In addition, the Charter School again received an Alternative Delivery of Specialized Instructional Services (ADSIS) grant for the 2015-16 school year from the Minnesota Department of Education (MDE). The budget of $51,933 was approved which will generate $29,733 in state aid. This will fund .40 FTE salary for a licensed teacher to provide math interventions for a number of TRIO student. This number is based on the following factors: percent of students identified as being below target scores on multiple measures of reading (MCAs and MAPs), the number of students estimated to need direct behavior services in order to become effective online learners and the type of research-based programming that will be implemented.

- The Charter School applied for additional funds for teacher compensation from the State's Q-Comp or Alternative Teacher Professional Pay System (ATPPS) program. This provided for an additional $260 per ADM to be used for teacher compensation. TRIO has met certain criteria and will keep receiving these additional funds. In 2014-15, the Charter School received $34,999 in ATPPS funds. The Charter School's plan for FY16 has been approved by the MDE and the Charter School will receive $39,260 based on a student count of 151. If the Charter School does not receive the ATPPS funds in the future, then there will be no expenditures in ATPPS.

All of these factors were considered in preparing the Charter School's budget for the 2016 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Charter School's finances for all those with an interest in the Charter School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Tracy Quarnstrom, Director, TRIO Wolf Creek Distance Learning Charter School No. 4095, 10363 Liberty Lane, Chisago City, Minnesota 55013 or mailing address at 13750 Lake Boulevard, Lindstrom, Minnesota 55045-0187.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2015

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Cash and temporary investments	$ 907,938
Receivables	
Accrued interest	293
Accounts	3,299
Due from Minnesota Department of Education	235,086
Due from federal government	16,137
Prepaid items	24,439
Capital assets	
Depreciable assets (net of accumulated depreciation)	314,240
TOTAL ASSETS	1,501,432
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension resources	199,077
LIABILITIES	
Accounts payable	749
Accrued salaries payable	72,469
Due to other school districts	131,289
Unearned revenue	601
Noncurrent Liabilities - due in more than one year	
Pension payable	733,915
TOTAL LIABILITIES	939,023
DEFERRED INFLOWS OF RESOURCES	
Deferred pension resources	227,829
NET POSITION	
Investment in capital assets	314,240
Unrestricted	219,417
TOTAL NET POSITION	$ 533,657

The notes to the financial statements are an integral part of this statement.

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net position: Governmental Activities
Governmental activities					
Administration	$ 152,302	$ -	$ -	$ -	$ (152,302)
District support services	51,814	-	-	-	(51,814)
Elementary and secondary regular instruction	850,724	5,693	38,261	-	(806,770)
Special education instruction	204,956	-	182,703	-	(22,253)
Instructional support services	123,960	-	-	-	(123,960)
Sites and buildings	216,511	-	147,670	-	(68,841)
Total governmental activities	$ 1,600,267	$ 5,693	$ 368,634	$ -	(1,225,940)
General revenues					
State aid formula grants					1,293,795
Other general revenues not restricted to specific program					2,048
Unrestricted investment earnings					1,630
Total general revenues					1,297,473
Change in net position					71,533
Net position (restated), July 1					462,124
Net position, June 30					$ 533,657

The notes to the financial statements are and integral part of this statement.

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FUND FINANCIAL STATEMENTS

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2015

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2015

	General
ASSETS	
Cash and temporary investments	$ 907,938
Receivables	
Accrued interest	293
Accounts	3,299
Due from Minnesota Department of Education	235,086
Due from federal government	16,137
Prepaid items	24,439
TOTAL ASSETS	$ 1,187,192
LIABILITIES	
Accounts payable	$ 749
Accrued salaries payable	72,469
Due to other school districts	131,289
Unearned revenue	601
TOTAL LIABILITIES	205,108
FUND BALANCE	
Nonspendable prepaid items	24,439
Assigned for	
Operating capital	155,431
Staff development	32,038
Gifted and talented	18,109
Basic skills	101,432
Unassigned	650,635
TOTAL FUND BALANCE	982,084
TOTAL LIABILITIES AND FUND BALANCE	$ 1,187,192

The notes to the financial statements are an integral part of this statement.

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUND
JUNE 30, 2015

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

Total fund balance - governmental fund	$	982,084
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets		721,087
Less: accumulated depreciation		(406,847)
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Noncurrent liabilities at year end consist of		
Pension liability		(733,915)
Governmental funds do not report long-term amounts related to pensions		
Deferred outflows of pension resources		199,077
Deferred inflows of pension resources		(227,829)
Total net position - governmental activities	$	533,657

The notes to the financial statements are an integral part of this statement.

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	General
REVENUES	
Other local and county revenue	
Interest earned on investments	$ 1,630
Other	5,890
Revenue from state sources	1,624,168
Revenue from federal sources	37,714
Sales and other conversion of assets	350
TOTAL REVENUES	1,669,752
EXPENDITURES	
Current	
Administration	151,622
District support services	51,814
Elementary and secondary regular instruction	822,465
Special education instruction	206,349
Instructional support services	123,672
Sites and buildings	203,604
Capital outlay	
Sites and buildings	32,302
TOTAL EXPENDITURES	1,591,828
NET CHANGE IN FUND BALANCE	77,924
FUND BALANCE, JULY 1	904,160
FUND BALANCE, JUNE 30	$ 982,084

The notes to the financial statements are an integral part of this statement.

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

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

Net change in fund balance - governmental fund	$	77,924
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlays		32,107
Depreciation expense		(40,494)
Long-term pension activity is not reported in governmental funds		
Pension expense		(52)
Direct aid contributions		2,048
Change in net position - governmental activities	$	71,533

The notes to the financial statements are an integral part of this statement.

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Other local and county revenue				
Interest earned on investments	$ 1,000	$ 1,000	$ 1,630	$ 630
Other	1,500	1,500	5,890	4,390
Revenue from state sources	1,575,809	1,625,809	1,624,168	(1,641)
Revenue from federal sources	37,664	37,754	37,714	(40)
Sales and other conversion of assets	500	500	350	(150)
TOTAL REVENUES	1,616,473	1,666,563	1,669,752	3,189
EXPENDITURES				
Current				
Administration	147,060	147,060	151,622	(4,562)
District support services	55,700	55,700	51,814	3,886
Elementary and secondary regular instruction	958,414	836,400	822,465	13,935
Special education instruction	156,417	204,917	206,349	(1,432)
Instructional support services	119,628	119,628	123,672	(4,044)
Pupil support services	6,000	6,000	-	6,000
Sites and buildings	211,823	206,823	203,604	3,219
Capital outlay				
Sites and buildings	41,041	30,000	32,302	(2,302)
TOTAL EXPENDITURES	1,696,083	1,606,528	1,591,828	14,700
NET CHANGE IN FUND BALANCE	(79,610)	60,035	77,924	17,889
FUND BALANCE, JULY 1	904,160	904,160	904,160	-
FUND BALANCE, JUNE 30	$ 824,550	$ 964,195	$ 982,084	$ 17,889

The notes to the financial statements are an integral part of this statement.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

TRIO Wolf Creek Distance Learning Charter School No. 4095 (the Charter School), Chisago City, Minnesota was incorporated as a non-profit corporation under section 501(c)(3) of the Internal Revenue Code of 1986, for the purpose of providing educational services to individuals within the State. The Charter School has been authorized as defined in Minnesota statute 124(d) by Independent School District 2144, Chisago City, Minnesota (ISD 2144). The Charter School is governed by a nine member Board of Education. The first Board of Education members were appointed based on the bylaws of the Charter School. An election will be held each October to admit new Board of Education members.

The Charter School has considered all potential units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Charter School are such that exclusion would cause the Charter School's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The Charter School has no component units that meet the GASB criteria.

The Charter School does not have any student activity accounts.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State aid-formula grants and other items not properly included among program revenues are reported instead as *general revenues.*

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include State aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Other revenue is considered available if collected within one year.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants, entitlement and donations. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Charter School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transaction must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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

Description of funds

The Charter School funds have been established by the State of Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions of the funds included in the report are as follows:

Major governmental fund

The *General fund* is the Charter School's primary operating fund. It accounts for all financial resources of the Charter School.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position/fund balances

Deposits and investments

The Charter School's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances are invested, to the extent available, in certificates of deposit and other authorized investments. The Charter School's investments are valued at fair value.

The Charter School may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.

2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.

3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.

4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.

5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.

6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.

7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.

8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The Charter School's investment in the Minnesota School Charter School Liquid Asset Fund (MSDLAF) investment pool operates in accordance with appropriate State laws and regulations. The reported value of the pool is the same as the value of the pool shares. The MSDLAF is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule 2a7. Financial statements of the MSDLAF fund can be obtained by contacting PFM Asset Management, LLC at P.O. Box 11760, Harrisburg, PA 17108-11760. The Charter School does not have a formal investment policy.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts receivable

Accounts receivable include amounts billed for services provided before year-end. No substantial losses are anticipated from present receivable balances, therefore no allowance for uncollectible has been recorded.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets

Capital assets include property and equipment. Capital assets are defined by the Charter School as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Property and equipment of the Charter School are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Site improvements	20
Equipment and furniture	5 - 20
Building improvements	7 - 30

Compensated absences

Personal Time Off (PTO) - The Charter School staff will acquire PTO as explained below. PTO will accrue on the first day of each month and will appear on the employee's pay stub for that month. PTO leave will be granted to full time teachers on the following basis:

- Starting year of employment, eight days;
- Second year of employment, ten days;
- Third year and every year thereafter, 13 days per year.

PTO shall accrue monthly as it is earned on a proportionate basis to the teachers work year. It is assumed that Charter School staff work a six hour day. At the end of the year the following will occur:

- PTO time will accumulate to a maximum of 150 days. Days over the 150 day (900 hours) accumulation as of June 30 will be paid at the rate of $150.00 per day on the July 31 payroll.

Accruals are effective September 1 through June 1 of each school year.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred outflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Charter School only has one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the Statement of Net Position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Pensions

Teachers Retirement Association (TRA)

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by TRA.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. Additional information can be found in Note 5.

Public Employees Retirement Association (PERA)

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

Deferred inflows of resources

In addition to liabilities, the Statement of Net Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item, which arises only under a full accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, deferred pension resources, is reported only in the government-wide statement of net position. This amount results from actuarial calculations and is deferred and recognized as an inflow of resources in the period that the amounts become available.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the Charter School is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by State statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board of Education, which is the Charter School's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board of Education modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In the General fund, assigned amounts represent intended uses established by the Board of Education itself or by an official to which the governing body delegates the authority. The Board of Education has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Director.

Unassigned - The residual classification for the General fund.

The Charter School considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the Charter School would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Charter School has formally adopted a fund balance policy for the General fund. The Charter School's policy is to maintain a minimum unassigned fund balance of three months of operating expenditures for cash-flow timing needs.

Net position

Net position represents the difference between assets and liabilities. Net position is displayed in three components:

a. Investment in capital assets - Consists of capital assets, net of accumulated depreciation.

b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "investment in capital assets."

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

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information

Budgets are prepared for Charter School funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the General fund. The budget was amended during the current fiscal year. The General fund budgeted revenues increased $50,090 and budgeted expenditures increased $89,555.

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

1. Prior to July 1, the budget is prepared by the Director to be adopted by the Board of Education.

2. Budgets for the General fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

3. Budgeted amounts are as originally adopted, or as amended.

4. Budget appropriations lapse at year-end.

5. The legal level of control is the fund level.

6. The Charter School does not use encumbrance accounting.

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

The Charter School does not have any deposits as of June 30, 2015.

Investments

At fiscal year-end, the Charter School investment balances were as follows:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Pooled investments			
Minnesota School District			
Liquid Assets Fund (MSDLAF)	N/A	Less than 6 months	$ 659,938
Non-pooled investments			
Certificate of Deposit held by MSDLAF	N/A	Less than 6 months	248,000
Total investments			$ 907,938

(1) Ratings are provided by various credit ratings agencies where applicable to indicate associated credit risk.
(2) Interest rate risk is disclosed using the segmented time distribution method.
N/A Indicates not applicable or available.

The investments of the Charter School are subject to the following risks:

- *Credit Risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the Charter School's investments to the list on page 33 of the notes.

- *Custodial Credit Risk* for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

- *Concentration of Credit Risk* is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

- *Interest Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment.

The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

The Charter School does not have an investment policy that addresses the above mentioned risks.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Capital assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being depreciated				
Equipment and furniture	$ 451,200	$ 31,197	$ -	$ 482,397
Site improvements	160,867	910	-	161,777
Building improvements	76,913	-	-	76,913
Total capital assets being depreciated	688,980	32,107	-	721,087
Less accumulated depreciation for				
Equipment and furniture	(290,081)	(27,737)	-	(317,818)
Site improvements	(48,260)	(8,089)	-	(56,349)
Building improvements	(28,012)	(4,668)	-	(32,680)
Total accumulated depreciation	(366,353)	(40,494)	-	(406,847)
Total capital assets being depreciated, net	$ 322,627	$ (8,387)	$ -	$ 314,240

Depreciation expense was charged to functions as follows:

Elementary and secondary regular instruction	$ 27,737
Sites and buildings	12,757
Total depreciation expense - governmental activities	$ 40,494

C. Long-term liabilities

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Pension payable					
TRA	-	747,313	(79,163)	668,150	-
PERA	-	75,748	(9,983)	65,765	-
Governmental activities long-term liabilities	$ -	$ 823,061	$ (89,146)	$ 733,915	$ -

* Includes 7/1/2014 pension liability balance related to GASB 68 implementation. See Note 6 for further detail.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Operating leases

The Charter School leased space from Liberty Lanes during the fiscal year ended June 30, 2015. The lease began on September 1, 2008 and has a term of 60 months. The lease includes an option to renew for two additional five-year periods commencing on the termination of the initial term. Subsequent to June 30, 2013, the Charter School elected to renew the lease for an additional 60 months.

Future minimum lease payments are as follows:

Year Ending June 30,	Liberty Lanes Lease
2016	$ 121,894
2017	121,894
2018	121,894
2019	20,316
Total	$ 385,998

The Charter School incurred lease related expenditures of $164,625 during the fiscal year ended June 30, 2015. This consisted of $121,894 of lease expense, $34,160 of property taxes, $4,947 of repair reserve, and $3,624 of charges for insurance and other. The Charter School qualified for charter school lease aid from the State in the amount of $147,670.

E. Components of fund balance

The following is a summary of the components of fund balance at June 30, 2015:

	General
Nonspendable prepaid items	$ 24,439
Assigned for	
Operating capital	$ 155,431
Staff development	32,038
Gifted and talented	18,109
Basic skills	101,432
Total assigned	$ 307,010

Assigned for Operating Capital - This amount represents available resources dedicated for capital expenditure building projects, equipment purchases, vehicle and computer hardware and software. Revenues are derived from State aids and expenditures are for repair and restoration of existing facilities and construction of new facilities, purchase of equipment, computers, software, textbooks and library books.

Assigned for Staff Development - This amount represents available resources for staff development. Revenues are derived from a required 2 percent of basic revenue allocated to staff development.

Assigned for Gifted and Talented - This reserve was for gifted and talented programs that were integrated with the graduation rule. This aid supplemented, not supplanted, money spent on gifted and talented programs funded by Gifted and Talented Grants.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Assigned for Basic Skills - This is funded by State aid. The revenue is a combination of several State categorical aids including compensatory, AOM, and ESL. This aid is used to pay licensed staff teaching in the Charter School's program. In addition, the monies are used for one on one or small group remedial instruction at all grade levels.

Note 4: OTHER INFORMATION

A. Risk management

The Charter 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 Charter School carries commercial insurance. The Charter School participates in the Minnesota School Board Association Insurance Trust (MSBA Trust), a public entity risk pool for its workers compensation insurance. The MSBA Trust operates as a common risk management and insurance program for approximately 375 member schools. The School pays an annual premium to the MSBA Trust for its insurance coverage. The MSBA Trust agreement provides that the MSBA Trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits for each insured event. The reinsurance point is $150,000 per occurrence for medical and hospitalization. Settled claims have not exceeded this commercial coverage for the past three years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The Charter School's management is not aware of any incurred but not reported claims.

B. Contingencies

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

C. Income taxes

The Charter School is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Charter School is not a private foundation and contributions to the Charter School qualify as a charitable tax deduction by the contributor.

The Charter School has evaluated for uncertain tax positions. Management has expressed that there are no uncertain tax positions as of June 30, 2015. The Charter School's tax returns are subject to possible examination by the taxing authorities. For federal tax purposes the tax returns essentially remain open for possible examination for a period of three years after the date on which those returns are filed.

During the year ended June 30, 2015, the Charter School has not incurred any interest or penalties on its tax returns.

Note 5: DEFINED BENEFIT PENSION PLANS - STATEWIDE

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

Disclosures relating to these plans follow.

A. Teacher Retirement Association (TRA)

1. Plan description

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

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

2. Benefits provided

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

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

Tier I:	Step Rate Formula	Percentage
Basic	1st ten years of service	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	1st ten years if service years are prior to July 1, 2006	1.2 percent per year
	1st ten years if service years are July 1, 2006 or after	1.4 percent per year
	All other years of service if service years are prior to July 1, 2006	1.7 percent per year
	All other years of service if service years are July 1, 2006 or after	1.9 percent per year

Note 5: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

With these provisions:

1. Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

2. Three percent per year early retirement reduction factors for all years under normal retirement age.

3. Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

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

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

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

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

3. Contribution rate

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

	Ending June 30, 2014		Ending June 30, 2015	
Plan	Employee	Employer	Employee	Employer
Basic	10.50%	11.00%	11.00%	11.50%
Coordinated	7.00%	7.00%	7.50%	7.50%

The Charter School contributions for the years ending June 30, 2015, 2014, and 2013 were $53,327, $46,753, and $38,183, respectively, equal to the required contributions for each year as set by Minnesota statute.

Note 5: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

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

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	$ 299,299,837
Deduct employer contributions not related to future contribution efforts	(398,798)
Deduct TRA's contributions not included in allocation	(370,701)
Employer contributions reported in schedule of employer and non-employer pension allocations	$ 298,530,338

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

4. Actuarial assumptions

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Measurement Date	June 30, 2014
Valuation Date	July 1, 2014
Experience Study	October 30, 2009
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Investment Rate of Return	8.25%
Wage Inflation	3.00%
Projected Salary Increase	3.50 - 12.00% - based on years of service
Cost of Living Adjustment	2.00% until year 2034, 2.50% thereafter
Mortality Assumption	
Pre-retirement	RP 2000 non-annuitant generational mortality, white collar adjustment, male rates set back 5 years and female rates set back 7 years.
Post-retirement	RP 2000 annuitant generational mortality, white collar adjustment, male rates set back 2 years and female rates set back 3 years.
Post-disability	RP 2000 disabled retiree mortality, without adjustment.

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

Note 5: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	45.00 %	5.50 %
International stocks	15.00	6.00
Bonds	18.00	1.45
Alternative assets	20.00	6.40
Unallocated cash	2.00	0.50
Total	100.00 %	

5. Discount rate

The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2015 contribution rate, contributions from charter 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 available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

6. Net pension liability

On June 30, 2015, the Charter School reported a liability of $668,150, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Charter School's proportion of the net pension liability was based on the Charter School's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. The Charter School's proportionate share was 0.0145 percent at the end of the measurement period and 0.0129 percent for the beginning of the year.

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

District's proportionate share of net pension liability	$ 668,150
State's proportionate share of net pension liability associated with the District	46,943

A change in benefit provisions that affected the measurement of the total pension liability since the prior measurement date was an increase of the contribution rates for both the member and employer. Section 3 contains the rate information.

There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date. Post-retirement benefit adjustments are now assumed to increase from 2.0 percent annually to 2.5 percent annually once the legally specified criteria are met. This is estimated to occur July 1, 2034.

Note 5: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

For the year ended June 30, 2015, the charter school recognized pension expense of $51,572. It also recognized $2,048 as an increase to pension expense for the support provided by direct aid.

On June 30, 2015, the Charter School reported its proportionate share of TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 57,011	$ -
Net difference between projected and actual earnings on plan investments	-	210,059
Changes in proportion	75,933	-
Contributions to TRA subsequent to the measurement date	53,327	-
Total	$ 186,271	$ 210,059

Deferred outflows of resources totaling $53,327 related to pensions resulting from Charter School contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2016	$ (24,760)
2017	(24,760)
2018	(24,760)
2019	(24,760)
2020	21,925

7. Pension liability sensitivity

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

District proportionate share of NPL		
1 Percent Decrease (7.25%)	Current (8.25%)	1 Percent Increase (9.25%)
$ 1,104,222	$ 668,150	$ 304,616

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

8. Pension plan fiduciary net position

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

Note 5: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

B. Public Employees Retirement Association (PERA)

1. Plan description

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

General Employees Retirement Plan (GERF)

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

2. Benefits provided

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 90.0 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90.0 percent funded, or have fallen below 80.0 percent, are given 1.0 percent increases.

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

GERF benefits

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

Note 5: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

3. Contributions

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.50 percent of pay in calendar year 2015. In calendar year 2014, the Charter School was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.25 percent for Coordinated Plan members. In calendar year 2015, employer rates increased to 7.50 percent in the Coordinated Plan. The Charter School's contributions to the GERF for the year ended June 30, 2015, 2014 and 2013 were $5,019, $5,172, and $4,658, respectively. The Charter School's contributions were equal to the contractually required contributions for each year as set by Minnesota statute

4. Pension costs

At June 30, 2015, the Charter School reported a liability of $65,765 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Charter School's proportion of the net pension liability was based on the Charter School's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2014, the Charter School's proportion was 0.0014 percent.

For the year ended June 30, 2015, the Charter School recognized pension expense of $4,882 for its proportionate share of GERF's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,009	$ -
Changes in actuarial assumptions	6,778	-
Net difference between projected and actual earnings on plan investments	-	17,770
Contributions to GERF subsequent to the measurement date.	5,019	-
Total	$ 12,806	$ 17,770

Note 5: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

Deferred outflows of resources totaling $5,019 related to pensions resulting from Charter School contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2016	$	(1,847)
2017		(1,847)
2018		(1,847)
2019		(4,442)

5. Actuarial assumptions

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

Inflation	2.75% per year
Active member payroll growth	3.50% per year
Investment rate of return	7.90%

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

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014.

The following changes in actuarial assumptions occurred in 2014:

- GERF: As of July 1, 2013, the postretirement benefit increase rate was assumed to increase from 1.0 percent to 2.5 percent on January 1, 2046. As of July 1, 2014, the postretirement benefit increase rate was assumed to increase from 1.0 percent to 2.5 percent on January 1, 2031.

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	45.00 %	5.50 %
International stocks	15.00	6.00
Bonds	18.00	1.45
Alternative assets	20.00	6.40
Cash	2.00	0.50
Total	100.00 %	

Note 5: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

6. Discount rate

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

7. Pension liability sensitivity

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

District proportionate share of NPL		
1 Percent Decrease (6.90%)	Current (7.90%)	1 Percent Increase (8.90%)
$ 106,016	$ 65,765	$ 32,648

8. Pension plan fiduciary net position

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

Note 6: CHANGE IN ACCOUNTING PRINCIPLE

During fiscal year 2015, the Charter School implemented several new accounting pronouncements issued by the Government Accounting Standards Board (GASB), including Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended June 30, 2015. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the June 30, 2014 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 5.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported June 30, 2014 balances to the June 30, 2015 financial statements:

	June 30, 2015		
Fund	Net Position June 30, 2014 as Previously Reported	Prior Period Restatement (1)	Net Position July 1, 2014 as Restated
Governmental activities	$ 1,226,787	$ (764,663)	$ 462,124

(1) To record beginning pension payable liability and deferred outflow of resources at June 30, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2015

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Schedule of employer's share of TRA net pension liability

Year	Charter School's Proportion of the Net Pension Liability	Charter School's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the Charter School (b)	Total (a+b)	Charter School's Covered Payroll (c)	Charter School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0145 %	$ 668,150	$ 46,943	$ 715,093	$ 661,143	101.1 %	81.5 %

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

Schedule of employer's TRA contributions

Year	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Charter School's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2015	$ 53,327	$ 53,327	$ -	$ 711,027	7.5 %
2014	46,280	46,280	-	661,143	7.0

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

Schedule of employer's share of PERA net pension liability

Year	Charter School's Proportion of the Net Pension Liability	Charter School's Proportionate Share of the Net Pension Liability (a)	Charter School's Covered Payroll (b)	Charter School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0014 %	$ 65,765	$ 73,076	90.0 %	78.7 %

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

Schedule of employer's PERA contributions

Year	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Charter School's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2015	$ 5,019	$ 5,019	$ -	$ 68,074	7.4 %
2014	5,298	5,298	-	73,076	7.3

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

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INDIVIDUAL FUND SCHEDULES AND TABLE

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2015

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TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
GENERAL FUND
COMPARATIVE SCHEDULES OF ASSETS, LIABILITIES AND FUND BALANCES
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
Cash and temporary investments	$ 907,938	$ 972,693
Receivables		
Accrued interest	293	249
Accounts	3,299	4,448
Due from Minnesota Department of Education	235,086	95,725
Due from federal government	16,137	14,609
Prepaid items	24,439	8,929
TOTAL ASSETS	$ 1,187,192	$ 1,096,653
LIABILITIES		
Accounts payable	$ 749	$ 2,311
Accrued salaries payable	72,469	70,743
Due to other school districts	131,289	118,876
Unearned revenue	601	563
TOTAL LIABILITIES	205,108	192,493
FUND BALANCE		
Nonspendable prepaid items	24,439	8,929
Assigned for		
Operating capital	155,431	146,713
Staff development	32,038	26,142
Gifted and talented	18,109	15,742
Basic skills	101,432	47,616
Unassigned	650,635	659,018
TOTAL FUND BALANCE	982,084	904,160
TOTAL LIABILITIES AND FUND BALANCE	$ 1,187,192	$ 1,096,653

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGE
FOR THE YEAR ENDED JUNE 30, 2015
(With comparative actual amounts for the year ended June 30, 2014)

	2015				2014
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUES					
Other local and county revenue					
Interest earned on investments	$ 1,000	$ 1,000	$ 1,630	$ 630	$ 1,215
Other	1,500	1,500	5,890	4,390	3,285
Revenue from state sources	1,575,809	1,625,809	1,624,168	(1,641)	1,396,729
Revenue from federal sources	37,664	37,754	37,714	(40)	36,545
Sales and other conversion of assets	500	500	350	(150)	373
TOTAL REVENUES	1,616,473	1,666,563	1,669,752	3,189	1,438,147
EXPENDITURES					
Current expenditures					
Administration					
Salaries	106,500	106,500	104,385	2,115	107,964
Fringe benefits	34,320	34,320	38,615	(4,295)	34,145
Purchased services	740	740	568	172	555
Supplies and materials	1,000	1,000	2,091	(1,091)	387
Other	4,500	4,500	5,963	(1,463)	6,389
Total administration	147,060	147,060	151,622	(4,562)	149,440
District support services					
Fringe benefits	9,500	9,500	312	9,188	5,673
Purchased services	45,200	45,200	51,301	(6,101)	38,540
Supplies and materials	1,000	1,000	201	799	125
Total district support services	55,700	55,700	51,814	3,886	44,338
Elementary and secondary regular instruction					
Salaries	594,880	452,866	446,046	6,820	431,342
Fringe benefits	130,759	140,759	161,741	(20,982)	140,806
Purchased services	182,252	192,252	196,218	(3,966)	173,588
Supplies and materials	49,023	49,023	18,460	30,563	16,945
Other	1,500	1,500	-	1,500	-
Total elementary and secondary regular instruction	958,414	836,400	822,465	13,935	762,681
Special education instruction					
Salaries	111,210	146,210	147,567	(1,357)	117,630
Fringe benefits	41,207	54,707	57,631	(2,924)	48,040
Purchased services	-	-	107	(107)	-
Supplies and materials	4,000	4,000	1,044	2,956	2,376
Total special education instruction	156,417	204,917	206,349	(1,432)	168,046

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015
(With comparative actual amounts for the year ended June 30, 2014)

	2015				2014
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Current expenditures - continued					
Instructional support services					
Salaries	$ 73,000	$ 73,000	$ 75,277	$ (2,277)	$ 72,895
Fringe benefits	27,425	27,425	31,510	(4,085)	27,442
Purchased services	17,203	17,203	13,647	3,556	16,138
Supplies and materials	2,000	2,000	3,238	(1,238)	836
Total instructional support services	119,628	119,628	123,672	(4,044)	117,311
Pupil support services					
Purchased services	6,000	6,000	-	6,000	-
Sites and buildings					
Salaries	12,000	12,000	11,075	925	9,920
Fringe benefits	1,758	1,758	1,758	-	1,534
Purchased services	188,065	183,065	181,974	1,091	194,603
Supplies and materials	10,000	10,000	8,797	1,203	8,035
Total sites and buildings	211,823	206,823	203,604	3,219	214,092
Total current expenditures	1,655,042	1,576,528	1,559,526	17,002	1,455,908
Capital outlay					
Sites and buildings	41,041	30,000	32,302	(2,302)	39,242
TOTAL EXPENDITURES	1,696,083	1,606,528	1,591,828	14,700	1,495,150
NET CHANGE IN FUND BALANCE	(79,610)	60,035	77,924	17,889	(57,003)
FUND BALANCE, JULY 1	904,160	904,160	904,160	-	961,163
FUND BALANCE, JUNE 30	$ 824,550	$ 964,195	$ 982,084	$ 17,889	$ 904,160



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District: TRIO WOLF CREEK DISTANCE (4095-7)

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01 GENERAL FUND

	Audit	UFARS	Audit - UFARS
Total Revenue	$1,669,752	$1,669,751	$1
Total Expenditures	$1,591,828	$1,591,829	($1)
Non Spendable:			
4.60 Non Spendable Fund Balance	$24,439	$24,439	$0
Restricted / Reserved:			
4.03 Staff Development	$0	$0	$0
4.05 Deferred Maintenance	$0	$0	$0
4.06 Health and Safety	$0	$0	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.09 Alternative Facility Program	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.23 Certain Teacher Programs	$0	$0	$0
4.24 Operating Capital	$0	$0	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.45 Career Tech Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$0	$0	$0
4.50 Pre-Kindergarten	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$307,010	$307,011	($1)
Unassigned:			
4.22 Unassigned Fund Balance	$650,635	$650,633	$2

02 FOOD SERVICES

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			

06 BUILDING CONSTRUCTION

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.09 Alternative Facility Program	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

07 DEBT SERVICE

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

08 TRUST

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

20 INTERNAL SERVICE

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

25 OPEB REVOCABLE TRUST

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

47 OPEB DEBT SERVICE

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0

4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$0	$0	$0
4.32 E.C.F.E	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$0	$0	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

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OTHER REQUIRED REPORTS

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2015

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

The Board of Education
TRIO Wolf Creek
Distance Learning Charter School No. 4095
Chisago City, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the TRIO Wolf Creek Distance Learning Charter School No. 4095 (the Charter School), Chisago City, Minnesota as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 2, 2015.

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

In connection with our audit, nothing came to our attention that caused us to believe that the Charter School failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Charter School'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.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
November 2, 2015

5201 Eden Avenue, Suite 250
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952.835.9090 | Fax 952.835.3261

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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

The Board of Education
TRIO Wolf Creek
Distance Learning Charter School No. 4095
Chisago City, 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 the major fund of the TRIO Wolf Creek Distance Learning Charter School No. 4095 (the Charter School), Chisago City, Minnesota as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated November 2, 2015.

Internal Control over Financial Reporting

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

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

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

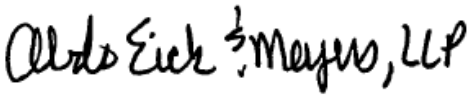
Compliance and Other Matters

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

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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 Charter School'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 Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
November 2, 2015

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