BLUESKY CHARTER SCHOOL, INC.
WEST ST. PAUL, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2016

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BLUESKY CHARTER SCHOOL, INC.

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INTRODUCTORY SECTION

BLUESKY CHARTER SCHOOL, INC.

Board and Administration
Year Ended June 30, 2016

BOARD

Jim Stocco	Chair
Paula Forbes	Vice Chair
Judy Pekarek	Treasurer
Julie Johnson	Secretary
Heidi Kelbel	Director
Jennifer McDonough	Director
Matthew Schempp	Director

ADMINISTRATION

Amy Larsen	Executive Director

FINANCIAL SECTION

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PRINCIPALS
Thomas M. Montague, CPA
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board and Management of
BlueSky Charter School, Inc.
West St. Paul, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the governmental activities and the major fund of BlueSky Charter School, Inc. (the School) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements 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 School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

(continued)

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Telephone: 952-545-0424 • Telefax: 952-545-0569 • www.mmkr.com

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 and the major fund of the School as of June 30, 2016, and the respective changes in financial position and 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 School's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part 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 School.

The UFARS Compliance Table is the responsibility of management and was derived from and relates 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.

Prior Year Comparative Information

We have previously audited the School's 2015 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities and the major fund in our report dated December 1, 2015. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016 on our consideration of the School'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 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 School's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
December 13, 2016

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This section of BlueSky Charter School, Inc.'s (the School) financial statements presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2016. Please read it in conjunction with the other components of the School's financial statements.

FINANCIAL HIGHLIGHTS

- The School's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2016 by $1,404,935 (deficit net position). The School's total net position increased $321,387 from operations during the fiscal year ended June 30, 2016.

- At June 30, 2016, the School's General Fund reported a total fund balance of $1,629,271, an increase of $402,756 from the prior year. The unassigned portion of the year-end fund balance was $1,509,897. The remaining fund balance was a nonspendable fund balance of $119,374 for prepaid items.

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; and

- Required supplementary information.

The following explains the two types 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 School as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the School's assets, 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 School's net position and how they have changed. Net position—the difference between the School's assets, deferred outflows of resources, liabilities, and deferred inflows of resources—is one way to measure the School's financial health or position. Over time, increases or decreases in the School's net position are indicators of whether its financial position is improving or deteriorating, respectively. To assess the overall health of the School requires consideration of additional nonfinancial factors, such as changes in the School's student population and the condition of the School's buildings and other facilities.

In the entity-wide financial statements, the School's activities are all shown in one category titled "governmental activities." These activities, providing regular and special education instruction services to students of the School, are primarily financed with state aids.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's *funds*, focusing on its most significant or "major" funds, rather than the School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs. Minnesota charter schools must establish funds within the guidelines of the state's Uniform Financial Accounting and Reporting Standards.

The School maintains the following type of fund:

Governmental Funds – The School's basic services are included in a governmental fund, which generally focuses 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 statements provide a detailed *short-term* view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the entity-wide financial statements, we provide additional information (reconciliation schedules) immediately following the governmental fund statements that explain the relationship (or differences) between these two types of financial statement presentations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

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

Table 1
Summary of Net Position
as of June 30, 2016 and 2015

	2016	2015
Assets		
Current and other assets	$ 2,031,526	$ 1,581,387
Capital assets, net of depreciation	38,171	39,847
Total assets	**$ 2,069,697**	**$ 1,621,234**
Deferred outflow of resources		
Pension plan deferments – PERA and TRA	**$ 858,786**	**$ 641,384**
Liabilities		
Current and other liabilities	$ 402,255	$ 354,872
Long-term liabilities, including due within one year	3,640,747	2,826,353
Total liabilities	**$ 4,043,002**	**$ 3,181,225**
Deferred inflows of resources		
Pension plan deferments – PERA and TRA	**$ 290,416**	**$ 807,715**
Net position		
Net investment in capital assets	$ 38,171	$ 39,847
Unrestricted	(1,443,106)	(1,766,169)
Total net position	**$ (1,404,935)**	**$ (1,726,322)**

The School's financial position is the product of many factors. For example, the determination of the School's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, may produce a significant difference in the calculated amounts. Unrestricted net position includes the School's liabilities for severance and pensions, which are not fully funded.

Total net position increased by $321,387 from current year operating results.

Table 2 presents a condensed version of the Change in Net Position of the School:

Table 2
Change in Net Position
for the Years Ended June 30, 2016 and 2015

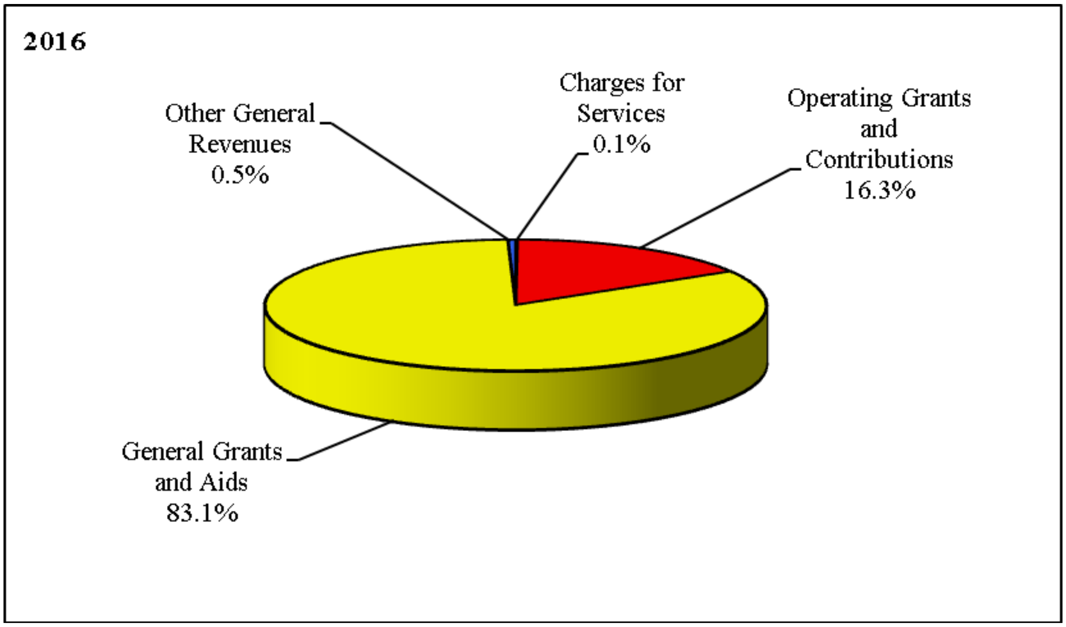
	2016	2015
Revenues		
Program revenues		
Charges for services	$ 4,255	$ 2,337
Operating grants and contributions	819,241	768,115
General revenues		
General grants and aids	4,189,344	4,049,515
Investment earnings	422	284
Other	26,418	3,934
Total revenues	5,039,680	4,824,185
Expenses		
Administration	153,152	135,457
District support services	390,475	436,568
Elementary and secondary regular instruction	1,495,240	1,272,780
Vocational education instruction	8,376	44,695
Special education instruction	705,242	615,288
Instructional support services	620,238	643,200
Pupil support services	1,010,821	813,213
Sites and buildings	307,004	313,171
Fiscal and other fixed cost programs	27,745	17,061
Total expenses	4,718,293	4,291,433
Change in net position	321,387	532,752
Net position – beginning	(1,726,322)	(2,259,074)
Net position – end of year	**$ (1,404,935)**	**$ (1,726,322)**

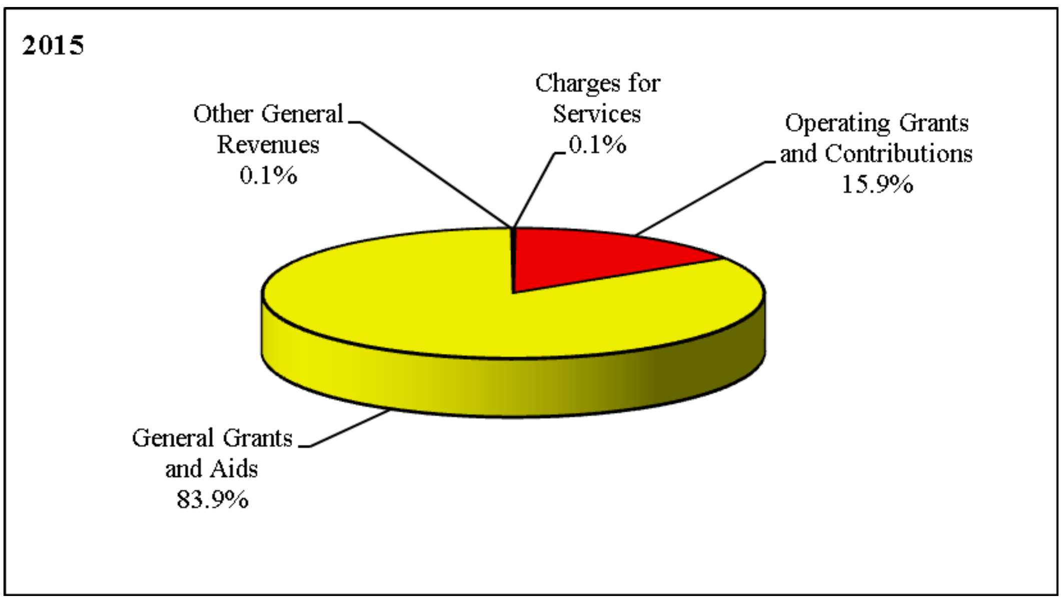
The Statement of Activities is presented on an accrual basis of accounting and includes all of the School's governmental activities. This statement includes depreciation expense, but excludes capital asset purchase costs, and the proceeds from and repayment of any debt.

While being an online provider of education allows the School to attract students from across the state and to keep operating costs controlled, it creates other challenges. These challenges include the geographical demands of complying with state testing requirements, keeping technological systems operating at optimal levels, and maintaining a consistent staff to achieve these goals.

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

Figure A – Sources of Revenue for Fiscal Years 2016 and 2015

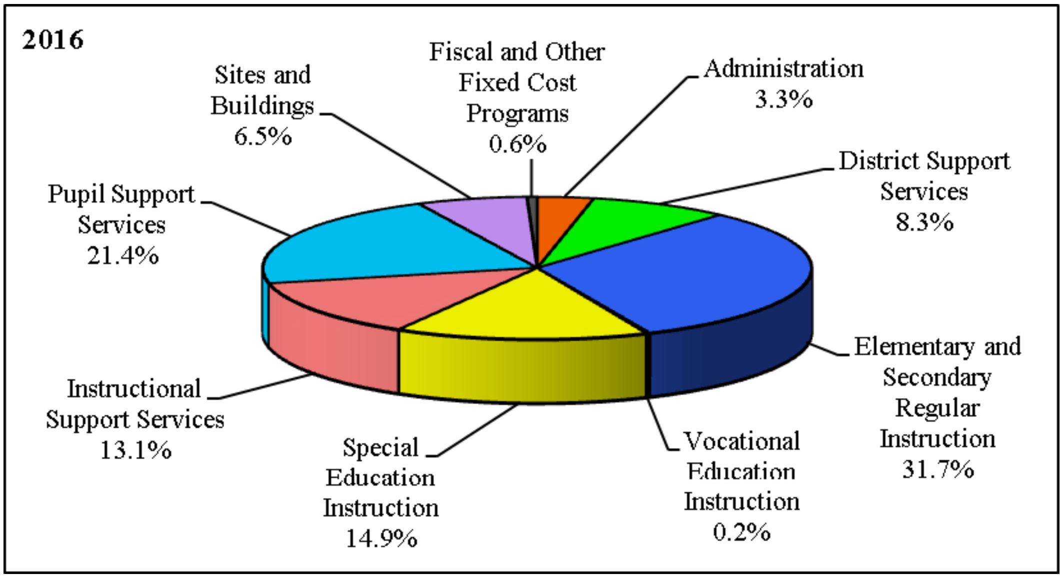


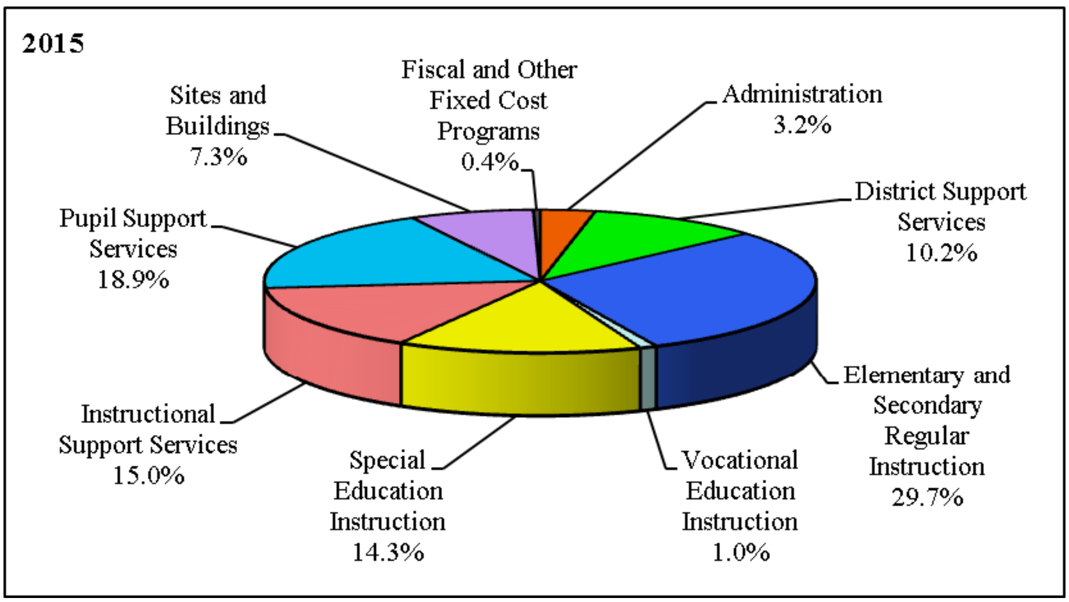


The largest share of the School's revenue is received from the state, including most of the operating and general grants. This significant reliance on the state for funding has placed tremendous pressures on local schools as a result of unpredictable and inconsistent funding from the state.

Enrollment continues to be the largest influence on the School's revenue. The School's enrollment—485 adjusted daily memberships (ADM) at year-end—exceeded the initial budget projections of 480 ADM, and reflected an increase of 2 ADM from the prior year. The School's total governmental activity revenues were $5,039,680 for the year ended June 30, 2016, which is an increase of $215,495 from the prior year. General grants increased by $139,829, primarily due to increased general education funding and the direct state Teachers Retirement Association (TRA) contribution in the current year. Operating grants and contributions were $51,126 higher than last year, mainly due to the School earning more special education state aid.

Figure B – Expenses for Fiscal Years 2016 and 2015





The School's expenses are predominately related to educating students. Programs (or functions) such as regular instruction, vocational education instruction, special education instruction, and instructional support services are directly related to classroom instruction, while the rest of the programs support instruction and other necessary costs to operate the School.

The School's cost of all governmental activities for 2016 was $4,718,293, which is an increase of $426,860 (9.9 percent) from the prior year. The main increases were in elementary and secondary regular instruction and pupil support services, primarily due to hiring additional staff to accommodate increased enrollment.

FINANCIAL ANALYSIS OF THE GENERAL FUND

Table 3 summarizes the amendments to the General Fund budget:

Table 3
General Fund
Budget

	Original Budget	Final Budget	Increase (Decrease)	Percent Change
Revenue	$ 4,892,034	$ 4,930,991	$ 38,957	0.8%
Expenditures	$ 4,867,772	$ 4,908,573	$ 40,801	0.8%

The School is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. It is the School's practice to amend the General Fund budget during the year for known significant changes in circumstances such as: updated enrollment estimates, legislation changes, new or additional funding, staffing changes, employee contract settlements, adjustments to health insurance premiums, special education tuition changes, or utility rate changes.

Table 4 summarizes the operating results of the General Fund:

Table 4
General Fund
Operating Results

		Over (Under) Final Budget		Increase (Decrease) From Prior Year	
	2016 Actual	Amount	Percent	Amount	Percent
Revenue	$ 5,039,680	$ 108,689	2.2%	$ 222,841	4.6%
Expenditures	4,636,924	$ (271,649)	(5.5%)	$ 300,133	6.9%
Net change in fund balances	$ 402,756				

General Fund revenues increased, mostly due to the School serving more students this year, which generated more state aid. Revenues were over budget due to the School not budgeting for the direct state contribution to the TRA in the current year. General Fund expenditures were higher than the prior year due to planned staffing additions and new services purchased to keep pace with the increased enrollment. Expenditures were under budget due in part to not all budgeted positions being filled.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 5 shows the School's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ending June 30, 2016 and 2015:

Table 5
Capital Assets

	2016	2015	Increase (Decrease)
Furniture and equipment	$ 159,096	$ 145,756	$ 13,340
Less accumulated depreciation	(120,925)	(105,909)	(15,016)
Total	$ 38,171	$ 39,847	$ (1,676)
Depreciation expense	$ 15,016	$ 9,265	$ 5,751

The School is not heavily dependent on capital assets for providing instructional services to students due to its delivery of online learning.

More detailed information on the School's capital assets activity can be found in the notes to basic financial statements.

Long-Term Liabilities

Table 6 illustrates the components of the School's long-term liabilities, together with the change from the prior year.

Table 6
Outstanding Long-Term Liabilities

	2016	2015	Increase (Decrease)
Compensated absences payable	$ 42,393	$ 46,776	$ (4,383)
Severance benefits payable	206,273	181,372	24,901
Net pension liability – TRA and PERA	3,392,081	2,598,205	793,876
Total	$ 3,640,747	$ 2,826,353	$ 814,394

More detailed information on the School's long-term liabilities activity can be found in the notes to basic financial statements.

FACTORS BEARING ON THE SCHOOL'S FUTURE

The School 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 has added $117, or 2.0 percent, per pupil to the formula for fiscal year 2016 and an additional $119, or 2.0 percent, per pupil to the formula for fiscal year 2017. The ongoing demands on limited resources continue to present challenges in funding education for Minnesota schools.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our citizens, sponsor, customers, investors, and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact BlueSky Charter School, Inc., 33 Wentworth Avenue East, Suite 100, West St. Paul, Minnesota 55118.

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BASIC FINANCIAL STATEMENTS

BLUESKY CHARTER SCHOOL, INC.

Statement of Net Position
as of June 30, 2016
(With Partial Comparative Information as of June 30, 2015)

	Governmental Activities	
	2016	2015
Assets		
Cash and temporary investments	$ 1,472,472	$ 972,287
Receivables		
Accounts	–	500
Due from other governmental units	439,680	532,524
Prepaid items	119,374	76,076
Capital assets		
Depreciated, net of accumulated depreciation	38,171	39,847
Total assets	2,069,697	1,621,234
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	858,786	641,384
Total assets and deferred outflows of resources	$ 2,928,483	$ 2,262,618
Liabilities		
Salaries and benefits payable	$ 386,195	$ 333,611
Accounts and contracts payable	16,060	21,261
Long-term liabilities		
Due within one year	76,056	122,577
Due in more than one year	3,564,691	2,703,776
Total long-term liabilities	3,640,747	2,826,353
Total liabilities	4,043,002	3,181,225
Deferred inflows of resources		
Pension plan deferments – PERA and TRA	290,416	807,715
Net position		
Net investment in capital assets	38,171	39,847
Unrestricted	(1,443,106)	(1,766,169)
Total net position	(1,404,935)	(1,726,322)
Total liabilities, deferred inflows of resources, and net position	$ 2,928,483	$ 2,262,618

See notes to basic financial statements

BLUESKY CHARTER SCHOOL, INC.

Statement of Activities
Year Ended June 30, 2016
(With Partial Comparative Information for the Year Ended June 30, 2015)

	2016				2015
		Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	$ 153,152	$ –	$ –	$ (153,152)	$ (135,191)
District support services	390,475	–	–	(390,475)	(436,568)
Elementary and secondary regular instruction	1,495,240	4,255	–	(1,490,985)	(1,267,648)
Vocational education instruction	8,376	–	–	(8,376)	(44,596)
Special education instruction	705,242	–	635,281	(69,961)	(37,066)
Instructional support services	620,238	–	–	(620,238)	(642,224)
Pupil support services	1,010,821	–	–	(1,010,821)	(811,416)
Sites and buildings	307,004	–	183,960	(123,044)	(129,211)
Fiscal and other fixed cost programs	27,745	–	–	(27,745)	(17,061)
Total governmental activities	$ 4,718,293	$ 4,255	$ 819,241	(3,894,797)	(3,520,981)
	General revenues				
	General grants and aids			4,189,344	4,049,515
	Other general revenues			26,418	3,934
	Investment earnings			422	284
	Total general revenues			4,216,184	4,053,733
	Change in net position			321,387	532,752
	Net position – beginning			(1,726,322)	(2,259,074)
	Net position – ending			$ (1,404,935)	$ (1,726,322)

See notes to basic financial statements

BLUESKY CHARTER SCHOOL, INC.

General Fund
Balance Sheet
as of June 30, 2016
(With Partial Comparitvie Information as of June 30, 2015)

	2016	2015
Assets		
Cash and temporary investments	$ 1,472,472	$ 972,287
Receivables		
Accounts	–	500
Due from other governmental units	439,680	532,524
Prepaid items	119,374	76,076
Total assets	$ 2,031,526	$ 1,581,387
Liabilities		
Salaries and benefits payable	$ 386,195	$ 333,611
Accounts and contracts payable	16,060	21,261
Total liabilities	402,255	354,872
Fund balances		
Nonspendable for prepaid items	119,374	76,076
Unassigned	1,509,897	1,150,439
Total fund balances	1,629,271	1,226,515
Total liabilities and fund balances	$ 2,031,526	$ 1,581,387

Amounts recorded for governmental activities in the Statement of Net Position differ because:

	2016	2015
Fund balances as reported above	$ 1,629,271	$ 1,226,515
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	159,096	145,756
Accumulated depreciation	(120,925)	(105,909)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
Compensated absences payable	(42,393)	(46,776)
Severance benefits payable	(206,273)	(181,372)
Net pension liability – PERA	(212,483)	(206,690)
Net pension liability – TRA	(3,179,598)	(2,391,515)
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 – PERA and TRA pension plans	858,786	641,384
Deferred inflows – PERA and TRA pension plans	(290,416)	(807,715)
Total net position – governmental activities	$ (1,404,935)	$ (1,726,322)

See notes to basic financial statements

BLUESKY CHARTER SCHOOL, INC.

General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2016
(With Partial Comparative Information for the Year Ended June 30, 2015)

	2016				2015
	Original Budget	Final Budget	Actual	Over (Under) Budget	Actual
Revenue					
Federal sources	$ 69,000	$ 69,000	$ 103,348	$ 34,348	$ 64,077
State sources	4,797,534	4,833,491	4,905,237	71,746	4,746,207
Local sources					
Investment earnings	450	1,000	422	(578)	284
Other	25,050	27,500	30,673	3,173	6,271
Total revenue	4,892,034	4,930,991	5,039,680	108,689	4,816,839
Expenditures					
Current					
Administration					
Salaries	102,000	102,000	107,000	5,000	89,203
Employee benefits	17,435	17,435	19,601	2,166	14,567
Purchased services	7,971	6,750	5,267	(1,483)	3,783
Supplies and materials	60	65	65	–	–
Other expenditures	18,650	19,000	23,792	4,792	25,157
Total administration	146,116	145,250	155,725	10,475	132,710
District support services					
Salaries	123,000	123,000	111,539	(11,461)	125,482
Employee benefits	28,600	28,600	24,036	(4,564)	37,922
Purchased services	203,000	202,726	162,969	(39,757)	176,501
Supplies and materials	51,090	60,956	65,996	5,040	83,770
Capital expenditures	22,100	19,100	16,692	(2,408)	21,297
Other expenditures	8,400	11,860	11,474	(386)	8,242
Total district support services	436,190	446,242	392,706	(53,536)	453,214
Elementary and secondary regular instruction					
Salaries	1,070,185	1,063,825	1,087,027	23,202	997,304
Employee benefits	323,628	323,628	279,455	(44,173)	224,051
Purchased services	57,056	57,061	44,845	(12,216)	13,520
Supplies and materials	40,150	45,940	30,285	(15,655)	31,108
Capital expenditures	–	–	–	–	797
Other expenditures	2,500	3,500	3,230	(270)	1,869
Total elementary and secondary regular instruction	1,493,519	1,493,954	1,444,842	(49,112)	1,268,649

(continued)

BLUESKY CHARTER SCHOOL, INC.

General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2016
(With Partial Comparative Information for the Year Ended June 30, 2015)

	2016				2015
	Original Budget	Final Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)					
Current (continued)					
Vocational education instruction					
Salaries	3,000	3,000	1,200	(1,800)	30,582
Employee benefits	3,000	3,000	1,595	(1,405)	7,682
Purchased services	500	710	588	(122)	1,562
Supplies and materials	5,000	6,000	2,937	(3,063)	3,241
Total vocational education instruction	11,500	12,710	6,320	(6,390)	43,067
Special education instruction					
Salaries	522,781	542,939	519,745	(23,194)	490,228
Employee benefits	101,808	105,396	111,920	6,524	89,196
Purchased services	62,138	62,138	60,107	(2,031)	36,307
Supplies and materials	7,801	7,801	7,755	(46)	7,522
Total special education instruction	694,528	718,274	699,527	(18,747)	623,253
Instructional support services					
Salaries	462,300	462,300	431,520	(30,780)	461,937
Employee benefits	137,637	137,637	106,797	(30,840)	99,780
Purchased services	60,380	62,165	56,518	(5,647)	41,757
Supplies and materials	16,165	18,500	9,306	(9,194)	31,799
Other expenditures	5,500	7,600	7,518	(82)	5,028
Total instructional support services	681,982	688,202	611,659	(76,543)	640,301
Pupil support services					
Salaries	820,000	820,000	790,246	(29,754)	699,113
Employee benefits	238,425	238,425	198,717	(39,708)	146,252
Purchased services	1,500	1,500	–	(1,500)	–
Total pupil support services	1,059,925	1,059,925	988,963	(70,962)	845,365
Sites and buildings					
Purchased services	310,012	310,016	305,250	(4,766)	305,346
Capital expenditures	5,000	5,000	4,187	(813)	7,825
Total sites and buildings	315,012	315,016	309,437	(5,579)	313,171

(continued)

BLUESKY CHARTER SCHOOL, INC.

General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2016
(With Partial Comparative Information for the Year Ended June 30, 2015)

	2016				2015
	Original Budget	Final Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)					
Current (continued)					
Fiscal and other fixed cost programs					
Purchased services	29,000	29,000	27,745	(1,255)	17,061
Total expenditures	4,867,772	4,908,573	4,636,924	(271,649)	4,336,791
Net change in fund balance	$ 24,262	$ 22,418	402,756	$ 380,338	480,048
Fund balances					
Beginning of year			1,226,515		746,467
End of year			$ 1,629,271		$ 1,226,515

Amounts reported for governmental activities in the Statement of Activities differ because:

	2016	2015
Net change in fund balances reported above	$ 402,756	$ 480,048
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	13,340	19,117
Depreciation expense	(15,016)	(9,265)
Carrying value of disposed assets	–	(173)
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.		
Compensated absences payable	4,383	(1,176)
Severance benefits payable	(24,901)	15,285
Net pension liability – PERA	(5,793)	32,849
Net pension liability – TRA	(788,083)	344,855
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 – PERA and TRA pension plans	217,402	458,927
Deferred inflows – PERA and TRA pension plans	517,299	(807,715)
Change in net position of governmental activities	$ 321,387	$ 532,752

See notes to basic financial statements

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

BlueSky Charter School, Inc. (the School) is an outcome-based charter school established March 9, 2000 in accordance with Minnesota Statute § 124D.10. The School is required to operate under a charter agreement with an entity that has been approved by the Minnesota Department of Education (MDE) to be a charter school "authorizer." The authorizer monitors and evaluates the School's performance, and periodically determines whether to renew the School's charter. The School's authorizer is Novation Education Opportunities (NEO), a nonprofit organization. Aside from its responsibilities as authorizer, NEO has no authority or control over the School, and is not financially accountable for it. Therefore, the School is not considered to be a component unit of NEO.

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

Component units are legally separate entities for which the School (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 School.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult, and are generally conducted outside of school hours. In accordance with Minnesota Statutes, the School's Board can elect to either control or not control student activities. The School's Board has elected to control student activities; therefore, any such activities are accounted for in the General Fund.

B. Basis of Statement Presentation

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

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 School. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest 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 as separate columns in the fund financial statements. The existence of the various school funds has been established by the MDE. Each fund is accounted for as an independent entity. The School maintains a single General Fund to account for all of its activity. 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 School 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.

2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for compensated absences, severance benefits, and pensions, 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.

E. Budgeting

The School's Board adopts an annual budget for the General Fund, which is prepared 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.

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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

G. Income Taxes

The School is exempt from income taxes under Internal Revenue Service Code § 501(c)(3). The School is subject to tax on income from any unrelated business.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The School follows the recognition requirements for uncertain income tax positions as required by the Financial Accounting Standards Board (FASB) 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 School has analyzed tax positions taken for filing with the Internal Revenue Service and state jurisdiction where it operates. The School 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 respective financial condition, results of operations, or cash flows. Accordingly, the School has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at June 30, 2016.

The School is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

H. Receivables

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

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenses/expenditures when consumed.

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 School 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 are 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 School, no salvage value is taken into consideration for depreciation purposes. Useful lives for furniture and equipment are 3–10 years.

K. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, a statement of financial position 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 School has one type of item that qualifies for reporting in these categories, deferred outflows/inflows of resources related to pensions, which are reported in the entity-wide Statement of Net Position. These deferred outflows/inflows result from differences between expected and actual experience, changes of assumptions, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Compensated Absences

Substantially all school employees are entitled to personal and sick leave at various rates, portions of which may be carried over to future years. Compensated absences are accrued in the governmental fund statements only to the extent they have been used or otherwise matured prior to year-end. Employees are reimbursed for unused personal leave upon termination, which is accrued in the entity-wide financial statements as it is earned.

M. Severance Benefits

After four years of service, certain employees are eligible to be compensated for 50 percent of unused sick leave, up to a maximum of 400 hours, upon termination of employment.

Severance benefits are recorded as a liability in the governmental fund financial statements as they mature due to termination. Severance benefits based on convertible sick leave are recorded as a liability in the entity-wide financial statements as they are earned and it becomes probable they will vest at some point in the future.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) and additions to/deductions from 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 (DTRFA) in 2015.

O. Risk Management

The School is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The School carries commercial insurance purchased from independent third parties to cover these risks. Settled claims have not exceeded coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage in fiscal year 2016.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. 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 School 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.

- **Unassigned** – The residual classification for the General Fund.

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

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

Q. Net Position

In the entity-wide financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in three components:

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by outstanding debt, if any, attributable to acquire capital assets.

- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on its 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."

The School applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for 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 School's financial statements for the year ended June 30, 2015, from which the summarized 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.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

In accordance with applicable Minnesota Statutes, the School 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 School'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 School's deposit policies do not further limit depository choices.

At year-end, the carrying amount and bank balance of the School's deposits was $1,472,472, while the balance on the bank records was $1,543,591. At June 30, 2016, all deposits were fully covered by federal depository insurance or pledged collateral held by the School's agent in the School's name.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year
Furniture and equipment	$ 145,756	$ 13,340	$ –	$ 159,096
Less accumulated depreciation	(105,909)	(15,016)	–	(120,925)
Capital assets, net of accumulated depreciation	$ 39,847	$ (1,676)	$ –	$ 38,171

Depreciation expense was charged to the following governmental functions:

District support services	$ 7,554
Elementary and secondary regular instruction	5,882
Vocational instruction	1,404
Instructional support services	160
Sites and buildings	16
Total depreciation expense	$ 15,016

NOTE 4 – LONG-TERM LIABILITIES

Long-term liabilities consist of compensated absences payable, severance benefits payable, and net pension liabilities. Changes in the long-term liabilities for the year ended June 30, 2016 are as follows:

	Balance – Beginning of Year	Additions	Retirements	Balance – End of Year	Due Within One Year
Compensated absences payable	$ 46,776	$ 15,608	$ 19,991	$ 42,393	$ 42,393
Severance benefits payable	181,372	54,500	29,599	206,273	33,663
Net pension liability – PERA	206,690	52,087	46,294	212,483	–
Net pension liability – TRA	2,391,515	983,690	195,607	3,179,598	–
	$ 2,826,353	$ 1,105,885	$ 291,491	$ 3,640,747	$ 76,056

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

The School 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 Internal Revenue Code.

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 School other than teachers are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Teachers Retirement 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 and administered by a Board of Trustees. The Board of Trustees consists of four active members, one retired member, and three statutory officials.

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

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.

- **PERA** – Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90.0 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90.0 percent funded, or have fallen below 80.0 percent, are given 1.0 percent increases.

- **TRA** – Post-retirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0 percent. After the TRA funded ratio exceeds 90.0 percent for two consecutive years, the annual post-retirement benefit will increase to 2.5 percent.

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.

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

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 and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

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	
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 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. 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 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. Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent of pay, respectively, in fiscal year 2016. In fiscal year 2016, the School was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for the Coordinated Plan. The School's contributions to the GERF for the year ended June 30, 2016 were $18,498. The School's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

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

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

The School's contributions to the TRA for the plan's fiscal year ended June 30, 2016, were $206,223. The School'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 Non-Employer Pension Allocations:

Employer contributions reported in the TRA's CAFR Statement of Changes in Fiduciary Net Position	$ 340,207,590
Deduct employer contributions not related to future contribution efforts	(704,635)
Deduct the TRA's contributions not included in allocation	(435,999)
Total employer contributions	339,066,956
Total non-employer contributions	41,587,410
Total contributions reported in Schedule of Employer and Non-Employer Pension Allocations	$ 380,654,366

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. Merger of Duluth Teachers Retirement Fund Association (DTRFA)

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

	June 30, 2014 CAFR	Restated
Total pension liability (a)	$ 24,901,612,000	$ 25,299,564,000
Plan fiduciary net position (b)	20,293,684,000	20,519,756,000
Net pension liability (a-b)	$ 4,607,928,000	$ 4,779,808,000

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

E. Pension Costs

1. GERF Pension Costs

At June 30, 2016, the School reported a liability of $212,483 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of the PERA's participating employers. At June 30, 2015, the School's proportion was 0.0041 percent, which was a decrease of 0.0003 percent from its proportion measured as of June 30, 2014.

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

The discount rate used to calculate liabilities for the June 30, 2015, measurement date was 7.9 percent. The Legislature has since set the discount rate in statute at 8.0 percent. Beginning with the June 30, 2016, measurement date the discount rate used when calculating liabilities based on Governmental Accounting Standards Board (GASB) Statement No. 68 accounting requirements will be increased to 8.0 percent to be consistent with the rate set in statute used for funding purposes.

For the year ended June 30, 2015, the School recognized pension expense of $18,935 for its proportionate share of the GERF's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,970	$ 10,713
Changes in actuarial assumptions	13,233	–
Differences between projected and actual investment earnings	–	18,914
Changes in proportion	–	12,174
School's contributions to the GERF subsequent to the measurement date	18,498	–
Total	$ 33,701	$ 41,801

A total of $18,498 reported as deferred outflows of resources related to pensions resulting from school contributions to the GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount	
2017	$	(8,008)
2018	$	(8,008)
2019	$	(15,610)
2020	$	5,028

2. TRA Pension Costs

At June 30, 2016, the School reported a liability of $3,179,598 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's contributions to 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 School's proportionate share was 0.0514 percent at the end of the measurement period and 0.0519 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 School as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the School were as follows:

School's proportionate share of net pension liability	$	3,179,598
State's proportionate share of the net pension liability associated with the School	$	389,976

For the year ended June 30, 2016, the School recognized pension expense of $265,011. It also recognized $68,948 as pension expense for the support provided by direct aid.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 164,478	$ –
Changes in actuarial assumptions	–	248,615
Difference between projected and actual investment earnings	244,427	–
Changes in proportion	209,957	–
School's contributions to the TRA subsequent to the measurement date	206,223	–
Total	$ 825,085	$ 248,615

A total of $206,223 reported as deferred outflows of resources related to pensions resulting from school contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to the TRA will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2017	$ 49,991
2018	$ 49,991
2019	$ 49,991
2020	$ 220,274

F. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.75% per year	3.00%
Active member payroll growth	3.50% per year	3.50–12.00% based on years of service
Investment rate of return	7.90%	8.00%

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

Actuarial assumptions used in the June 30, 2015, valuation for the GERF were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

The actuarial assumptions used in the June 30, 2015, valuation for the TRA were based on the results of an actuarial experience study for the period July 1, 2004 to June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB Statement No. 67 valuation.

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

The long-term expected rate of return on pension plan investments is 7.90 percent for the GERF and 8.00 percent for the TRA. The Minnesota State Board of Investment, which manages the investments of the PERA and the TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic stocks	45 %	5.50 %
International stocks	15	6.00 %
Bonds	18	1.45 %
Alternative assets	20	6.40 %
Cash	2	0.50 %
Total	100 %	

G. Discount Rate

The discount rate used to measure the total pension liability was 7.90 percent for the GERF and 8.00 percent for the TRA. This is a decrease from the discount rate at the prior measurement date of 8.25 percent for the TRA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the fiscal 2016 contribution rates, 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, each of the pension plan's fiduciary net positions were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.90%	7.90%	8.90%
School's proportionate share of the GERF net pension liability	$ 334,099	$ 212,483	$ 112,047
TRA discount rate	7.00%	8.00%	9.00%
School's proportionate share of the TRA net pension liability	$ 4,839,760	$ 3,179,598	$ 1,794,145

I. 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 55103-2088; 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 at the TRA website at www.MinnesotaTRA.org; by writing to the TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103-2088; or by calling (651) 296-2409 or (800) 657-3669.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

A. Building Lease

The School has an agreement to lease space at 33 Wentworth Avenue East, Suite 100, West St. Paul, Minnesota 55118 for a 64-month period commencing March 1, 2012. During the year ended June 30, 2016, the School made monthly rental payments totaling $206,225 under this agreement. Future minimum lease payments under the amended agreement are as follows:

Year Ending June 30,	Amount
2017	$ 211,700

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 School expects such amounts, if any, to be immaterial.

C. Legal Contingencies

The School has the usual and customary legal claims pending at year-end, mostly of a minor nature and/or covered by insurance. Although the outcomes of these claims are not presently determinable, the School believes that the resolution of these matters will not have a material adverse effect on its financial position.

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REQUIRED SUPPLEMENTARY INFORMATION

BLUESKY CHARTER SCHOOL, INC.

Schedule of School's Proportionate Share of Net Pension Liability
Public Employees Retirement Association Pension Benefits Plan
Year Ended June 30, 2016

School Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	School's Proportion of the Net Pension Liability	School's Proportionate Share of the Net Pension Liability	School's Covered Payroll	School'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	0.0044%	$ 206,690	$ 229,326	90.13%	78.70%
06/30/2016	06/30/2015	0.0041%	$ 212,483	$ 242,854	87.49%	78.20%

Schedule of School Contributions
Public Employees Retirement Association Pension Benefits Plan
Year Ended June 30, 2016

School Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement 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	06/30/2015	$ 17,918	$ 17,918	$ –	$ 242,854	7.38%
06/30/2016	06/30/2016	$ 18,498	$ 18,498	$ –	$ 246,641	7.50%

Note 1: **Changes of Benefit Terms**. (1) The Minneapolis Employees Retirement Fund was merged into the GERF on January 1, 2015. (2) Revisions to Minnesota Statutes to make changes to contribution rates less prescriptive and more flexible.

Note 2: The School implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This information is not available for previous fiscal years.

BLUESKY CHARTER SCHOOL, INC.

Schedule of School's and Non-Employer Proportionate Share of Net Pension Liability
Teachers Retirement Association Pension Benefits Plan
Year Ended June 30, 2016

School Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	School's Proportion of the Net Pension Liability	School's Proportionate Share of the Net Pension Liability	School'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 School's Share of the State of Minnesota's Share of the Net Pension Liability	School's Covered Payroll	School'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	0.0519%	$ 2,391,515	$ 168,388	$ 2,559,903	$ 2,369,021	100.95%	81.50%
06/30/2016	06/30/2015	0.0514%	$ 3,179,598	$ 389,976	$ 3,569,574	$ 2,608,085	121.91%	76.80%

Schedule of School Contributions
Teachers Retirement Association Pension Benefits Plan
Year Ended June 30, 2016

School Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement 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	06/30/2015	$ 195,607	$ 195,607	$ –	$ 2,608,085	7.50%
06/30/2016	06/30/2016	$ 206,223	$ 206,223	$ –	$ 2,752,008	7.49%

Note 1: **Changes of Benefit Terms**. The DTRFA was merged into the TRA on June 30, 2015.

Note 2: **Change of Assumptions.** The annual cost of living adjustment 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. Details, if necessary, can be obtained from the TRA's CAFR.

Note 3: The School implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This information is not available for previous fiscal years.

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OTHER REQUIRED REPORTS

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

PRINCIPALS
Thomas M. Montague, CPA
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA

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
BlueSky Charter School, Inc.
West St. Paul, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of BlueSky Charter School, Inc. (the School) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 13, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School'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 13, 2016

MMKR
CERTIFIED PUBLIC
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INDEPENDENT AUDITOR'S REPORT ON

MINNESOTA LEGAL COMPLIANCE

To the Board and Management of
BlueSky Charter School, Inc.
West St. Paul, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of BlueSky Charter School, Inc. (the School) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 13, 2016.

MINNESOTA LEGAL COMPLIANCE

The *Minnesota Legal Compliance Audit Guide for Charter Schools*, promulgated by the State Auditor pursuant to Minnesota Statute § 6.65, contains two categories of compliance to be tested in audits of charter schools: uniform financial accounting and reporting standards, and charter schools. 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 School 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 School'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 13, 2016

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BLUESKY CHARTER SCHOOL, INC.

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2016

		Audit		UFARS		Audit – UFARS	
General Fund							
Total revenue		$	5,039,680	$	5,039,681	$	(1)
Total expenditures		$	4,636,924	$	4,636,924	$	–
Nonspendable							
460	Nonspendable fund balance	$	119,374	$	119,374	$	–
Restricted							
403	Staff development	$	–	$	–	$	–
405	Deferred maintenance	$	–	$	–	$	–
406	Health and safety	$	–	$	–	$	–
407	Capital projects levy	$	–	$	–	$	–
408	Cooperative revenue	$	–	$	–	$	–
409	Alternative facilities program	$	–	$	–	$	–
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	$	–	$	–	$	–
445	Career and technical 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	$	–	$	–	$	–
464	Restricted fund balance	$	–	$	–	$	–
467	Long-term facilities maintenance	$	–	$	–	$	–
Committed							
418	Committed for separation	$	–	$	–	$	–
461	Committed fund balance	$	–	$	–	$	–
Assigned							
462	Assigned fund balance	$	–	$	–	$	–
Unassigned							
422	Unassigned fund balance	$	1,509,897	$	1,509,897	$	–
Food Service							
Total revenue		$	–	$	–	$	–
Total expenditures		$	–	$	–	$	–
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	$	–	$	–	$	–

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2016

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
407	Capital projects levy	$ –	$ –	$ –
409	Alternative facility program	$ –	$ –	$ –
413	Project funded by COP	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
467	Long-term facilities maintenance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Debt Service				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
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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