Annual Financial Report

TRIO Wolf Creek
Distance Learning Charter School No. 4095
Chisago City, Minnesota

For the Year Ended
June 30, 2014

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, 2014

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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, 2014

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INTRODUCTORY SECTION

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

FOR THE YEAR ENDED
JUNE 30, 2014

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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, 2014

BOARD OF EDUCATION

Name	Position
Jeff Vitali	Chairperson
Jennifer Lake	Vice-Chairperson
Sandy Flint	Clerk/Treasurer
Joshua Anderson	Member
James Green	Member
Lindsay Jarombek	Member
Brian Bernier	Member
Becki Olseen	Member
Shanette Maloney	Member

ADMINISTRATION

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, 2014

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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, 2014, 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 financial statement presentation.

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, 2014, and the respective changes in financial position thereof and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Edina, MN 55436
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Other Matters

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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

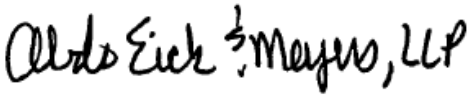
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The introductory section and individual fund schedules and table are presented for purposes of additional analysis and are not a required 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 October 29, 2014, 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
Minneapolis, Minnesota
October 29, 2014

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, 2014.

Financial Highlights

- The assets of the Charter School exceeded its liabilities at the close of the most recent fiscal year by $1,226,787 (*net position*). Of this amount, $904,160 (*unrestricted net position*) may be used to meet the Charter School's ongoing obligations to students and creditors.

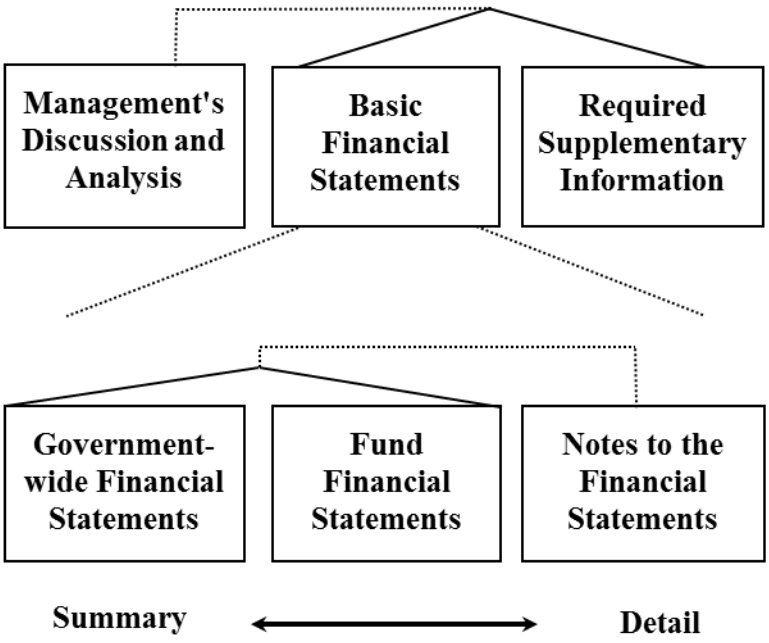
- The Charter School's total net position decreased by $58,345. This was primarily a result of revenue and expenditures both having negative budget variances.

- As of the close of the current fiscal year, the Charter School's General fund reported an ending fund balance of $904,160, a decrease of $57,003 in comparison with the prior year. Approximately 72.9 percent of this total amount, ($659,018) is available for spending at the Charter School's discretion (*unassigned fund balance*). Unassigned fund balance for the General fund was 44.1 percent of total General fund expenditures.

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 and liabilities, with the difference between the two 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 45 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 exceeded liabilities by $1,226,787 at the close of the most recent fiscal year.

A portion of the Charter School's net position (26.3 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		
	2014	2013	Increase (Decrease)
Assets			
Current and other assets	$ 1,096,653	$ 1,164,848	$ (68,195)
Capital assets, net of depreciation	322,627	323,969	(1,342)
Total assets	1,419,280	1,488,817	(69,537)
Liabilities			
Current	192,493	203,685	(11,192)
Net position			
Investment in capital assets	322,627	323,969	(1,342)
Unrestricted	904,160	961,163	(57,003)
Total net position	$ 1,226,787	$ 1,285,132	$ (58,345)

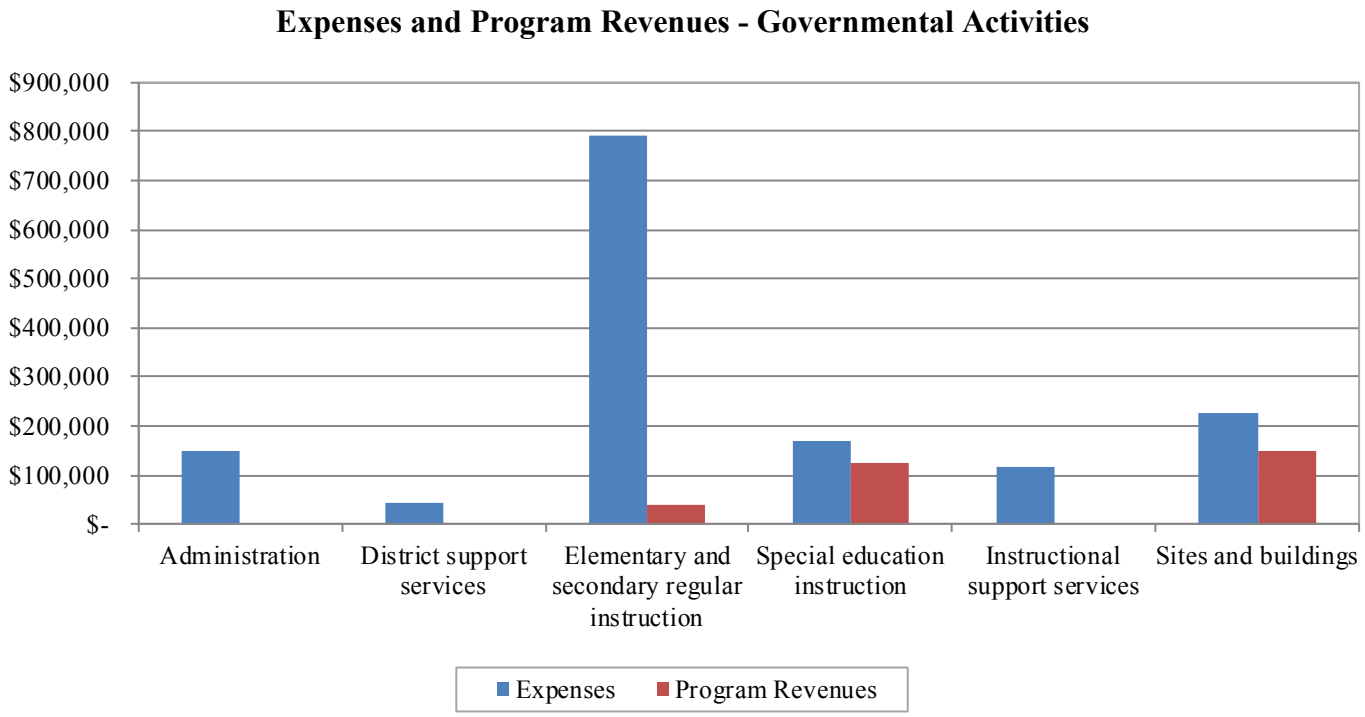
The balance of *unrestricted net position* ($904,160) may be used to meet the Charter School's ongoing obligations to students and creditors. At the end of the current fiscal year, the Charter School is able to report positive balances in both categories of net position. The same situation held true for the prior fiscal year. The Charter School's net position decreased $58,345 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		
	2014	2013	Increase (Decrease)
Revenues			
Program revenues			
Charges for services	$ 3,126	$ 5,173	$ (2,047)
Operating grants and contributions	315,080	302,552	12,528
General revenues			
State aid formula grants	1,118,726	1,098,585	20,141
Unrestricted investment earnings	1,215	634	581
Total revenues	1,438,147	1,406,944	31,203
Expenses			
Administration	149,440	143,001	6,439
District support services	44,338	37,687	6,651
Elementary and secondary regular instruction	790,477	698,761	91,716
Special education instruction	168,046	161,889	6,157
Instructional support services	117,311	107,897	9,414
Pupil support services	-	172	(172)
Sites and buildings	226,880	221,843	5,037
Total expenses	1,496,492	1,371,250	125,242
Change in net position	(58,345)	35,694	(94,039)
Net position, July 1	1,285,132	1,249,438	35,694
Net position, June 30	$ 1,226,787	$ 1,285,132	$ (58,345)

The total Average Daily Membership (ADM) for 2013-14 was 138.31 as compared to 138.60 for 2012-13 and the total Adjusted Marginal Cost Pupil Units (AMCPU) for 2013-14 was 178.89 as compared to 180.25 for 2012-13. The Charter School also received $21,632 in Federal revenues from a Title VI REAP grant. The funds were recorded in operating grants and contributions. Expenditures in the area of elementary and secondary regular instruction increased in the 2014 fiscal year primarily due to the Charter School hiring one additional learning manager during the year.

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 $904,160, a decrease of $57,003 in comparison with the prior year. Approximately 72.9 percent of the total fund balance ($659,018) constitutes *unassigned fund balance*, which is available for spending at the Charter School's discretion. The remainder of fund balance ($245,142) 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 44.1 percent of total General fund expenditures, while total fund balance represents 60.5 percent of that same amount.

General Fund Budgetary Highlights

The budget was amended for fiscal year 2013-2014 at the board meeting on June 10, 2014. Based on the headcount of students attending the Charter School, the ADM for budgeting purposes was increased from 140 to 148. In reality, once the MARSS reports were run over the summer, the Charter School's ADM count was 138.31 which was almost identical to the ADM count of 138.65 in fiscal year 2013. The deficit in revenue of $37,109 is the direct result of the difference in the revised ADM count of 148 versus the previous 140. 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 328 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.

Due to some staffing changes during the school year, actual expenditures were greater than budgeted expenditures. Special needs student enrollment increased. The Charter School tried to hire an additional special education teacher. However, the Charter School was not successful in finding a full-time teacher. Several part-time teachers were hired to assist the Charter School's current special education teacher through the school year that were not included in the budget. The Charter School board hired an additional learning manager for the 2013-14 school year. Since enrollment decreased, learning managers were not at their capacity of 25 students. Learning managers wrote additional curriculum for the 8th grade which was an additional cost. There were changes in the health insurance coverage - employees enrolling in the coverage and switching from single to family coverage due to status changes which resulted in additional expenditures.

Capital Assets

The Charter School's investment in capital assets for its governmental activities as of June 30, 2014, amounts to $322,627 (net of accumulated depreciation). This investment in capital assets consists of equipment, site improvements and building improvements. The total depreciation for the year was $40,508. The following is a schedule of capital assets as of June 30, 2014 and 2013.

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

	Governmental Activities		
	2014	2013	Increase (Decrease)
Equipment and furniture	$ 161,119	$ 149,748	$ 11,371
Site improvements	112,607	120,650	(8,043)
Building improvements	48,901	53,571	(4,670)
Total	$ 322,627	$ 323,969	$ (1,342)

Additional information on the Charter School's capital assets can be found in Note 3B on page 37 of this report.

Factors Bearing on the Charter School's Future

- The State general education aid formula did increase by $25 per WADM for 2014-15. The Charter School needs to pay close attention to their student numbers for 2014-2015 and make the appropriate adjustments during the school year. The Charter School Board did approve starting an 8th grade program at the Charter School. The Charter School is projecting to have approximately 7-10 students in the 8th grade program. The 2014-2015 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 decreased if student numbers do not reach the anticipated 7-10 students in 8th grade. The Charter School has a healthy fund balance so they will have adequate funds available for cash flow. The Charter School did decrease their fund balance by $57,003 and now has a fund balance of $904,160 in both designated and undesignated areas. The Charter School does not anticipate borrowing any dollars for the 2014-15 school year for cash flow purposes.

- The Charter School's enrollment is flat - it decreased very slightly from 138.60 ADM or 180.25 WADM for 2012-13 to 138.31 ADM or 179.81 PUN for 2013-14. After increasing slightly, enrollment declined again in 2013-14 as it had declined for the past two years - 2011-12 and 2010-11. The budget for the 2013-14 school year was based on 148 ADM or 192.4 WADM. The Charter School served 328 actual students. The Charter School's student population is very mobile. 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 Charter School tried to hire an additional special education teacher last year but could not find anyone that was properly licensed and could serve the students when they were in lab at the Charter School. 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 Charter School On-line Learning experience.

- The Charter School also received a Title I grant in the amount of $13,651 for the 2013-14 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 $14,877 in Title I funds for the 2014-15 school year. In addition, the Charter School applied for and received a REAP grant in the amount of $21,632 for 2013-14 and $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 2014-15 school year from the Minnesota Department of Education (MDE). The budget of $41,305.60 was approved which will generate $28,020.60 in state aid. This will fund 1.0 FTE salary only for the Check and Connect program that will serve approximately 20 students. 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. The Charter School has met certain criteria and will keep receiving these additional funds. In 2013-14, the Charter School received $34,664 in ATPPS funds. The Charter School's plan for FY15 has been approved by the MDE and the Charter School will receive $34,320 based on a student count of 132. If in the future the Charter School does not receive the ATPPS funds, then there will be no expenditures in ATPPS.

All of these factors were considered in preparing the Charter School's budget for the 2015 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.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED
JUNE 30, 2014

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
ASSETS	
Cash and temporary investments	$ 972,693
Receivables	
Accrued interest	249
Accounts	4,448
Due from Minnesota Department of Education	95,725
Due from Federal government	14,609
Prepaid items	8,929
Capital assets	
Depreciable assets (net of accumulated depreciation)	322,627
TOTAL ASSETS	1,419,280
LIABILITIES	
Accounts payable	2,311
Accrued salaries payable	70,743
Due to other school districts	118,876
Unearned revenue	563
TOTAL LIABILITIES	192,493
NET POSITION	
Investment in capital assets	322,627
Unrestricted	904,160
TOTAL NET POSITION	$ 1,226,787

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, 2014

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	$ 149,440	$ -	$ -	$ -	$ (149,440)
District support services	44,338	-	-	-	(44,338)
Elementary and secondary regular instruction	790,477	3,126	37,077	-	(750,274)
Special education instruction	168,046	-	126,818	-	(41,228)
Instructional support services	117,311	-	-	-	(117,311)
Sites and buildings	226,880	-	151,185	-	(75,695)
Total governmental activities	$ 1,496,492	$ 3,126	$ 315,080	$ -	(1,178,286)
General revenues					
State aid formula grants					1,118,726
Unrestricted investment earnings					1,215
Total general revenues					1,119,941
Change in net position					(58,345)
Net position, July 1					1,285,132
Net position, June 30					$ 1,226,787

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, 2014

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2014

	General
ASSETS	
Cash and temporary investments	$ 972,693
Receivables	
Accrued interest	249
Accounts	4,448
Due from Minnesota Department of Education	95,725
Due from Federal government	14,609
Prepaid items	8,929
TOTAL ASSETS	$ 1,096,653
LIABILITIES	
Accounts payable	$ 2,311
Accrued salaries payable	70,743
Due to other school districts	118,876
Unearned revenue	563
TOTAL LIABILITIES	192,493
FUND BALANCE	
Nonspendable prepaid items	8,929
Assigned for	
Operating capital	146,713
Staff development	26,142
Gifted and talented	15,742
Basic skills	47,616
Unassigned	659,018
TOTAL FUND BALANCE	904,160
TOTAL LIABILITIES AND FUND BALANCE	$ 1,096,653

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, 2014

Total fund balance - governmental fund	$	904,160
Amounts reported for governmental activities in the statement of net position are different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets		688,980
Less: accumulated depreciation		(366,353)
Total net position - governmental activities	$	1,226,787

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, 2014

	General
REVENUES	
Other local and county revenue	
Interest earned on investments	$ 1,215
Other	3,285
Revenue from State sources	1,396,729
Revenue from Federal sources	36,545
Sales and other conversion of assets	373
TOTAL REVENUES	1,438,147
EXPENDITURES	
Current	
Administration	149,440
District support services	44,338
Elementary and secondary regular instruction	762,681
Special education instruction	168,046
Instructional support services	117,311
Sites and buildings	214,092
Capital outlay	
Sites and buildings	39,242
TOTAL EXPENDITURES	1,495,150
NET CHANGE IN FUND BALANCE	(57,003)
FUND BALANCE, JULY 1	961,163
FUND BALANCE, JUNE 30	$ 904,160

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, 2014

Net change in fund balance - total governmental fund	$	(57,003)
Amounts reported for governmental activities in the statement of activities are different because		
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		39,166
Depreciation expense		(40,508)
Change in net position of governmental activities	$	(58,345)

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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Other local and county revenue				
Interest earned on investments	$ 500	$ 500	$ 1,215	$ 715
Other	1,500	1,500	3,285	1,785
Revenue from state sources	1,367,396	1,436,211	1,396,729	(39,482)
Revenue from federal sources	11,986	36,545	36,545	-
Sales and other conversion of assets	500	500	373	(127)
TOTAL REVENUES	1,381,882	1,475,256	1,438,147	(37,109)
EXPENDITURES				
Current				
Administration	139,060	139,060	149,440	(10,380)
District support services	53,700	53,700	44,338	9,362
Elementary and secondary regular instruction	686,210	742,991	762,681	(19,690)
Special education instruction	156,417	156,417	168,046	(11,629)
Instructional support services	119,628	119,628	117,311	2,317
Pupil support services	7,000	6,000	-	6,000
Sites and buildings	211,823	211,823	214,092	(2,269)
Capital outlay				
Sites and buildings	41,041	41,041	39,242	1,799
TOTAL EXPENDITURES	1,414,879	1,470,660	1,495,150	(24,490)
NET CHANGE IN FUND BALANCE	(32,997)	4,596	(57,003)	(61,599)
FUND BALANCE, JULY 1	961,163	961,163	961,163	-
FUND BALANCE, JUNE 30	$ 928,166	$ 965,759	$ 904,160	$ (61,599)

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 segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as p*rogram 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.

D. Assets, liabilities and net position/fund balance

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

6. 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.

7. 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.

8. 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.

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.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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 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.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. 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 $93,374 and budgeted expenditures increased $55,781.

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.

B. Excess of expenditures over appropriations

For the year ended June 30, 2014, expenditures exceeded appropriations by $24,490. The excess expenditures in the General fund were funded by fund balance reserves.

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

The Charter School does not have any deposits as of June 30, 2014.

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	$ 724,693
Non-pooled investments			
Certificate of Deposit held by MSDLAF	N/A	Less than 6 months	248,000
Total investments			$ 972,693

(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 31 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, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated				
Equipment and furniture	$ 412,034	$ 39,166	$ -	$ 451,200
Site improvements	160,867	-	-	160,867
Building improvements	76,913	-	-	76,913
Total capital assets being depreciated	649,814	39,166	-	688,980
Less accumulated depreciation for				
Equipment and furniture	(262,286)	(27,795)	-	(290,081)
Site improvements	(40,217)	(8,043)	-	(48,260)
Building improvements	(23,342)	(4,670)	-	(28,012)
Total accumulated depreciation	(325,845)	(40,508)	-	(366,353)
Total capital assets being depreciated, net	$ 323,969	$ (1,342)	$ -	$ 322,627

Depreciation expense was charged to functions as follows:

Elementary and secondary regular instruction	$ 27,796
Sites and buildings	12,712
Total depreciation expense - governmental activities	$ 40,508

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Operating leases

The Charter School leased space from Liberty Lanes during the fiscal year ended June 30, 2014. 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
2015	$ 121,894
2016	121,894
2017	121,894
2018	121,894
2019	20,316
Total	$ 507,892

The Charter School incurred lease related expenditures of $169,046 during the fiscal year ended June 30, 2014. This consisted of $121,894 of lease expense, $37,544 of property taxes, $4,947 of repair reserve, and $4,661 of charges for insurance and other. The Charter School qualified for charter school lease aid from the State in the amount of $151,185.

D. Components of fund balance

The following is a summary of the components of fund balance at June 30, 2014:

	General
Nonspendable prepaid items	$ 8,929
Assigned for	
Operating capital	$ 146,713
Staff development	26,142
Gifted and talented	15,742
Basic skills	47,616
Total assigned	$ 236,213

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.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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.

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, 2014. 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, 2014, the Charter School has not incurred any interest or penalties on its tax returns.

Note 5: DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Teachers Retirement Association (TRA)

1. Plan description

All teachers employed by the Charter School are covered by defined benefit plans administered by the Teachers Retirement Association (TRA). TRA members belong to either the Coordinated or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. The plans are established and administered in accordance with Minnesota statutes, chapter 354 and 356.

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

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

	Step Rate Formula	Percentage
Tier I:		
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 year are prior to July 1, 2006	1.2 percent per year
	1st ten year if service year 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

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. Actuarially equivalent early retirement reduction factors with augmentation are used for early retirement before the normal age of 65. These reduction factors average approximately 4.0 to 5.4 percent per year

Note 5: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

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

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree - no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans 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 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.

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA web site (www.minnesotatra.org). Alternatively, a copy of the report may be obtained by writing: Teachers Retirement Association, 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103-4000; or by calling: (651)-296-2409 or (800)-657-3669.

2. Funding policy

Minnesota statutes, chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the State legislature. Coordinated and Basic Plan members are required to contribute 7.0 percent and 10.5 percent, respectively, of their annual covered salary during fiscal year 2014. The TRA employer contribution rates are 7.0 percent for Coordinated members and 11.0 percent for Basic members during fiscal year 2014. Total covered payroll salaries for all TRA members statewide during the fiscal year ended June 30, 2013 was approximately $3.92 billion. TRA covered payroll for all members statewide for the fiscal years ended June 30, 2012 and June 30, 2011 were $3.87 billion and $3.84 billion, respectively.

The Charter School contributions for the years ending June 30, 2014, 2013, and 2012 were $46,753, $38,183, and $34,362, respectively, equal to the required contributions for each year as set by Minnesota statute.

The 2010 Legislature approved employee and employer contribution rate increases to be phased-in over a four-year period beginning July 1, 2011. Employee and employer contribution rates will rise 0.5 percent on July 1 of each year of the four-year period. Beginning July 1, 2014, TRA Coordinated employee and employer contribution rates will each be 7.5 percent.

B. Public Employees Retirement Association (PERA)

1. Plan description

Employees, other than teachers of the Charter School, are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minnesota statutes, chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

Note 5: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

PERA 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 credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service.

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 10 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 10 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. GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A normal annuity is a lifetime annuity that ceases upon the death of the retiree - no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA, 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or (800) 652-9026.

2. Funding policy

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The Charter School makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERF Basic Plan members and Coordinated Plan members are required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2013 and 2014. In 2013 and 2014, the Charter School was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERF members and 7.25 percent for Coordinated Plan GERF members. The Charter School's contributions to the GERF for the year ended June 30, 2014, 2013 and 2012 were $5,172, $4,658, and $4,371, respectively. The Charter School's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

INDIVIDUAL FUND SCHEDULES AND TABLE

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

FOR THE YEAR ENDED
JUNE 30, 2014

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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, 2014 AND 2013

	2014	2013
ASSETS		
Cash and temporary investments	$ 972,693	$ 910,315
Receivables		
Accrued interest	249	-
Accounts	4,448	-
Due from Minnesota Department of Education	95,725	236,156
Due from Federal government	14,609	15,685
Prepaid items	8,929	2,692
TOTAL ASSETS	$ 1,096,653	$ 1,164,848
LIABILITIES		
Accounts payable	$ 2,311	$ 5,899
Accrued salaries payable	70,743	77,064
Due to other school districts	118,876	120,022
Unearned revenue	563	700
TOTAL LIABILITIES	192,493	203,685
FUND BALANCE		
Nonspendable prepaid items	8,929	2,692
Assigned for		
Operating capital	146,713	146,157
Staff development	26,142	22,691
Gifted and talented	15,742	13,433
Basic skills	47,616	19,998
Unassigned	659,018	756,192
TOTAL FUND BALANCE	904,160	961,163
TOTAL LIABILITIES AND FUND BALANCE	$ 1,096,653	$ 1,164,848

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, 2014
(With comparative actual amounts for the year ended June 30, 2013)

	2014				2013
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUES					
Other local and county revenue					
Interest earned on investments	$ 500	$ 500	$ 1,215	$ 715	$ 634
Other	1,500	1,500	3,285	1,785	5,048
Revenue from State sources	1,367,396	1,436,211	1,396,729	(39,482)	1,385,200
Revenue from Federal sources	11,986	36,545	36,545	-	15,684
Sales and other conversion of assets	500	500	373	(127)	378
TOTAL REVENUES	1,381,882	1,475,256	1,438,147	(37,109)	1,406,944
EXPENDITURES					
Current expenditures					
Administration					
Salaries	101,500	101,500	107,964	(6,464)	101,556
Fringe benefits	31,320	31,320	34,145	(2,825)	33,088
Purchased services	740	740	555	185	133
Supplies and materials	1,000	1,000	387	613	2,094
Other	4,500	4,500	6,389	(1,889)	6,130
Total administration	139,060	139,060	149,440	(10,380)	143,001
District support services					
Fringe benefits	9,500	9,500	5,673	3,827	1,026
Purchased services	44,200	44,200	38,540	5,660	36,584
Supplies and materials	-	-	125	(125)	77
Total district support services	53,700	53,700	44,338	9,362	37,687
Elementary and secondary regular instruction					
Salaries	334,880	390,661	431,342	(40,681)	364,294
Fringe benefits	118,592	118,592	140,806	(22,214)	120,955
Purchased services	182,215	182,215	173,588	8,627	166,664
Supplies and materials	49,023	50,023	16,945	33,078	13,203
Other	1,500	1,500	-	1,500	500
Total elementary and secondary regular instruction	686,210	742,991	762,681	(19,690)	665,616
Special education instruction					
Salaries	111,210	111,210	117,630	(6,420)	115,899
Fringe benefits	41,207	41,207	48,040	(6,833)	44,417
Supplies and materials	4,000	4,000	2,376	1,624	1,573
Total special education instruction	156,417	156,417	168,046	(11,629)	161,889

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, 2014
(With comparative actual amounts for the year ended June 30, 2013)

	2014				2013
	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	$ 72,895	$ 105	$ 71,432
Fringe benefits	27,425	27,425	27,442	(17)	26,534
Purchased services	17,203	17,203	16,138	1,065	8,878
Supplies and materials	2,000	2,000	836	1,164	1,053
Total instructional support services	119,628	119,628	117,311	2,317	107,897
Pupil support services					
Purchased services	6,000	6,000	-	6,000	172
Supplies and materials	1,000	-	-	-	-
Total pupil support services	7,000	6,000	-	6,000	172
Sites and buildings					
Salaries	12,000	12,000	9,920	2,080	6,230
Fringe benefits	1,758	1,758	1,534	224	856
Purchased services	188,065	188,065	194,603	(6,538)	194,039
Supplies and materials	10,000	10,000	8,035	1,965	7,379
Total sites and buildings	211,823	211,823	214,092	(2,269)	208,504
Total current expenditures	1,373,838	1,429,619	1,455,908	(26,289)	1,324,766
Capital outlay					
Sites and buildings	41,041	41,041	39,242	1,799	9,429
TOTAL EXPENDITURES	1,414,879	1,470,660	1,495,150	(24,490)	1,334,195
NET CHANGE IN FUND BALANCE	(32,997)	4,596	(57,003)	(61,599)	72,749
FUND BALANCE, JULY 1	961,163	961,163	961,163	-	888,414
FUND BALANCE, JUNE 30	$ 928,166	$ 965,759	$ 904,160	$ (61,599)	$ 961,163

Fiscal Compliance Report - 6/30/2014
District: TRIO WOLF CREEK DISTANCE (4095-7)

01 GENERAL FUND

	Audit	UFARS	Audit - UFARS
Total Revenue	$1,438,147	$1,438,147	$0
Total Expenditures	$1,495,150	$1,495,151	($1)
Non Spendable:			
4.60 Non Spendable Fund Balance	$8,929	$8,929	$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
4.41 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	$236,213	$236,213	$0
Unassigned:			
4.22 Unassigned Fund Balance	$659,018	$659,018	$0

02 FOOD SERVICES

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance			

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

	$0	$0	$0
Restricted / Reserved:			
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
4.44 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

47 OPEB DEBT SERVICE

Total Revenue	$0	$0	$0
Total Expenditures	$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, 2014

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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, 2014, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2014.

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,* except as described in the accompanying Schedule of Findings and Responses as finding 2014-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Charter School's noncompliance with the above referenced provisions.

The Charter School's response to the legal compliance finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Charter School's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
October 29, 2014

5201 Eden Avenue, Suite 250
Edina, MN 55436
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, 2014, 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 October 29, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Responses as finding 2014-001.

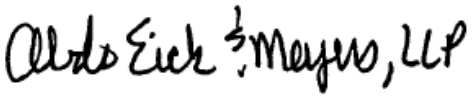
5201 Eden Avenue, Suite 250
Edina, MN 55436
952.835.9090 | Fax 952.835.3261

The Charter School's Response to Finding

The Charter School's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Charter School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
October 29, 2014

People + Process®
Going Beyond the Numbers

TRIO WOLF CREEK
DISTANCE LEARNING CHARTER SCHOOL NO. 4095
CHISAGO CITY, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

Finding Description

2014-001 Late payment of claims

Condition: During our audit procedures, it came to our attention that the Charter School had not made a payment within the timeframe set forth by State statutes.

Criteria: Minnesota statute §471.425 requires that the Charter School pay bills within 35 days from receipt. If the invoice is not paid within 35 days, interest at 1.50 percent per month is to be added to the amount due.

Cause: The property tax statement identifies the amount due in two installments. Although the first installment was paid within the timeframe identified, the second installment was not.

Effect: In addition to noncompliance with the statute noted above, a penalty was charged for the late payment.

Recommendation: We recommend that the Charter School continue to follow its procedures related to disbursements and consider adding a procedure to ensure payment of multiple installments.

Management response:

There is no disagreement with this finding. The Charter School will take action to avoid similar occurrences in the future.

TRIO Wolf Creek Distance Learning

Charter School #4095
www.triowolfcreek.com
Mailing address: 13750 Lake Blvd., Lindstrom, MN 55045
Site address: 11725 Stinson Ave., Chisago City
Phone: (651) 213-2017 Fax:(651) 257-0576
Sponsored by: Chisago Lakes Area Schools Dist. #2144

CORRECTIVE ACTION PLAN

The following is our response to findings in the audit as of June 30, 2014.

FINDING 2014-001

Minnesota statute, section 471.425 requires that the Charter School pay bills within 35 days from receipt. During our audit procedures, it came to our attention that the Charter School had not made a payment within the timeframe set forth by State statutes.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Findings:

   There is no disagreement with the audit finding.

2. Action Planned in Response to Finding:

   The Charter School will develop a procedure to ensure payment of invoices that include multiple installments.

3. Official Responsible for Ensuring CAP:

   Heide Miller, Director of Business Services, would be responsible for establishing procedures.

4. Planned Completion Date for CAP:

   Fiscal year 2015.

5. Plan to Monitor Completion of CAP:

   Heide Miller, Director of Business Services, will continue to review invoices on a monthly basis to ensure invoices are received and paid in a timely manner.

Sincerely,

Heide Miller

Heide Miller
Director of Business Services