

EAST RANGE ACADEMY OF TECHNOLOGY
AND SCIENCE
EVELETH, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2019

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EAST RANGE ACADEMY OF TECHNOLOGY AND SCIENCE

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INTRODUCTORY SECTION

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EAST RANGE ACADEMY OF TECHNOLOGY AND SCIENCE

Board and Administration
as of June 30, 2019

BOARD

	<u>Position</u>
Erin Haglund	Board Chair
Chris Mammenga	Vice Chair
Emily Falgier	Treasurer
Melissa Brusacoram	Member
John Stodola	Member
Martha Tiff	Member
Zach Topping	Member

ADMINISTRATION

Amy Hendrickson	Director
Jody Youso	Special Education Coordinator
Shane Walters	Dean of Students
Fern Swanson	Business Office

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board and Management of
East Range Academy of Technology and Science
Eveleth, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of East Range Academy of Technology and Science (the Academy) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

(continued)

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Academy as of June 30, 2019, 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.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI 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 Academy's basic financial statements. The introductory section and supplemental information are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the Academy.

The supplemental information and the UFARS Compliance Table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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.

(continued)

Prior Year Comparative Information

We have previously audited the Academy's 2018 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, the major fund, and the aggregate remaining fund information in our report dated December 8, 2018. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Malloy, Montague, Karnowski, Radosevich & Co., P. A.

Minneapolis, Minnesota
December 19, 2019

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EAST RANGE ACADEMY OF TECHNOLOGY AND SCIENCE

Management's Discussion and Analysis Fiscal Year Ended June 30, 2019

This section of East Range Academy of Technology and Science's (the Academy) annual financial statements presents management's discussion and analysis of the Academy's financial performance during the fiscal year ended June 30, 2019. Please read it in conjunction with the other components of the Academy's annual financial statements.

FINANCIAL HIGHLIGHTS

The Academy's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2019 by \$417,933 (deficit net position). The Academy's total net position increased \$590,609 during the fiscal year ended June 30, 2019.

Net position increased \$479,614 from operations during the fiscal year ended June 30, 2019. This is mostly related to the changes in net pension-related liabilities and related deferrals from the Academy's participation in state-wide pension plans. The Academy's net position also increased by \$110,995, due to a prior period adjustment that was reported in the current year. The Academy elected to return buses related to a capital lease reported as outstanding at June 30, 2018. The Academy recorded the disposed capital assets in fiscal 2018. The lease liability of \$110,995 remained on the Academy's books at June 30, 2018, but should have been eliminated on that date due to the return of the buses. The effect of this change increased the beginning governmental activities net position at June 30, 2018 by \$110,995.

At June 30, 2019, the Academy's General Fund reported a total fund balance of \$842,165, an increase of \$129,480 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual financial statements consists of the following parts:

- Independent Auditor's Report;
- Management's discussion and analysis;
- Basic financial statements, including the entity-wide financial statements, fund financial statements, and the notes to basic financial statements;
- Required supplementary information related to defined benefit pension plan liabilities and contributions; and
- Individual fund statements and schedules, presented as supplemental information.

The following explains the type of statements included in the basic financial statements:

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide financial statements (Statement of Net Position and Statement of Activities) report information about the Academy as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes *all* of the Academy's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two entity-wide financial statements report the Academy's *net position* and how it has changed. Net position—the difference between the Academy's assets, deferred outflows of resources, liabilities, and deferred inflows of resources—is one way to measure the Academy's financial health or *position*. Over time, increases or decreases in the Academy's net position are indicators of whether its financial position is improving or deteriorating, respectively. To assess the overall health of the Academy requires consideration of additional nonfinancial factors, such as changes in the Academy's student population and the condition of school buildings and other facilities.

In the entity-wide financial statements the Academy's activities are all shown in one category titled "governmental activities." These activities, including regular and special education instruction, food services, and administration, are primarily financed with governmental grants and aids.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Academy's *funds*, focusing on its most significant or "major" funds, rather than the Academy as a whole.

Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law or by debt covenants.
- The Academy may establish other funds to control and manage money for particular purposes.

The Academy maintains the following kind of funds:

Governmental Funds – The Academy's basic services are reported in governmental funds, which generally focus on: 1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or less financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the entity-wide financial statements, we provide additional information (reconciliation schedules) immediately following the governmental fund financial statements that explain the relationship (or differences) between these two types of financial statement presentations.

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Table 1 is a summarized view of the Academy's Statement of Net Position:

Table 1 Summary Statement of Net Position as of June 30, 2019 and 2018		
	2019	2018
Assets		
Current and other assets	\$ 1,083,240	\$ 927,908
Capital assets, net of depreciation	207,606	225,238
Total assets	<u>\$ 1,290,846</u>	<u>\$ 1,153,146</u>
Deferred outflows of resources	<u>\$ 1,744,422</u>	<u>\$ 1,971,276</u>
Liabilities		
Current and other liabilities	\$ 241,075	\$ 215,223
Long-term liabilities, including due within one year	1,371,196	3,306,083
Total liabilities	<u>\$ 1,612,271</u>	<u>\$ 3,521,306</u>
Deferred inflows of resources	<u>\$ 1,840,930</u>	<u>\$ 611,658</u>
Net position		
Net investment in capital assets	\$ 58,130	\$ (69,139)
Restricted for medical assistance	—	10,606
Unrestricted	(476,063)	(950,009)
Total net position	<u>\$ (417,933)</u>	<u>\$ (1,008,542)</u>

The Academy's financial position is the product of many factors. For example, the determination of the Academy's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. Changes in variables such as estimated depreciable lives or capitalization policies may produce significant differences in the calculated amounts. The change in long-term liabilities, deferred outflows/inflows of resources and unrestricted net position relates to changes in the unfunded state-wide pension plans, a portion of which is reported on the financial statement of the Academy.

Table 2 is a summarized view of the Academy's Statement of Activities:

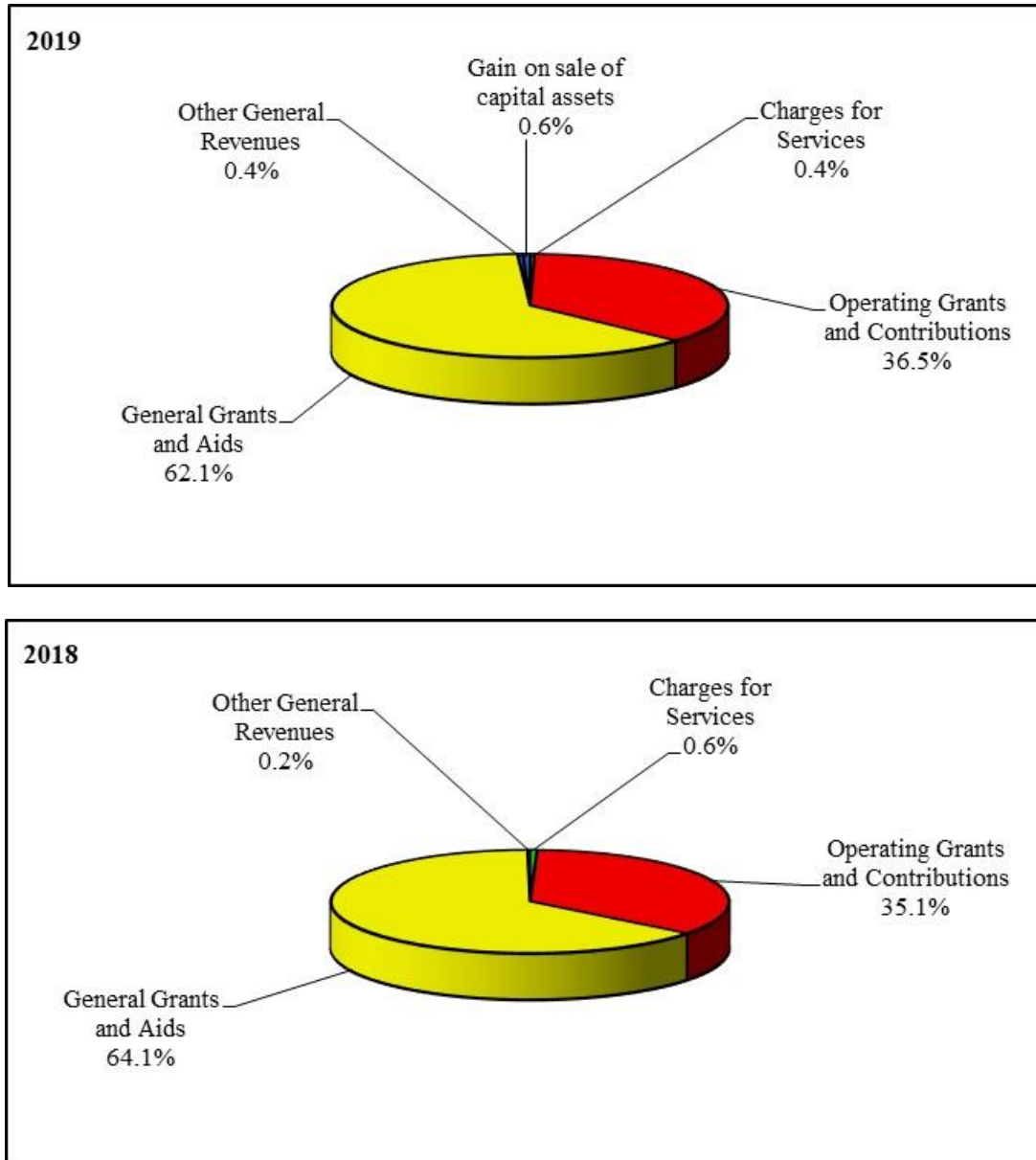
Table 2 Summary Statement of Activities For the Year Ended June 30, 2019 and 2018		
	2019	2018
Revenues		
Program revenues		
Charges for services	\$ 9,595	\$ 12,846
Operating grants and contributions	936,782	796,945
General revenues		
General grants and aids	1,590,346	1,457,880
Other general revenues	11,225	4,609
Gain on sale of capital assets	14,695	—
Total revenues	<u>2,562,643</u>	<u>2,272,280</u>
Expenses		
Administration	16,202	103,948
District support services	359,751	360,778
Elementary and secondary regular instruction	566,188	1,132,673
Special education instruction	467,649	580,136
Instructional support services	3,002	62,506
Pupil support services	290,714	354,370
Sites and buildings	251,739	252,249
Fiscal and other fixed cost programs	6,606	6,232
Food service	114,386	90,214
Interest and fiscal charges	6,792	4,905
Total expenses	<u>2,083,029</u>	<u>2,948,011</u>
Change in net position	479,614	(675,731)
Net position		
Beginning of year, as previously reported	(1,008,542)	(332,811)
Prior period adjustment	110,995	—
Beginning of year, as restated	<u>(897,547)</u>	<u>(332,811)</u>
End of year	<u>\$ (417,933)</u>	<u>\$ (1,008,542)</u>

This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the Academy. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Overall, revenues increased in fiscal 2019, primarily due to increased state funding resulting from an increase in enrollment and an increase in the state's general education formula allowance. The decrease in expenses in fiscal 2019 is primarily related to a decrease in the Academy's net pension liability and related deferments related to the Public Employees Retirement Association and the Teachers Retirement Association (TRA) pension plans.

Figures A and B show further analysis of these revenue sources and expense functions:

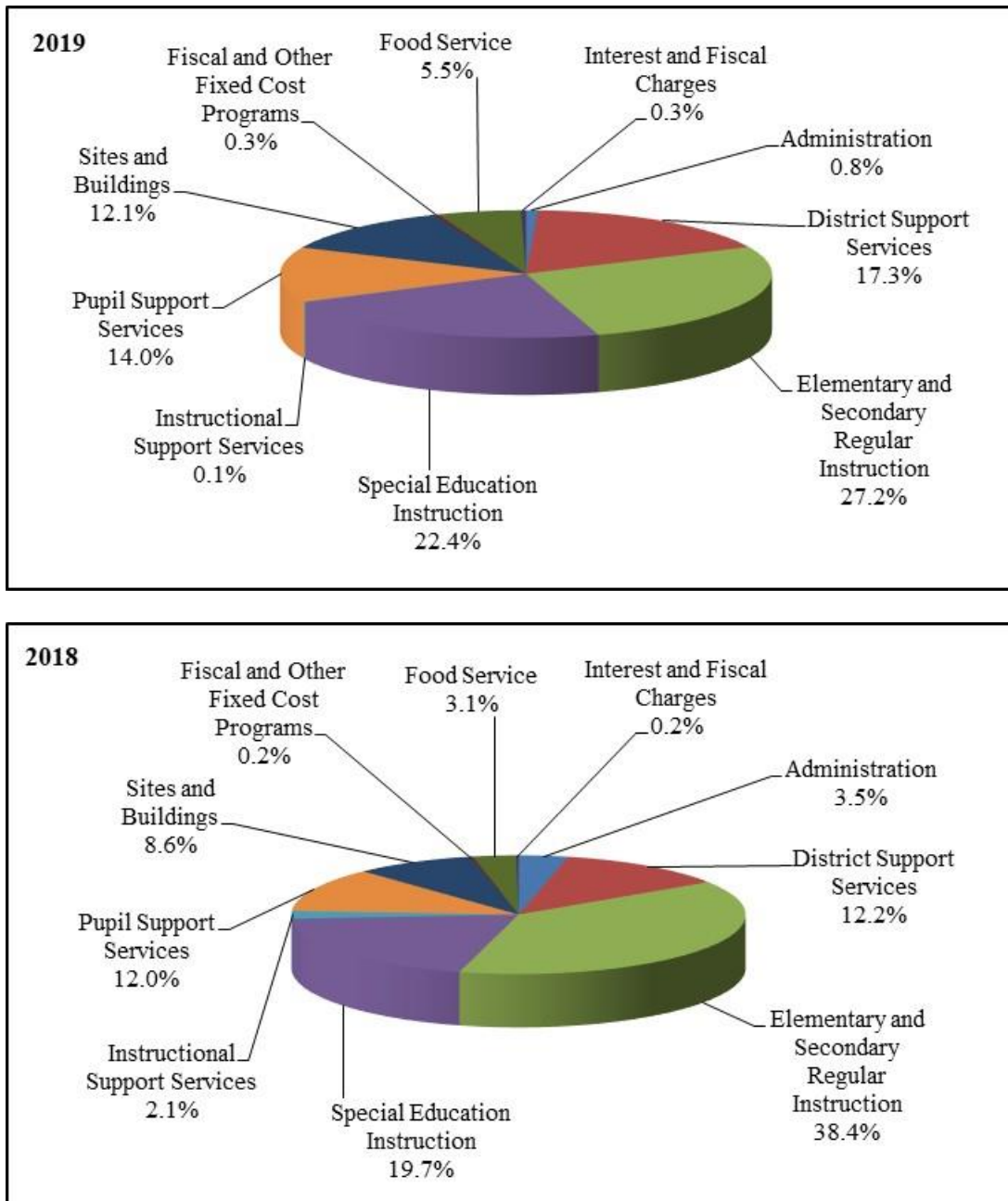
Figure A – Sources of Revenue for Fiscal Years 2019 and 2018



The largest share of the Academy's revenue is received from the state, including most of the operating and general grants. This significant reliance on the state for funding has placed tremendous pressures on local schools as funding increases have not kept pace with inflation.

Enrollment continues to be the largest influence on the Academy's revenue. The Academy's enrollment was approximately 149 average daily memberships (ADM) at year-end, and reflected an increase of 15 ADM from the prior year. Marketing and recruitment efforts have been placed in the forefront to help ensure adequate levels of funding.

Figure B – Expenses for Fiscal Years 2019 and 2018



The Academy's expenses are predominately related to educating students. Approximately 63.4 percent of the Academy's expenses were in categories directly related to providing instruction, which includes: regular instruction, special education instruction, instructional support services, and pupil support services.

The significant year-to-year change in the percentage of expenses incurred in several program areas shown above, was attributable to the change in expenses related to the state-wide pension plans, which caused greater fluctuations in program areas with a higher proportion of salaries.

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

Analysis of the General Fund

Table 3 summarizes the operating results of the General Fund:

Table 3 General Fund Operating Results Year Ended June 30, 2019				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenues	\$ 2,290,064	\$ 2,512,029	\$ 2,564,289	\$ 52,260
Expenditures	2,269,149	2,405,281	2,394,889	\$ (10,392)
Other financing sources (uses)	<u>(14,795)</u>	<u>(80,419)</u>	<u>(39,920)</u>	\$ 40,499
Net change in fund balances	<u>\$ 6,120</u>	<u>\$ 26,329</u>	<u>\$ 129,480</u>	

The Academy is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. The Academy has the ability to amend that budget for known significant changes in circumstances, such as: updated enrollment estimates, legislative funding changes, and additional funding received from grants or other local sources or staffing changes.

General Fund revenues were over budget by \$52,260, primarily due to higher enrollment than anticipated, resulting in more state aid than expected.

General Fund expenditures were under budget by \$10,392, primarily due to conservative budgeting by the Academy. Other financing sources (uses) were over budget by \$40,499, due to a smaller than forecasted Food Service Special Revenue Fund deficit covered by the General Fund. The Academy also did not anticipate the sale of assets in fiscal 2019 in the amount of \$24,500.

Food Service Special Revenue Fund

Expenditures exceeded revenues by \$64,420 in the Food Service Special Revenue Fund. The Academy made a transfer of \$64,420 from the General Fund to the Food Service Special Revenue Fund to eliminate the current year deficit spending.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Table 4 shows the Academy's capital assets. The table also shows the total depreciation expense for fiscal years ended June 30, 2019 and 2018:

Table 4 Capital Assets as of June 30, 2019 and 2018			
	2019	2018	Change
Furniture and equipment	\$ 430,554	\$ 385,529	\$ 45,025
Less accumulated depreciation	(222,948)	(160,291)	(62,657)
Total	<u>\$ 207,606</u>	<u>\$ 225,238</u>	<u>\$ (17,632)</u>
Depreciation expense	<u>\$ 74,015</u>	<u>\$ 66,084</u>	<u>\$ 7,931</u>

The Academy's capital assets (net of depreciation) decreased \$17,632 in fiscal 2019.

Table 5 illustrates the components of the Academy's long-term liabilities, together with the change from the prior year:

Table 5 Outstanding Long-Term Liabilities as of June 30, 2019 and 2018			
	2019	2018	Change
Loan payable	\$ 149,476	\$ 183,382	\$ (33,906)
Capital leases payable	–	110,995	(110,995)
Net pension liability	<u>1,221,720</u>	<u>3,011,706</u>	<u>(1,789,986)</u>
Total	<u>\$ 1,371,196</u>	<u>\$ 3,306,083</u>	<u>\$ (1,934,887)</u>

The decrease in the net pension liability for the Academy is due to the change in the Academy's proportionate share of the state-wide TRA pension plan liabilities. The decrease was caused by several changes in actuarial assumptions used to determine the net pension liability, including a change in the assumed discount rate for the TRA pension plan, which increased from 5.12 percent to 7.50 percent in the most recent actuarial valuation.

Additional details of the Academy's capital assets and long-term debt activity can be found in the notes to basic financial statements.

FACTORS BEARING ON THE ACADEMY'S FUTURE

The Academy is dependent on the state of Minnesota for much of its revenue. In recent years, legislated revenue increases have made it difficult to meet the instructional program needs and increased costs, due to inflation for Minnesota charter schools.

The general education program is the method by which charter schools receive the majority of their financial support. This source of funding is primarily state aid and, as such, charter schools rely heavily on the state of Minnesota for educational resources. The Legislature approved annual increases of 2 percent to the basic general education formula allowance for the fiscal year 2020–2021 biennium. The per pupil allowance will increase \$126 to \$6,438 for fiscal year 2020, and another \$129 to \$6,567 for fiscal year 2021.

The amount of aid a charter school receives is also dependent on the number of students it serves, meaning attracting and retaining students is critical to the Academy's financial well-being.

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our citizens, customers, investors, and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about these statements or need additional financial information, contact the Academy at East Range Academy of Technology and Science, 2000 Siegel Boulevard, Eveleth, Minnesota 55734.

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BASIC FINANCIAL STATEMENTS

EAST RANGE ACADEMY OF TECHNOLOGY AND SCIENCE

Statement of Net Position
as of June 30, 2019
(With Partial Comparative Information as of June 30, 2018)

	Governmental Activities	
	2019	2018
Assets		
Cash and temporary investments	\$ 625,844	\$ 655,567
Receivables		
Accounts	—	4,953
Due from other governmental units	457,396	267,388
Capital assets		
Furniture and equipment	430,554	385,529
Less accumulated depreciation	(222,948)	(160,291)
Total capital assets, net of depreciation	<u>207,606</u>	<u>225,238</u>
Total assets	1,290,846	1,153,146
Deferred outflows of resources		
Pension plan deferments	<u>1,744,422</u>	<u>1,971,276</u>
Total assets and deferred outflows of resources	<u>\$ 3,035,268</u>	<u>\$ 3,124,422</u>
Liabilities		
Salaries and benefits payable	\$ 228,254	\$ 207,534
Accounts and contracts payable	12,821	7,689
Long-term liabilities		
Due within one year	35,154	144,900
Due in more than one year	1,336,042	3,161,183
Total long-term liabilities	<u>1,371,196</u>	<u>3,306,083</u>
Total liabilities	1,612,271	3,521,306
Deferred inflows of resources		
Pension plan deferments	1,840,930	611,658
Net position		
Net investment in capital assets	58,130	(69,139)
Restricted for Medical Assistance	—	10,606
Unrestricted	(476,063)	(950,009)
Total net position	<u>(417,933)</u>	<u>(1,008,542)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,035,268</u>	<u>\$ 3,124,422</u>

EAST RANGE ACADEMY OF TECHNOLOGY AND SCIENCE

Statement of Activities
Year Ended June 30, 2019
(With Partial Comparative Information for the Year Ended June 30, 2018)

Functions/Programs	2019			2018	
	Expenses	Program Revenues		Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and	Revenue and
				Changes in Net Position	Changes in Net Position
				Governmental Activities	Governmental Activities
Governmental activities					
Administration	\$ 16,202	\$ —	\$ —	\$ (16,202)	\$ (103,948)
District support services	359,751	—	—	(359,751)	(360,778)
Elementary and secondary regular instruction	566,188	5,852	83,201	(477,135)	(1,016,637)
Special education instruction	467,649	—	569,684	102,035	(185,273)
Instructional support services	3,002	—	12,970	9,968	(27,488)
Pupil support services	290,714	—	—	(290,714)	(354,370)
Sites and buildings	251,739	—	223,425	(28,314)	(40,012)
Fiscal and other fixed cost programs	6,606	—	—	(6,606)	(6,232)
Food service	114,386	3,743	47,502	(63,141)	(38,577)
Interest and fiscal charges	6,792	—	—	(6,792)	(4,905)
Total governmental activities	<u>\$ 2,083,029</u>	<u>\$ 9,595</u>	<u>\$ 936,782</u>	(1,136,652)	(2,138,220)
General revenues					
General grants and aids				1,590,346	1,457,880
Other general revenues				11,225	4,609
Gain on sale of capital assets				14,695	—
Total general revenues				<u>1,616,266</u>	<u>1,462,489</u>
Change in net position				479,614	(675,731)
Beginning of year, as previously reported				(1,008,542)	(332,811)
Prior period adjustment				110,995	—
Beginning of year, as restated				<u>(897,547)</u>	<u>(332,811)</u>
Net position – ending				<u>\$ (417,933)</u>	<u>\$ (1,008,542)</u>

EAST RANGE ACADEMY OF TECHNOLOGY AND SCIENCE

Balance Sheet
Governmental Funds
as of June 30, 2019
(With Partial Comparative Information as of June 30, 2018)

	General Fund	Nonmajor Fund Food Service Special Revenue	Total Governmental Funds 2019	2018
Assets				
Cash and temporary investments	\$ 624,661	\$ 1,183	\$ 625,844	\$ 655,567
Receivables				
Accounts	—	—	—	4,953
Due from other governmental units	457,396	—	457,396	267,388
Due from other funds	—	—	—	451
Total assets	<u>\$ 1,082,057</u>	<u>\$ 1,183</u>	<u>\$ 1,083,240</u>	<u>\$ 928,359</u>
Liabilities				
Salaries and benefits payable	\$ 227,293	\$ 961	\$ 228,254	\$ 207,534
Accounts and contracts payable	12,599	222	12,821	7,689
Due to other funds	—	—	—	451
Total liabilities	<u>239,892</u>	<u>1,183</u>	<u>241,075</u>	<u>215,674</u>
Fund balances				
Restricted for Medical Assistance	—	—	—	10,606
Unassigned	842,165	—	842,165	702,079
Total fund balances	<u>842,165</u>	<u>—</u>	<u>842,165</u>	<u>712,685</u>
Total liabilities and fund balances	<u>\$ 1,082,057</u>	<u>\$ 1,183</u>	<u>\$ 1,083,240</u>	<u>\$ 928,359</u>

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund balances as reported above	\$ 842,165	\$ 712,685
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Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.

Cost of capital assets	430,554	385,529
Less accumulated depreciation	(222,948)	(160,291)

Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.

Loan payable	(149,476)	(183,382)
Capital leases payable	—	(110,995)
Net pension liability	(1,221,720)	(3,011,706)

The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.

Deferred outflows of resources – pension plan deferments	1,744,422	1,971,276
Deferred inflows of resources – pension plan deferments	(1,840,930)	(611,658)

Total net position – governmental activities	<u>\$ (417,933)</u>	<u>\$ (1,008,542)</u>
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EAST RANGE ACADEMY OF TECHNOLOGY AND SCIENCE

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
as of June 30, 2019

(With Partial Comparative Information for the Year Ended June 30, 2018)

	General Fund	Nonmajor Fund Food Service Special Revenue	Total Governmental Funds	
			2019	2018
Revenue				
Local sources				
Other	\$ 25,581	\$ 3,743	\$ 29,324	\$ 30,144
State sources	2,400,870	2,446	2,403,316	2,056,037
Federal sources	137,838	45,056	182,894	186,508
Total revenue	2,564,289	51,245	2,615,534	2,272,689
Expenditures				
Current				
Administration	43,789	—	43,789	76,326
District support services	361,228	—	361,228	348,409
Elementary and secondary regular instruction	837,218	—	837,218	871,542
Special education instruction	535,946	—	535,946	466,447
Instructional support services	14,892	—	14,892	41,652
Pupil support services	292,665	—	292,665	389,094
Sites and buildings	261,847	—	261,847	251,283
Fiscal and other fixed cost programs	6,606	—	6,606	6,232
Food service	—	115,665	115,665	88,810
Debt service				
Principal	33,906	—	33,906	19,785
Interest and fiscal charges	6,792	—	6,792	4,905
Total expenditures	2,394,889	115,665	2,510,554	2,564,485
Excess (deficiency) of revenue over expenditures	169,400	(64,420)	104,980	(291,796)
Other financing sources (uses)				
Debt issued	—	—	—	183,382
Sale of capital assets	24,500	—	24,500	—
Transfers in	—	64,420	64,420	37,155
Transfers (out)	(64,420)	—	(64,420)	(37,155)
Total other financing sources (uses)	(39,920)	64,420	24,500	183,382
Net change in fund balances	129,480	—	129,480	(108,414)
Fund balances				
Beginning of year	712,685	—	712,685	821,099
End of year	\$ 842,165	\$ —	\$ 842,165	\$ 712,685
Amounts reported for governmental activities in the Statement of Activities are different because:				
Net change in fund balances reported above			\$ 129,480	\$ (108,414)
Capital outlays are reported in governmental funds as expenditures. In the Statement of Activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense.				
Capital outlays			66,187	229,990
Depreciation expense			(74,015)	(66,084)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, are included in the change in net position. However, only the sale proceeds are included in the change in fund balances.				
			(9,804)	(100,972)
The proceeds from long-term debt issued or the repayment of debt principal increase or decrease fund balances in the governmental funds, but do not affect the change in net position in the entity-wide financial statements.				
Debt issued			—	(183,382)
Debt retired			33,906	19,785
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.				
Net pension liability			1,789,986	319,992
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.				
Deferred outflows of resources – pension plan deferments			(226,854)	(256,169)
Deferred inflows of resources – pension plans deferments			(1,229,272)	(530,477)
Change in net position of governmental activities			\$ 479,614	\$ (675,731)

EAST RANGE ACADEMY OF TECHNOLOGY AND SCIENCE

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources				
Other	\$ 17,690	\$ 21,000	\$ 25,581	\$ 4,581
State sources	2,124,701	2,352,002	2,400,870	48,868
Federal sources	147,673	139,027	137,838	(1,189)
Total revenue	<u>2,290,064</u>	<u>2,512,029</u>	<u>2,564,289</u>	<u>52,260</u>
Expenditures				
Current				
Administration	34,116	52,813	43,789	(9,024)
District support services	324,731	362,068	361,228	(840)
Elementary and secondary administration	816,645	872,748	837,218	(35,530)
Special education instruction	544,764	556,170	535,946	(20,224)
Instructional support services	20,626	9,688	14,892	5,204
Pupil support services	222,491	232,565	292,665	60,100
Sites and buildings	257,752	271,526	261,847	(9,679)
Fiscal and other fixed cost programs	7,800	7,200	6,606	(594)
Debt service				
Principal	36,402	33,906	33,906	—
Interest and fiscal charges	3,822	6,597	6,792	195
Total expenditures	<u>2,269,149</u>	<u>2,405,281</u>	<u>2,394,889</u>	<u>(10,392)</u>
Excess of revenue over expenditures	20,915	106,748	169,400	62,652
Other financing sources (uses)				
Sale of capital assets	—	—	24,500	24,500
Transfers (out)	(14,795)	(80,419)	(64,420)	15,999
Total other financing sources (uses)	<u>(14,795)</u>	<u>(80,419)</u>	<u>(39,920)</u>	<u>40,499</u>
Net change in fund balances	<u>\$ 6,120</u>	<u>\$ 26,329</u>	129,480	<u>\$ 103,151</u>
Fund balances				
Beginning of year			<u>712,685</u>	
End of year			<u>\$ 842,165</u>	

EAST RANGE ACADEMY OF TECHNOLOGY AND SCIENCE

Notes to Basic Financial Statements June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

East Range Academy of Technology and Science (the Academy) is an outcome-based charter school established February 3, 2006, in accordance with Minnesota Statutes § 124D.10. The Academy is required to operate under a charter agreement with an entity that has been approved by the Minnesota Department of Education (MDE) to be a charter school “authorizer.” The authorizer monitors and evaluates the Academy’s performance, and periodically determines whether to renew the Academy’s charter. The Academy’s authorizer is the Audubon Center of the North Woods (the Center), a nonprofit organization. Aside from its responsibilities as authorizer, the Center has no authority or control over the Academy, and is not financially accountable for it. Therefore, the Academy is not considered a component unit of the Center.

The Academy’s financial statements include all funds, departments, agencies, boards, commissions, and other organizations for which the Academy is considered to be financially accountable.

Component units are legally separate entities for which the Academy (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit’s governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the Academy.

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

B. Basis of Statement Presentation

As required by state law, the Academy operates as a nonprofit corporation under Minnesota Statutes § 317A. However, state law also requires that the Academy comply with Uniform Financial Accounting and Reporting Standards for Minnesota schools, which mandates the use of a governmental fund accounting structure.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Entity-Wide Financial Statement Presentation

The entity-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the Academy. Generally, the effect of material interfund activity has been removed from the entity-wide financial statements. 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. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other internally directed revenues are reported instead as general revenues.

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

The Academy applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. Depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Academy generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar revenues are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Proceeds from issuance of debt are reported as other financing sources.
- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Description of Funds

The funds used by the Academy to report its activity have been established by the MDE. Each fund is accounted for as an independent entity. A description of the funds included in this report is as follows:

Major Governmental Fund

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

Nonmajor Governmental Fund

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

F. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts in the financial statements during the reporting period. Actual results could differ from those estimates.

G. Budgeting

The Academy's Board adopts an annual budget for all governmental funds on the same basis of accounting as the financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end.

H. Cash and Investments

Cash and temporary investments, if any, include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled balances are allocated to the respective funds on the basis of cash participation by each fund.

I. Receivables

When necessary, the Academy utilizes an allowance for uncollectible accounts to value its receivables. However, the Academy considers all of its current receivables to be collectible.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost if purchased or constructed. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The Academy defines capital assets as those with an initial, individual cost of \$500 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

Capital assets are recorded in the entity-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the Academy, no salvage value is taken into consideration for depreciation purposes. Useful lives for furniture and equipment are 5–8 years.

K. Deferred Outflows/Inflows of Resources

In addition to assets, a statement of financial position or balance sheet will sometimes report separate sections for deferred outflows/inflows of resources. These separate financial statement elements represent a consumption/acquisition of net position that applies to a future period, which will not be recognized as an outflow of resources (expense/expenditure) or inflow of resources (revenue) until then. The Academy only has one type of item that qualifies for reporting in these categories, deferred outflows/inflows of resources related to pensions reported in the entity-wide Statement of Net Position. These deferred outflows/inflows result from differences between expected and actual experience, changes of assumptions, changes in proportion, the difference between projected and actual earnings on pension plan investments, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension standards.

L. Compensated Absences

Since teachers are not eligible for vacation pay and amounts accrued to other employees are insignificant, no long-term liability for unused vacation pay has been recorded. Substantially all academy employees are entitled to paid time off at various rates. Employees are not compensated for unused paid time off upon termination of employment; therefore, no long-term liability for paid time off has been recorded.

M. Long-Term Obligations

In the entity-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Premiums and discounts on debt (if any) are deferred and amortized over the life of the debt using the straight-line method.

In the fund financial statements, governmental fund types recognize debt proceeds equal to the par amount of debt issued as other financing sources in the year of issue. Premiums received on debt issuances (if any) are reported as additional debt proceeds, while discounts on debt issuances (if any) are reported as other financing uses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. State-Wide Pension Plans

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 the Teachers Retirement Association (TRA) and additions to/deductions from the PERA's and the TRA's fiduciary net positions have been determined on the same basis as they are reported by the PERA and the TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The TRA has a special funding situation created by direct aid contributions made by the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into the TRA in 2006. A second direct aid source is from the state of Minnesota for the merger of the Duluth Teachers Retirement Fund Association in 2015.

The PERA has a special funding situation created by a direct aid contribution made by the state of Minnesota. The direct aid is a result of the merger of the Minneapolis Employees Retirement Fund into the PERA on January 1, 2015.

O. Income Taxes

The Academy is exempt from federal and state income taxes under Internal Revenue Code (IRC) § 501(c)(3). The Academy is subject to tax on income from any unrelated business.

The Academy is subject to the recognition requirements for uncertain income tax positions as required by the Financial Accounting Standards Board Accounting Standards Codification 740-10. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Academy has analyzed tax positions taken for filing with the Internal Revenue Service and state jurisdiction where it operates. The Academy believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial condition, results of operation, or cash flows. Accordingly, the Academy has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at the current year-end. The Academy is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

P. Interfund Transfers

During the 2019 fiscal year, the General Fund made a transfer of \$64,420 to support the operations of the Food Service Special Revenue Fund. Interfund transfers and balances are reported in the fund financial statements, but are eliminated in the entity-wide financial statements.

Q. Risk Management

The Academy is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation. The Academy carries commercial insurance purchased from independent third parties to cover these risks. Settled claims have not exceeded commercial insurance coverage for any of the past three fiscal years. There were no significant reductions in insurance coverage in fiscal year 2019.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Net Position

In the entity-wide financial statements, net position represents the residual of all other financial statement elements presented in a Statement of Net Position. Net position is displayed in three components:

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Position** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

S. Fund Balance Classifications

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the Academy for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. The Board delegates the power to assign fund balances to the school director.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, the Academy uses restricted resources first, then uses unrestricted resources as they are needed.

When committed, assigned, or unassigned resources are available for use, the Academy uses resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Fund Balance Policy

The Academy will strive to maintain an unassigned General Fund balance of 25.0 percent of General Fund expenditures. At June 30, 2019, the unassigned fund balance was 35.2 percent of total General Fund expenditures.

U. Prior Period Comparative Financial Information/Reclassification

The financial statements include partial prior year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Academy's financial statements for the year ended June 30, 2018, from which such partial information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

V. Prior Period Adjustment

During the year ended June 30, 2019, the Academy recorded one prior period adjustment. The Academy elected to return the buses related to a capital lease in fiscal 2018. The Academy recorded the disposed capital assets from the lease in fiscal 2018. The Academy's remaining lease liability obligation of \$110,995 to the leasing company remained on the Academy's books at fiscal year-end 2018 in error. The effect of this change reduced the governmental activities net position at June 30, 2018 by \$110,995. If recorded in the prior year, this adjustment would have decreased capital leases payable and increased governmental activities net position by \$110,995.

NOTE 2 – DEPOSITS

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

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The Academy does not have a deposit policy that further limits depository choices.

At June 30, 2019, the Academy had deposits with a carrying value of \$625,844, and a bank balance of \$651,559. At June 30, 2019, all of the Academy's deposits were covered by federal deposit insurance or collateralized by securities held by the Academy's agent in the Academy's name.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year
Furniture and equipment	\$ 385,529	\$ 66,187	\$ (21,162)	\$ 430,554
Less accumulated depreciation	<u>(160,291)</u>	<u>(74,015)</u>	<u>11,358</u>	<u>(222,948)</u>
Capital assets, net of accumulated depreciation	<u>\$ 225,238</u>	<u>\$ (7,828)</u>	<u>\$ (9,804)</u>	<u>\$ 207,606</u>

Depreciation expense for the year was charged to the following governmental functions:

District support services	\$ 15,281
Elementary and secondary regular instruction	3,516
Pupil support services	<u>55,218</u>
Total depreciation expense	<u>\$ 74,015</u>

NOTE 4 – LONG-TERM DEBT

A. Loan Payable

In June 2018, the Academy financed the purchase of a bus with a \$183,382 loan, with a maturity date of June 16, 2023. The loan has an interest rate of 4.0 percent with monthly principal and/or interest payments totaling \$3,375. This loan will be repaid by the General Fund. At June 30, 2019, the Academy had \$149,476 of principal outstanding under the loan agreement.

Upon the occurrence of any event of default specified in the loan agreement, the lender may declare all future debt payments immediately due and payable and they may take immediate possession of the property financed with this loan for the remaining term of the loan. The lender also may make its best effort to sell or lease its interest in the property financed in a commercially reasonable manner. Any costs of selling or leasing the property will be the responsibility of the Academy. If the proceeds of the property financed are not sufficient to pay the balance due on the loan, the lender may take any remedy available in law to require the Academy to pay all of its obligations in this agreement.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

B. Other Long-Term Liabilities

The Academy offers a number of benefits to its employees, including pension benefits. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed by the Academy's governmental funds.

Academy employees participate in defined benefit pension plans, including two state-wide, cost-sharing, multiple-employer plans administered by the PERA and the TRA. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2019:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	\$ 260,737	\$ 171,386	\$ 111,647	\$ 63,330
TRA	960,983	1,573,036	1,729,283	(367,073)
Total	<u>\$ 1,221,720</u>	<u>\$ 1,744,422</u>	<u>\$ 1,840,930</u>	<u>\$ (303,743)</u>

C. Future Minimum Debt Payments

The following is a schedule of the minimum future loan principal and interest payments due:

Year Ending June 30,	Loans Payable	
	Principal	Interest
2020	\$ 35,154	\$ 5,348
2021	36,600	3,902
2022	38,085	2,417
2023	39,637	865
	<u>\$ 149,476</u>	<u>\$ 12,532</u>

D. Changes in Long-Term Debt

	Balance – June 30, 2018	Prior Period Adjustments	Balance Restated – June 30, 2018	Additions	Retirements	Balance – June 30, 2019	Due Within One Year
Loan payable	\$ 183,382	\$ –	\$ 183,382	\$ –	\$ 33,906	\$ 149,476	\$ 35,154
Capital leases payable	110,995	110,995	–	–	–	–	–
Net pension liability	3,011,706	–	3,011,706	366,478	2,156,464	1,221,720	–
Total	<u>\$ 3,306,083</u>	<u>\$ 110,995</u>	<u>\$ 3,195,088</u>	<u>\$ 366,478</u>	<u>\$ 2,190,370</u>	<u>\$ 1,371,196</u>	<u>\$ 35,154</u>

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

The Academy participates in the following cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and the TRA. The PERA's and the TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes. The PERA's and the TRA's defined benefit pension plans are tax qualified plans under Section 401(a) of the IRC.

1. General Employees Retirement Fund (GERF)

The PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

All full-time and certain part-time employees of the Academy other than teachers are covered by the GERF. GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Teachers Retirement Association (TRA)

The 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. The TRA is a separate statutory entity, administered by a Board of Trustees. The Board of Trustees consists of four active members, one retired member, and three statutory officials.

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul Public Schools or Minnesota State Colleges and Universities (MnSCU)). Educators first hired by MnSCU may elect either TRA coverage or coverage through Minnesota State's Individual Retirement Account Plan within one year of eligible employment.

B. Benefits Provided

The PERA and the TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statutes and can only be modified by the State Legislature.

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

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated Plan members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7 percent of average salary for all years 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 age 66.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Benefit increases are provided to benefit recipients each January. GERP benefit recipients receive a future annual increase equal to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

2. TRA Benefits

The 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 Statutes 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 the TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989, receive the greater of the Tier I or Tier II benefits as described.

Tier I Benefits

Step-Rate Formula	Percentage per Year
Basic Plan	
First 10 years of service	2.2 %
All years after	2.7 %
Coordinated Plan	
First 10 years if service years are up to July 1, 2006	1.2 %
First 10 years if service years are July 1, 2006 or after	1.4 %
All other years of service if service years are up to July 1, 2006	1.7 %
All other years of service if service years are up to July 1, 2006 or after	1.9 %

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) Three percent per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Tier II Benefits

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

Members first employed after June 30, 1989, receive only the Tier II benefit 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 that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

C. Contributions

Minnesota Statutes set the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2019 and the Academy was required to contribute 7.5 percent for Coordinated Plan members. The Academy's contributions to the GERF for the year ended June 30, 2019, were \$31,456. The Academy's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

Minnesota Statutes, Chapter 354 sets the rates for employer and employee contributions. Rates for each fiscal year were:

	Year Ended June 30,					
	2017		2018		2019	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic Plan	11.00 %	11.50 %	11.00 %	11.50 %	11.00 %	11.71 %
Coordinated Plan	7.50 %	7.50 %	7.50 %	7.50 %	7.50 %	7.71 %

The Academy's contributions to the TRA for the plan's fiscal year ended June 30, 2019, were \$59,490. The Academy's contributions were equal to the required contributions for each year as set by state statutes.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The following is a reconciliation of employer contributions in the TRA's Comprehensive Annual Financial Report (CAFR) Statement of Changes in Fiduciary Net Position to the employer contributions used in the Schedule of Employer and Nonemployer Pension Allocations:

	<i>in thousands</i>
Employer contributions reported in the TRA's CAFR Statement of Changes in Fiduciary Net Position	\$ 378,728
Add employer contributions not related to future contribution efforts	522
Deduct the TRA's contributions not included in allocation	<u>(471)</u>
Total employer contributions	378,779
Total nonemployer contributions	<u>35,588</u>
Total contributions reported in the Schedule of Employer and Nonemployer Pension Allocations	<u>\$ 414,367</u>

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. The TRA has rounded percentage amounts to the nearest ten thousandths.

D. Pension Costs

1. GERF Pension Costs

At June 30, 2019, the Academy reported a liability of \$260,737 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of the PERA's participating employers. The Academy's proportionate share was 0.0047 percent at the end of the measurement period and 0.0034 percent for the beginning of the period.

The Academy's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The amounts recognized by the Academy 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 Academy were as follows:

Academy's proportionate share of the net pension liability	\$ 260,737
State's proportionate share of the net pension liability associated with the Academy	\$ 8,457

For the year ended June 30, 2019, the Academy recognized pension expense of \$61,317 for its proportionate share of the GERF's pension expense. In addition, the Academy recognized an additional \$2,013 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the GERF.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

At June 30, 2019, the Academy reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 5,078	\$ 7,928
Changes in actuarial assumptions	25,967	23,751
Difference between projected and actual investment earnings	–	19,072
Changes in proportion	108,885	60,896
Academy's contributions to the GERF subsequent to the measurement date	31,456	–
Total	<u>\$ 171,386</u>	<u>\$ 111,647</u>

A total of \$31,456 reported as deferred outflows of resources related to pensions resulting from academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2020	\$ 48,444
2021	\$ (17,832)
2022	\$ 3,114
2023	\$ (5,443)

2. TRA Pension Costs

At June 30, 2019, the Academy reported a liability of \$960,983 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The Academy's proportionate share was 0.0153 percent at the end of the measurement period and 0.0140 percent for the beginning of the period.

The pension liability amount reflected a reduction due to direct aid provided to the TRA. The amount recognized by the Academy 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 Academy were as follows:

Academy's proportionate share of the net pension liability	\$ 960,983
State's proportionate share of the net pension liability associated with the Academy	\$ 90,085

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

For the year ended June 30, 2019, the Academy recognized negative pension expense of \$304,200. It also recognized \$62,873 as a decrease to pension expense (and grant revenue) for the support provided by direct aid.

At June 30, 2019, the Academy reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 7,561	\$ 17,915
Changes in actuarial assumptions	989,786	1,609,514
Difference between projected and actual investment earnings	—	89,331
Changes in proportion	516,199	12,523
Academy's contributions to the TRA subsequent to the measurement date	59,490	—
Total	<u>\$ 1,573,036</u>	<u>\$ 1,729,283</u>

A total of \$59,490 reported as deferred outflows of resources related to pensions resulting from academy contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to the TRA pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2020	\$ 117,537
2021	\$ 86,317
2022	\$ 46,460
2023	\$ (249,587)
2024	\$ (216,464)

E. Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.50%	2.50%
Wage growth rate		2.85% for 10 years, and 3.25% thereafter
Active member payroll	3.25%	2.85% to 8.85% for 10 years, and 3.25% to 9.25% thereafter
Investment rate of return	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the GERF and 1.00 percent for January 2019 through January 2023, then increasing by 0.10 percent each year up to 1.50 percent annually for the TRA.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Actuarial assumptions used in the June 30, 2018 valuations were based on the results of actuarial experience studies. The most recent experience studies were completed in 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2018:

1. GERP

CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044, and 2.50 percent per year thereafter, to 1.25 percent per year.

CHANGES IN PLAN PROVISIONS

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio, to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1 percent each year until reaching the ultimate rate of 1.50 percent in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90.00 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.
- The single discount rate changed from 5.12 to 7.50 percent.

The Minnesota State Board of Investment, which manages the investments of the PERA and the TRA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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	36 %	5.10 %
International stocks	17	5.30 %
Bonds (fixed income)	20	0.75 %
Alternative assets (private markets)	25	5.90 %
Cash	2	– %
Total	100 %	

F. Discount Rate

1. GERF

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

2. TRA

The discount rate used to measure the total pension liability was 7.50 percent. This is an increase from the discount rate at the prior measurement date of 5.12 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2018 contribution rate, contributions from school districts 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 not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

G. Pension Liability Sensitivity

The following table presents the Academy'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 Academy'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:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.50%	7.50%	8.50%
Academy's proportionate share of the GERF net pension liability	\$ 423,731	\$ 260,737	\$ 126,190
TRA discount rate	6.50%	7.50%	8.50%
Academy's proportionate share of the TRA net pension liability	\$ 1,525,076	\$ 960,983	\$ 495,610

H. Pension Plan Fiduciary Net Position

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

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

NOTE 6 – COMMITMENTS AND CONTINGENCIES

A. Building Lease

The Academy has an agreement with a private company to lease space at 2000 Siegel Boulevard, Eveleth, Minnesota. In 2017, the Academy amended the lease to include additional space through the remainder of the lease term, expiring on June 30, 2023. Total building lease expense related to this lease in fiscal 2019 was \$221,952. Future minimum lease payments under this agreement are as follows:

Year Ending June 30,	Amount
2020	\$ 221,952
2021	221,952
2022	221,952
2023	221,952
	<u>\$ 887,808</u>

B. Federal and State Revenues

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

REQUIRED SUPPLEMENTARY INFORMATION

EAST RANGE ACADEMY OF TECHNOLOGY AND SCIENCE

Public Employees Retirement Association Pension Benefits Plan
Schedule of Academy's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2019

Academy Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	Academy's Proportion of the Net Pension Liability	Academy's Proportionate Share of the Net Pension Liability	Academy's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the Academy's Share of the State of Minnesota's Share of the Net Pension Liability	Academy's Covered Payroll	Academy's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.0017%	\$ 79,857	\$ —	\$ 79,857	\$ 71,136	112.26%	78.70%
06/30/2016	06/30/2015	0.0013%	\$ 67,373	\$ —	\$ 67,373	\$ 72,927	92.38%	78.20%
06/30/2017	06/30/2016	0.0049%	\$ 397,855	\$ 5,129	\$ 402,984	\$ 217,773	182.69%	68.90%
06/30/2018	06/30/2017	0.0034%	\$ 217,052	\$ 2,745	\$ 219,797	\$ 220,204	98.57%	75.90%
06/30/2019	06/30/2018	0.0047%	\$ 260,737	\$ 8,457	\$ 269,194	\$ 314,206	82.98%	79.50%

Public Employees Retirement Association Pension Benefits Plan
Schedule of Academy Contributions
Year Ended June 30, 2019

Academy Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 5,511	\$ 5,511	\$ —	\$ 72,927	7.56%
06/30/2016	\$ 16,333	\$ 16,333	\$ —	\$ 217,773	7.50%
06/30/2017	\$ 16,515	\$ 16,515	\$ —	\$ 220,204	7.50%
06/30/2018	\$ 23,565	\$ 23,565	\$ —	\$ 314,206	7.50%
06/30/2019	\$ 31,456	\$ 31,456	\$ —	\$ 419,418	7.50%

Note : The Academy implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

EAST RANGE ACADEMY OF TECHNOLOGY AND SCIENCE

Teachers Retirement Association Pension Benefits Plan
Schedule of Academy's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2019

Academy Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	Academy's Proportion of the Net Pension Liability	Academy's Proportionate Share of the Net Pension Liability	Academy's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the Academy's Share of the State of Minnesota's Share of the Net Pension Liability	Academy's Covered Payroll	Academy's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.0114%	\$ 525,304	\$ 36,948	\$ 562,252	\$ 406,663	129.17%	81.50%
06/30/2016	06/30/2015	0.0115%	\$ 711,389	\$ 87,187	\$ 798,576	\$ 582,360	122.16%	76.80%
06/30/2017	06/30/2016	0.0123%	\$ 2,933,843	\$ 293,729	\$ 3,227,572	\$ 621,219	472.27%	44.88%
06/30/2018	06/30/2017	0.0140%	\$ 2,794,654	\$ 270,971	\$ 3,065,625	\$ 754,215	370.54%	51.57%
06/30/2019	06/30/2018	0.0153%	\$ 960,983	\$ 90,085	\$ 1,051,068	\$ 845,953	113.60%	78.07%

Teachers Retirement Association Pension Benefits Plan
Schedule of Academy Contributions
Year Ended June 30, 2019

Academy Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 43,677	\$ 43,677	\$ —	\$ 582,360	7.50%
06/30/2016	\$ 46,591	\$ 46,591	\$ —	\$ 621,219	7.50%
06/30/2017	\$ 56,559	\$ 56,559	\$ —	\$ 754,215	7.50%
06/30/2018	\$ 63,447	\$ 63,447	\$ —	\$ 845,953	7.50%
06/30/2019	\$ 59,490	\$ 59,490	\$ —	\$ 772,833	7.70%

Note : The Academy implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

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EAST RANGE ACADEMY OF TECHNOLOGY AND SCIENCE

Notes to Required Supplementary Information June 30, 2019

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2018 CHANGES IN PLAN PROVISIONS

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio, to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044, and 2.50 percent per year thereafter, to 1.25 percent per year.

2017 CHANGES IN PLAN PROVISIONS

- The state's special funding contribution increased from \$6 million to \$16 million.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

EAST RANGE ACADEMY OF TECHNOLOGY AND SCIENCE

Notes to Required Supplementary Information (continued)
June 30, 2019

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035, and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015 CHANGES IN PLAN PROVISIONS

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2035, and 2.50 percent per year thereafter.

EAST RANGE ACADEMY OF TECHNOLOGY AND SCIENCE

Notes to Required Supplementary Information (continued) June 30, 2019

TEACHERS RETIREMENT ASSOCIATION (TRA)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90.00 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.
- The single discount rate changed from 5.12 percent to 7.50 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The COLA was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.

EAST RANGE ACADEMY OF TECHNOLOGY AND SCIENCE

Notes to Required Supplementary Information (continued)
June 30, 2019

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)

- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The single discount rate was changed from 8.00 percent to 4.66 percent.

2015 CHANGES IN PLAN PROVISIONS

- The Duluth Teachers Retirement Fund Association was merged into the TRA on June 30, 2015.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The annual COLA for the June 30, 2015 valuation assumed 2.00 percent. The prior year valuation used 2.00 percent, with an increase to 2.50 percent commencing in 2034.
- The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent.

SUPPLEMENTAL INFORMATION

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EAST RANGE ACADEMY OF TECHNOLOGY AND SCIENCE

General Fund
Comparative Balance Sheet
as of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and temporary investments	\$ 624,661	\$ 655,567
Receivables		
Accounts	—	4,953
Due from other governmental units	457,396	267,388
Due from other funds	<u>—</u>	<u>451</u>
Total assets	<u>\$ 1,082,057</u>	<u>\$ 928,359</u>
Liabilities		
Salaries and benefits payable	\$ 227,293	\$ 207,985
Accounts and contracts payable	<u>12,599</u>	<u>7,689</u>
Total liabilities	239,892	215,674
Fund balances		
Restricted for Medical Assistance	—	10,606
Unassigned	<u>842,165</u>	<u>702,079</u>
Total fund balances	<u>842,165</u>	<u>712,685</u>
Total liabilities and fund balances	<u>\$ 1,082,057</u>	<u>\$ 928,359</u>

EAST RANGE ACADEMY OF TECHNOLOGY AND SCIENCE

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other	\$ 21,000	\$ 25,581	\$ 4,581	\$ 27,195
State sources	2,352,002	2,400,870	48,868	2,053,475
Federal sources	139,027	137,838	(1,189)	140,364
Total revenue	2,512,029	2,564,289	52,260	2,221,034
Expenditures				
Current				
Administration				
Salaries	39,323	32,671	(6,652)	60,811
Employee benefits	6,390	4,281	(2,109)	9,184
Purchased services	1,200	769	(431)	2,489
Supplies and materials	2,500	2,259	(241)	468
Other expenditures	3,400	3,809	409	3,374
Total administration	52,813	43,789	(9,024)	76,326
District support services				
Salaries	177,305	180,683	3,378	139,953
Employee benefits	29,113	27,572	(1,541)	20,641
Purchased services	140,900	141,686	786	130,349
Supplies and materials	13,750	10,794	(2,956)	18,430
Capital expenditures	1,000	—	(1,000)	38,652
Other expenditures	—	493	493	384
Total district support services	362,068	361,228	(840)	348,409
Elementary and secondary regular instruction				
Salaries	648,848	638,448	(10,400)	689,468
Employee benefits	103,034	98,763	(4,271)	98,199
Purchased services	70,800	54,113	(16,687)	37,456
Supplies and materials	41,321	39,222	(2,099)	43,221
Capital expenditures	8,745	2,744	(6,001)	—
Other expenditures	—	3,928	3,928	3,198
Total elementary and secondary regular instruction	872,748	837,218	(35,530)	871,542
Special education instruction				
Salaries	440,771	435,052	(5,719)	361,233
Employee benefits	66,818	65,928	(890)	53,080
Purchased services	40,731	32,483	(8,248)	42,738
Supplies and materials	7,850	1,035	(6,815)	8,036
Other expenditures	—	1,448	1,448	1,360
Total special education instruction	556,170	535,946	(20,224)	466,447
Instructional support services				
Salaries	—	—	—	27,600
Employee benefits	—	—	—	4,101
Purchased services	9,688	14,729	5,041	9,691
Other expenditures	—	163	163	260
Total instructional support services	9,688	14,892	5,204	41,652

EAST RANGE ACADEMY OF TECHNOLOGY AND SCIENCE

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Pupil support services				
Salaries	149,689	152,203	2,514	105,138
Employee benefits	23,576	22,240	(1,336)	15,694
Purchased services	26,500	22,775	(3,725)	48,370
Supplies and materials	32,800	31,696	(1,104)	28,401
Capital expenditures	—	63,443	63,443	191,388
Other expenditures	—	308	308	103
Total pupil support services	<u>232,565</u>	<u>292,665</u>	<u>60,100</u>	<u>389,094</u>
Sites and buildings				
Salaries	20,000	15,990	(4,010)	13,593
Employee benefits	3,374	1,819	(1,555)	1,442
Purchased services	248,152	244,034	(4,118)	236,236
Other expenditures	—	4	4	12
Total sites and buildings	<u>271,526</u>	<u>261,847</u>	<u>(9,679)</u>	<u>251,283</u>
Fiscal and other fixed cost programs				
Purchased services	7,200	6,606	(594)	6,232
Debt service				
Principal	33,906	33,906	—	19,785
Interest and fiscal charges	<u>6,597</u>	<u>6,792</u>	<u>195</u>	<u>4,905</u>
Total debt service	<u>40,503</u>	<u>40,698</u>	<u>195</u>	<u>24,690</u>
Total expenditures	<u>2,405,281</u>	<u>2,394,889</u>	<u>(10,392)</u>	<u>2,475,675</u>
Excess (deficiency) of revenue over expenditures	106,748	169,400	62,652	(254,641)
Other financing sources (uses)				
Debt issued	—	—	—	183,382
Sale of capital assets	—	24,500	24,500	—
Transfers (out)	<u>(80,419)</u>	<u>(64,420)</u>	<u>15,999</u>	<u>(37,155)</u>
Total other financing sources (uses)	<u>(80,419)</u>	<u>(39,920)</u>	<u>40,499</u>	<u>146,227</u>
Net change in fund balances	<u>\$ 26,329</u>	129,480	<u>\$ 103,151</u>	(108,414)
Fund balances				
Beginning of year		<u>712,685</u>		<u>821,099</u>
End of year		<u>\$ 842,165</u>		<u>\$ 712,685</u>

EAST RANGE ACADEMY OF TECHNOLOGY AND SCIENCE

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and temporary investments	<u>\$ 1,183</u>	<u>\$ —</u>
Liabilities		
Salaries and benefits payable	\$ 961	\$ (451)
Accounts and contracts payable	222	—
Due to other funds	<u>—</u>	<u>451</u>
Total liabilities	1,183	—
Fund balances		
Restricted for food service	<u>—</u>	<u>—</u>
Total liabilities and fund balances	<u>\$ 1,183</u>	<u>\$ —</u>

EAST RANGE ACADEMY OF TECHNOLOGY AND SCIENCE

Food Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other – primarily meal sales	\$ 2,655	\$ 3,743	\$ 1,088	\$ 2,949
State sources	3,523	2,446	(1,077)	2,562
Federal sources	32,672	45,056	12,384	46,144
Total revenue	<u>38,850</u>	<u>51,245</u>	<u>12,395</u>	<u>51,655</u>
Expenditures				
Current				
Salaries	12,000	14,649	2,649	8,661
Employee benefits	769	1,868	1,099	932
Purchased services	17,000	15,015	(1,985)	688
Supplies and materials	89,500	84,133	(5,367)	78,511
Other expenditures	—	—	—	18
Total expenditures	<u>119,269</u>	<u>115,665</u>	<u>(3,604)</u>	<u>88,810</u>
Excess (deficiency) of revenue over expenditures	(80,419)	(64,420)	15,999	(37,155)
Other financing sources				
Transfers in	<u>80,419</u>	<u>64,420</u>	<u>(15,999)</u>	<u>37,155</u>
Net change in fund balances	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>	<u>—</u>
Fund balances				
Beginning of year		<u>—</u>		<u>—</u>
End of year		<u>\$ —</u>		<u>\$ —</u>

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OTHER REQUIRED REPORTS

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

To the Board and Management of
East Range Academy of Technology and Science
Eveleth, 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, the major fund, and the aggregate remaining fund information of East Range Academy of Technology and Science (the Academy) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated December 19, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Academy'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.

(continued)

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

Malloy, Montague, Karnowski, Radosevich & Co., P. A.

Minneapolis, Minnesota
December 19, 2019

INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

To the Board and Management of
East Range Academy of Technology and Science
Eveleth, 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, the major fund, and the aggregate remaining fund information of East Range Academy of Technology and Science (the Academy) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated December 19, 2019.

MINNESOTA LEGAL COMPLIANCE

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

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

PURPOSE OF THIS REPORT

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 report is not suitable for any other purpose.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
December 19, 2019

EAST RANGE ACADEMY OF TECHNOLOGY AND SCIENCE

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2019

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		\$ 2,564,289	\$ 2,564,287	\$ 2
Total expenditures		\$ 2,394,889	\$ 2,394,887	\$ 2
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
403	Staff development	\$ –	\$ –	\$ –
406	Health and safety	\$ –	\$ –	\$ –
407	Capital projects levy	\$ –	\$ –	\$ –
408	Cooperative revenue	\$ –	\$ –	\$ –
413	Projects funded by COP	\$ –	\$ –	\$ –
414	Operating debt	\$ –	\$ –	\$ –
416	Levy reduction	\$ –	\$ –	\$ –
417	Taconite building maintenance	\$ –	\$ –	\$ –
423	Certain teacher programs	\$ –	\$ –	\$ –
424	Operating capital	\$ –	\$ –	\$ –
426	\$25 taconite	\$ –	\$ –	\$ –
427	Disabled accessibility	\$ –	\$ –	\$ –
428	Learning and development	\$ –	\$ –	\$ –
434	Area learning center	\$ –	\$ –	\$ –
435	Contracted alternative programs	\$ –	\$ –	\$ –
436	State approved alternative program	\$ –	\$ –	\$ –
438	Gifted and talented	\$ –	\$ –	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
441	Basic skills programs	\$ –	\$ –	\$ –
448	Achievement and integration	\$ –	\$ –	\$ –
449	Safe schools levy	\$ –	\$ –	\$ –
450	Pre-kindergarten	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
453	Unfunded severance and retirement levy	\$ –	\$ –	\$ –
459	Basic skills extended time	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
472	Medical Assistance	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
475	Title VII – Impact Aid	\$ –	\$ –	\$ –
476	PILT	\$ –	\$ –	\$ –
Committed				
418	Committed for separation	\$ –	\$ –	\$ –
461	Committed fund balance	\$ –	\$ –	\$ –
Assigned				
462	Assigned fund balance	\$ –	\$ –	\$ –
Unassigned				
422	Unassigned fund balance	\$ 842,165	\$ 842,166	\$ (1)
Food Service				
Total revenue		\$ 51,245	\$ 51,245	\$ –
Total expenditures		\$ 115,665	\$ 115,665	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
452	OPEB liability not in trust	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Community Service				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
426	\$25 taconite	\$ –	\$ –	\$ –
431	Community education	\$ –	\$ –	\$ –
432	ECFE	\$ –	\$ –	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
444	School readiness	\$ –	\$ –	\$ –
447	Adult basic education	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

EAST RANGE ACADEMY OF TECHNOLOGY AND SCIENCE

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2019

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
407	Capital projects levy	\$ –	\$ –	\$ –
413	Projects funded by COP	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Debt Service				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
425	Bond refundings	\$ –	\$ –	\$ –
433	MAX effort loan	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Trust				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
422	Net position	\$ –	\$ –	\$ –
Internal Service				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
422	Net position	\$ –	\$ –	\$ –
OPEB Revocable Trust Fund				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
422	Net position	\$ –	\$ –	\$ –
OPEB Irrevocable Trust Fund				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
422	Net position	\$ –	\$ –	\$ –
OPEB Debt Service Fund				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
425	Bond refundings	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.

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