

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

YEAR ENDED JUNE 30, 2018

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CHARTER SCHOOL NO. 4232
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JUNE 30, 2018**

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INTRODUCTORY SECTION

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2018**

SCHOOL BOARD

NAME	TERM ON BOARD EXPIRES	BOARD POSITION
Aleem Mahammed	2019	Chair
Lesley Guyton	2019	Member
Abaud Rahi	2019	Member
Merita Haliti	2019	Member
Lesley Guyton	2019	Member

ADMINISTRATION

Executive Director	Magdy Rabeaa
Scott Brown, The Anton Group	Financial Management
School Offices:	Charter School No. 4232 Success Academy 8201 Park Ave S Bloomington, MN 55420

FINANCIAL SECTION

**CHUCK RINKEY, LTD.
CERTIFIED PUBLIC ACCOUNTANT**

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MINNEAPOLIS, MN 55416
TELEPHONE (952) 546-1052
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Success Academy
Charter School No. 4232
St. Paul, Minnesota

I have audited the accompanying financial statements of the governmental activities, and each major fund of Success Academy as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Success 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Success Academy, as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison of the General Fund and Food Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

I have previously audited Success Academy's 2017 financial statements, and I expressed an unmodified audit opinion on the respective financial statements of the governmental activities and each major fund in my report dated December 18, 2017. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

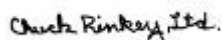
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Success Academy's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Uniform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

The Uniform Financial Accounting and Reporting Standards Compliance Table is the responsibility of management and was 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 my opinion, the Uniform Financial Accounting and Reporting Standards Compliance Table 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, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 17, 2018, on my consideration of Success Academy's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the result 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 Success Academy's internal control over financial reporting and compliance.



CHUCK RINKEY, LTD.

Minneapolis, Minnesota
December 17, 2018

SUPPLEMENTARY INFORMATION

**SUCCESS ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

The discussion and analysis of the Success Academy's financial performance provides an overall review of financial activities for the fiscal year. The analysis focuses on school's financial performance as a whole.

FINANCIAL HIGHLIGHTS

- Entity-wide total revenues were \$1,600,808 as compared to \$1,425,251 of expenses.
- As the school completed the year, its governmental funds reported a combined fund balance of \$295,206
- The School's overall net position is \$26,472.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Independent Auditor's Report;
- Management's Discussion and Analysis; and
- Basic financial statements, including the entity-wide financial statements, fund financial statements, and the notes to basic financial statements.

**SUCCESS ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

The following explains the two types of statements included in the basic financial statements:

School-Wide Statements

The School-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the School's assets, deferred outflows, liabilities and deferred inflows. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school-wide statements report the School's *net position* and how it has changed. Net position—the difference between the School's assets deferred outflows, liabilities and deferred inflows—is one way to measure the School's financial health or *position*. Over time, increases or decreases in the School's net position are indicators of whether its financial position is improving or deteriorating, respectively. To assess the overall health of the School requires consideration of additional non-financial factors such as changes in the School's student population and the condition of school buildings and other facilities.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's *funds*, focusing on its most significant or "major" funds, not the school as a whole. 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 (UFARS).

The School maintains the following type of fund:

Governmental Funds – Most of the School's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds 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 statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

**SUCCESS ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Financial Analysis of the School as a Whole

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

	Governmental Activities as of June 30,		Percentage Change
	2018	2017	
<u>Current and Other Assets</u>			
Current Assets	\$402,207	\$195,073	106.2%
Total Assets	402,207	\$195,073	106.2%
<u>Deferred Outflows of Resources</u>	1,173,675	296,544	295.8%
Current Liabilities	107,001	75,424	41.9%
Net Pension Liability	1,207,237	302,974	298.5%
	1,314,238	378,398	247.3%
<u>Deferred Inflows of Resources</u>	235,172	14,446	1527.9%
<u>Net Position</u>			
Unrestricted	26,472	98,773	-73.2%
Total Net Position	\$ 26,472	\$ 98,773	-73.2%

As of June 30, 2018 Success Academy reported total assets of \$402,207, deferred outflows of \$1,173,675, current liabilities of \$107,001, net pension liability of \$1,207,237, and deferred inflows of \$235,172.. Net position amounts to \$26,472.

**SUCCESS ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

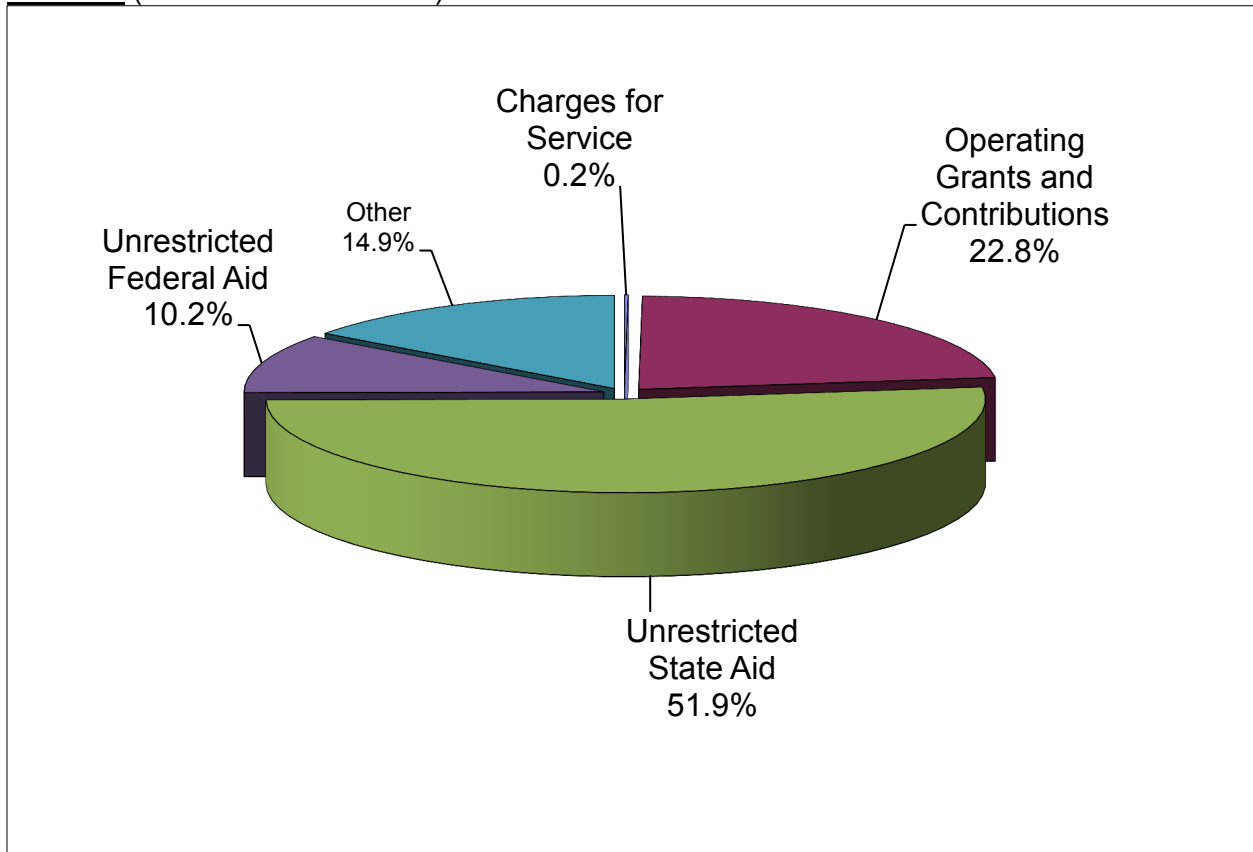
Table #2 is a condensed version of the School's Change in Net Position:
The School's total revenues were \$1,600,621 and expenses \$1,672,922 for the year ended June 30, 2018. See table #2 for a detailed breakdown of revenue sources.

Table 2

	<u>Actual</u> 2018	<u>Actual</u> 2017	%
Revenues			
<u>Program Revenues</u>			
Charges for Service	\$2,698	\$1,462	84.5%
Operating Grants and Contributions	364,737	376,674	-3.2%
<u>General Revenues</u>			
Unrestricted State Aid	830,705	698,095	19.0%
Unrestricted Federal Aid	163,804	265,158	-38.2%
Other	238,677	700	33996.7%
Total Revenues	1,600,621	1,342,089	19.3%
Expenses:			
School administration	120,501	73,651	63.6%
District support services	217,014	181,517	19.6%
Regular instruction	645,610	372,584	73.3%
Special education instruction	247,025	169,796	45.5%
Instructional support services	6,774	67,169	-89.9%
Pupil support services	66,321	131,825	-49.7%
Food service	75,214	78,839	-4.6%
Sites, buildings and equipment	280,926	144,128	94.9%
Fiscal and other fixed costs	13,537	8,079	67.6%
Total Expense	1,672,922	1,227,588	36.3%
Change in Net Position	\$ (72,301)	\$ 114,501	
Net Position - Beginning	98,773	(15,728)	
Net Position - Ending	\$ 26,472	\$ 98,773	

**SUCCESS ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Revenue (Table #2 and Chart #1)



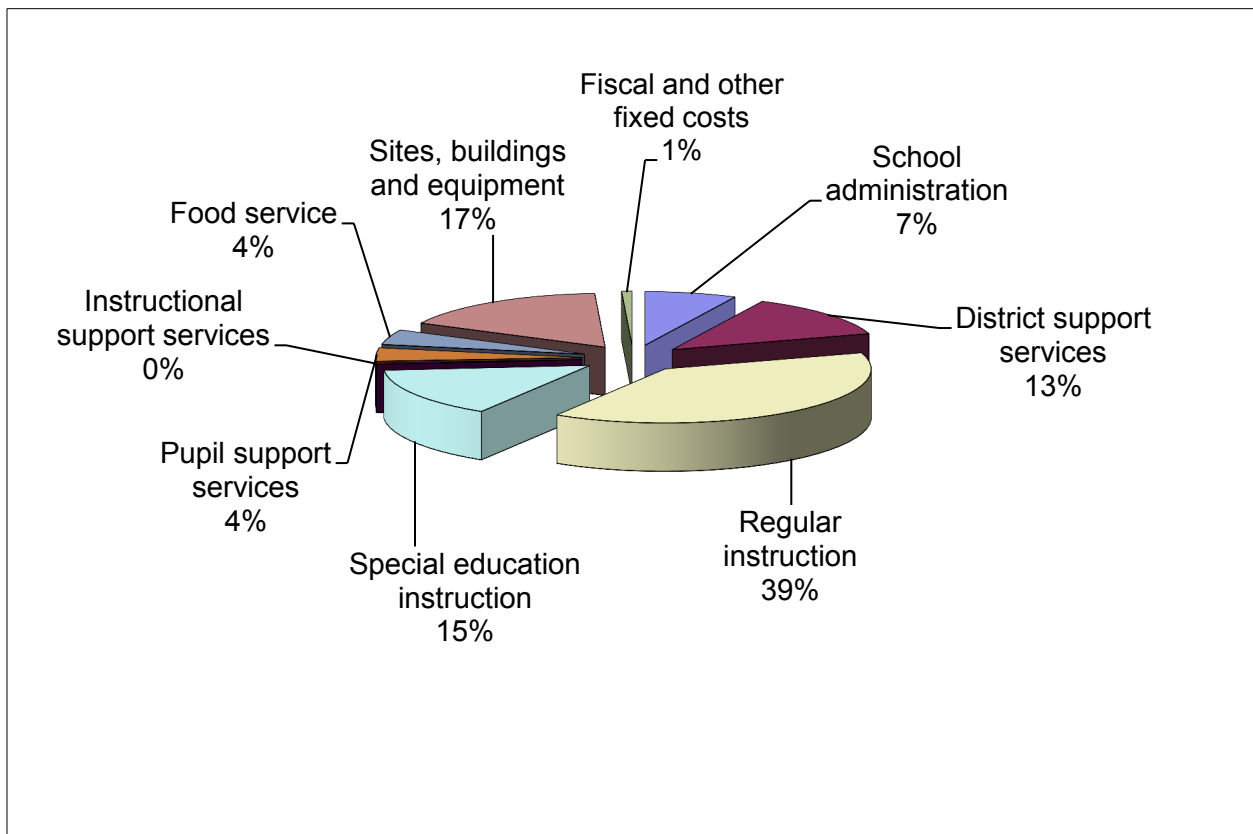
- In FY18, the school received \$205,924 in revenue from the federal CSP startup grant, federal special education and Title programs. The remaining revenues consist of general education aid paid by the MN Department of Education. The school also received two generous local grants used primarily for facility related work. Total local revenues were \$244,325 in the general fund.

**SUCCESS ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Expenses (Chart #2 & Table #2)

- In FY 18, the school's total expenditure amount was \$1,672,922.
- Administrative and district support services counted for 20% of all expenses. Regular and special education instruction services accounted for 54%, sites, buildings and equipment, 17%, support services, 4%, and food service and other costs 5% of the expenses, respectively.

Chart #2



**SUCCESS ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Net Cost of Governmental Activities (Table #3)

	Total Cost of Services 2018	Total Cost of Services 2017	Percentage Change	Net Cost of Services 2018	Net Cost of Services 2017
School administration	120,501	73,651	63.6%	120,501	73,651
District support services	217,014	181,517	19.6%	217,014	181,517
Regular instruction	645,610	372,584	73.3%	645,610	372,584
Special education instruction	247,025	169,796	45.5%	31,755	(69,190)
Instructional support services	6,774	67,169	-89.9%	6,774	67,169
Pupil support services	66,321	131,825	-49.7%	66,321	131,825
Food service	75,214	78,839	-4.6%	15,899	27,714
Sites, buildings and equipment	280,926	144,128	94.9%	188,076	56,103
Fiscal and other fixed costs	13,537	8,079	67.6%	13,537	8,079
	<u>1,672,922</u>	<u>1,227,588</u>	36.3%	<u>1,305,487</u>	<u>849,452</u>

- Total cost of all governmental activities for FY 18 was \$1,672,922. (Table #3)
- The net cost of governmental activities \$1,305,487 was financed by operating grants and contributions of \$364,737 and charges for service of \$2,698.

Budgetary Comparison:

- In the beginning years of a School, without historical data, the School relied on its Board, Admin and Finance Team to balance the budget at the fund level and seek out additional funding opportunities. Budgeted enrollment versus actual enrollment was within 1 ADM.

Fund Balances:

- At year-end, June 30, 2018, the School had a total fund balance of \$295,206 across all funds.

**SUCCESS ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Factors Bearing on the School's Future:

- The school is dependent on the State of Minnesota for most of its revenue. This revenue source is mostly impacted by school enrollment. To get off to a good start in its second year of operations the charter school is working diligently to recruit a sufficient number of students to be able to build a fund balance.
- During the startup and first two years of operations, the school is dependent on the federal Charter School Planning grant. The Minnesota Department of Education has applied for an extension of the grant and the School expects to spend the remainder of its award in FY18.

Contacting the School's Financial Management:

This Financial Report is designed to provide our stakeholders 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, please contact: Magdy Rabeaa, Success Academy, Charter School No. 4232, Success Academy, 8201 Park Ave S, Bloomington MN 55420, or Scott Brown, The Anton Group, 1355 Pierce Butler Route, Suite G1, St. Paul, MN 55104.

BASIC FINANCIAL STATEMENTS

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
STATEMENT OF NET POSITION
JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)**

	Governmental Activities	
	2018	2017
Assets:		
Cash	\$ 220,723	\$ 137,150
Due from Other Funds	137	-
Due from MDE	83,025	-
Due from Federal Government through MDE	50,951	37,394
Prepaid Items	47,371	20,529
	<u> </u>	<u> </u>
Total assets	<u>\$ 402,207</u>	<u>\$ 195,073</u>
Deferred Outflows of Resources		
Related to pensions	<u>\$ 1,173,675</u>	<u>\$ 296,544</u>
Liabilities and Net Position:		
Liabilities:		
Salaries and Wages Payable	\$ 74,504	\$ 22,264
Accounts Payable	9,508	42,853
Other Current Liabilities	22,989	10,307
Long-Term Liability		
Net Pension Liability	<u>1,207,237</u>	<u>302,974</u>
	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 1,314,238</u>	<u>\$ 378,398</u>
Deferred Inflows of Resources		
Related to pensions	<u>\$ 235,172</u>	<u>\$ 14,446</u>
Net Position:		
Unrestricted	<u>\$ 26,472</u>	<u>\$ 98,773</u>

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

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)**

2018						2017
Functions	Expenses	Program Revenues			Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position	Revenue and Changes in Net Position
					Total Governmental Activities	
Governmental activities:						
Instructional services:						
Administration	\$ 120,501	\$ -	\$ -	-	\$ (120,501)	\$ (73,651)
District support services	217,014	-	-	-	(217,014)	(181,517)
Regular instruction	645,610	-	-	-	(645,610)	(372,584)
Special instruction	247,025	-	215,270	-	(31,755)	69,190
Instructional support	6,774	-	-	-	(6,774)	(67,169)
Pupil support	66,321	-	-	-	(66,321)	(131,825)
Sites, buildings and equipment	280,926	-	92,850	-	(188,076)	(56,103)
Fiscal and other fixed costs	13,537	-	-	-	(13,537)	(8,079)
Food service	75,214	2,698	56,617	-	(15,899)	(27,714)
Total	\$ 1,672,922	\$ 2,698	\$ 364,737	-	\$ (1,305,487)	\$ (1,670,224)
General revenues:						
	State sources				830,705	698,095
	Federal sources				163,804	265,158
	Other local revenue				238,677	700
	Total general revenues				1,233,186	963,953
	Change in net position				(72,301)	114,501
	Net position - beginning				98,773	(15,728)
	Net position - ending				\$ 26,472	\$ 98,773

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

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)**

	2018			2017
	General Fund	Food Service Fund	Total	
Assets:				
Cash	\$ 220,723	\$ -	\$ 220,723	\$ 137,150
Due from Other Funds	137	-	137	-
Due from MDE	83,025	-	83,025	-
Due from Federal Government through MDE	50,951	-	50,951	37,394
Prepaid Items	47,371	-	47,371	20,529
Total assets	<u>\$ 402,207</u>	<u>\$ -</u>	<u>\$ 402,207</u>	<u>\$ 195,073</u>
Liabilities and fund balances:				
Liabilities:				
Salaries and Wages Payable	\$ 74,504	\$ -	\$ 74,504	\$ 22,264
Accounts payable	9,508	-	9,508	42,853
Payroll Deductions and Employer Contributions	22,989	-	22,989	10,307
Total Liabilities	<u>107,001</u>	<u>-</u>	<u>107,001</u>	<u>75,424</u>
Fund Balance				
Nonspendable	47,371	-	47,371	20,529
Reserved for Medical Assistance	560	-	560	(560)
Unassigned	247,275	-	247,275	507,547
Total Fund Balances	<u>295,206</u>	<u>-</u>	<u>295,206</u>	<u>527,516</u>
Total Liabilities and Fund Balances	<u>\$ 402,207</u>	<u>\$ -</u>	<u>\$ 402,207</u>	<u>\$ 602,940</u>

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

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET
POSITION – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)**

	June 30,	
	2018	2017
Total fund balance - governmental funds	\$ 295,206	\$ 119,649
<p>The School's Net Pension Liability and related deferred inflows and outflows are recorded only on the Statement of Net Position. Balances at year-end are:</p> <p>Long-term liabilities are not due and payable in the current period, and, therefore, are not reported as liabilities in the funds.</p> <p>Long-term liabilities at year-end consist of:</p>		
Net Pension Liability	(1,207,237)	(302,974)
<p>Deferred outflows of resources and deferred inflows of resources are created as a result of differences between actual and expected contributions and earnings on plan investments as well as changes in proportion and are not recognized in the governmental funds</p>		
Deferred Inflows of Resource Related to Pensions	(235,172)	296,544
Deferred Outflows of Resource Related to Pensions	1,173,675	(14,446)
Total Net Position - Governmental Activities	<u>\$ 26,472</u>	<u>\$ 98,773</u>

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

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)**

	General Fund	Food Service Fund	2018	2017
Revenues:				
Federal Sources	\$ 205,924	54,546	\$ 260,470	\$ 364,358
State Sources	1,091,244	2,071	1,093,315	980,876
Local Sources	244,325	2,698	247,023	2,162
Total revenues	<u>1,541,493</u>	<u>59,315</u>	<u>1,600,808</u>	<u>1,347,396</u>
Expenditures:				
School Administration	84,608	-	84,608	73,651
District Support Services	213,442	-	213,442	196,517
Regular Instruction	481,583	-	481,583	357,015
Special Education Instruction	203,569	-	203,569	169,796
Instructional Support Services	6,506	-	6,506	67,169
Pupil Support Services	66,321	-	66,321	131,825
Food Services	-	74,759	74,759	78,839
Sites and Buildings	280,926	-	280,926	144,128
Fiscal and other Fixed Costs	13,537	-	13,537	8,079
Total expenditures	<u>1,350,492</u>	<u>74,759</u>	<u>1,425,251</u>	<u>1,227,019</u>
Excess (deficiency) of revenues over (under) expenditures	191,001	(15,444)	175,557	120,377
Other financing sources (uses):				
Transfers in		15,444	15,444	27,714
Transfers out	(15,444)		(15,444)	(27,714)
Total other financing sources (uses)	<u>(15,444)</u>	<u>15,444</u>	<u>-</u>	<u>-</u>
Net change in fund balance	175,557	-	175,557	120,377
Fund Balance				
Fund balance - beginning	<u>119,649</u>	<u>-</u>	<u>119,649</u>	<u>(728)</u>
Fund balance - ending	<u>\$ 295,206</u>	<u>\$ -</u>	<u>\$ 295,206</u>	<u>\$ 119,649</u>

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

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)**

	June 30,	
	2018	2017
Net change in fund balances-total governmental funds	\$ 175,557	\$ 120,377
Amounts reported for governmental activities in the statement of activities are different because:		
Principal payments on long-term liabilities are recorded as expenses in the governmental funds	-	15,000
Governmental funds recognize pension contributions as expenditures at the time of payment in the funds whereas the Statement of Activities factors in the differences between actuals and expected contributions and earnings or plan investments as well as changes in proportion.		
Pension expense	(247,671)	(20,876)
State Aid related to Pension Expense	(187)	-
Change in net position of governmental activities	<u>\$ (72,301)</u>	<u>\$ 114,501</u>

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

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)**

	2018				2017
	Budgeted Amounts		Actual	Over	Prior Year
	Original	Final	Amounts	(Under)	Amounts
Revenues:					
State Sources	\$ 987,402	\$ 1,064,591	1,091,244	\$ 26,653	\$ 979,153
Federal Sources	222,500	269,500	205,924	(63,576)	316,418
Local sources	-	150,000	244,325	94,325	700
Total revenues	1,209,902	1,484,091	1,541,493	57,402	1,296,271
Expenditures:					
Current:					
School Administration	91,250	85,356	84,608	(748)	73,651
District Support Services	209,750	215,000	213,442	(1,558)	196,517
Regular Instruction	464,594	478,603	481,583	2,980	357,015
Special Education Instruction	161,250	185,343	203,569	18,226	169,796
Instructional Support Services	6,000	6,500	6,506	6	67,169
Pupil Support Services	65,000	67,000	66,321	(679)	131,825
Fiscal and Other Fixed Costs	192,720	280,900	280,926	26	144,128
Sites and Buildings	13,500	36,396	13,537	(22,859)	8,079
Total expenditures	1,204,064	1,355,098	1,350,492	(4,606)	1,148,180
Excess of revenues over expenditures	\$ 5,838	\$ 128,993	\$ 191,001	\$ 62,008	\$ 148,091
Other Financing Sources					
Loan proceeds					
Transfers in					
Transfers out			(15,444)		\$ (27,714)
Net change in fund balances			175,557		120,377
Fund balance					
Beginning of Year			119,649		-728
End of Year			\$ 295,206		\$ 119,649

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

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
MAJOR FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)**

	2018				2017
	Budgeted Amounts		Actual	Over	
	Original	Final	Amounts	(Under)	
Revenues:					
State Sources	\$ 5,000	\$ 5,000	2,071	\$ (2,929)	\$ 1,723
Federal Sources	67,576	86,584	54,546	(32,038)	47,940
Local sources	18,144	22,896	2,698	(20,198)	1,462
Total revenues	90,720	114,480	59,315	(55,165)	51,125
Expenditures:					
Current:					
Food Services	90,720	114,480	74,759	(39,721)	78,839
Total expenditures	90,720	114,480	74,759	(39,721)	78,839
Deficiency of revenues under expenditures	\$ -	\$ -	\$ (15,444)	\$ (15,444)	\$ (27,714)
Other Financing Sources					
Loan proceeds			-		-
Transfers in			15,444		27,714
Transfers out			-		-
Net change in fund balances			-		-
Fund balance					
Beginning of Year			-		-
End of Year			\$ -		\$ -

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

NOTES TO FINANCIAL STATEMENTS

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Charter School No. 4232, also known as Success Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

B. Financial Reporting Entity

Success Academy (the School), is a nonprofit corporation that was formed, and began operating in June 2016. The School is sponsored by Innovative Quality Schools and operates under a contract ends June 30, 2020. The primary objective of Success Academy is to educate students to become environmentally responsible, socially conscious, and scholastically prepared for college and active community life. The governing body consisted of a board of directors composed of the three founding directors, and will expand by the end of the third year to nine members elected at an annual meeting by voters of the general membership of the School to serve three-year terms.

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

Component units are legally separate entities for which the School 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 include 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 component units of the School.

Aside from its authorizer role, Innovative Quality Schools has no authority, control, power, or administrative responsibilities over Success Academy. Therefore, the School is not considered a component unit of Innovative Quality Schools.

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

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation

The School-wide financial statements (i.e. the Statement of Net Position and the 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 items not properly included among program revenues are reported instead as general revenues.

The School applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Generally, the effect of material inter-fund activity has been removed from the School-wide financial statements.

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

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The school-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.

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:

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota Statutes and U.S. generally accepted accounting principles. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Community education tuition and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used.

Description of Funds

As required by state statute, Success Academy operates as a nonprofit corporation under Minnesota Statutes §317A. However, state law also requires that the School comply with Uniform Financial Accounting and Reporting Standards for Minnesota School Districts (UFARS) which mandates the use of a governmental fund accounting structure. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. A description of the School's funds included in this report is as follows:

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Major Governmental Funds

General Fund

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations of the School, as well as the capital related activities such as maintenance of facilities and equipment purchases.

Food Service Special Revenue Fund

The Food Service Fund is used to account for the School's nutrition program offered to students. Primary revenue sources in the Food Service Fund are meal sales and state and federal aids.

E. Income Taxes

The School has is classified as a tax-exempt organization, under Section 501(c) (3) of the Internal Revenue Code and comparable sections of the Minnesota income tax statutes.

F. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with GAAP. Each June, the School Board adopts an annual budget for the following fiscal year for the General Fund, the Food Service, and Community Service.

Special Revenue Funds – Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Executive Director submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board. Individual amendments were not material in relation to the original appropriations.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgeting (Continued)

Budgeted amounts include mid-year budget amendments that decreased revenue and expenditure budgets as follows:

	<u>Original Budget</u>	<u>Amendments</u>	<u>Amended Budget</u>
<u>Revenues</u>			
General Funds	\$ 1,209,902	\$ 274,189	\$ 1,484,091
Special Revenue Funds:			
Food Service Fund	90,720	23,760	114,480
<u>Expenditures</u>			
General Funds	\$ 1,204,064	\$ 151,034	\$ 1,355,098
Special Revenue Funds:			
Food Service Fund	90,720	23,760	114,480

At the end of each fiscal year, if the General Fund has a net unreserved deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota schools which excludes certain reserves specified in Minnesota statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the Commissioner of the Department of Education.

G. Cash and Investments

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

H. Accounts Receivable

Accounts receivable represents amounts due from individuals, firms, and corporations for goods and services furnished by the School. No substantial losses are anticipated from present receivable balances. Therefore, no allowance for uncollectible accounts is deemed necessary.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Expense is allocated over the periods benefitted.

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Accrued Employee Benefits

Unpaid sick and personal leave is not accrued in any funds as these benefits, when vesting is applicable, are paid prior to year-end according to School policy.

K. 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 PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and 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.

L. Fund Balance

In the fund financial statements, governmental funds report non-spendable portions of fund balance related to prepaid items. Unassigned fund balances are considered the remaining amounts in the General Fund. The spending priority for the unrestricted fund balance when an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, committed amounts would be reduced first, followed by assigned and then unassigned amounts.

In accordance with Board policy the School applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted fund balance is available. The spending priority per policy for unrestricted fund balance when an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

The School goal is to maintain a fund balance of 20% of the next year's budgeted general fund expenditures after its fifth year.

M. Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School purchases commercial insurance coverage for such risks. There has been no significant reduction in insurance coverage from the previous year in any of the School's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Net Position

Net position represents the difference between assets and liabilities in the School-wide financial statements. Net position invested in capital assets consists of capital assets, net of accumulation depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the School-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

O. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

NOTE 2 DEPOSITS

The School maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the combined balance sheet as "Cash and Investments." In accordance with applicable Minnesota Statutes the School maintains deposits at financial institutions which are authorized by the School Board.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

The School's deposits in banks at June 30, 2018 in the amount of \$220,723 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota statutes.

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The Academy participates in various pension plans, total pension expense for the year ended June 30, 2018, was \$300,072. The components of pension expense are noted in the following plan summaries.

Teachers' Retirement Association

A. Plan Description

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

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

B. Benefits Provided

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

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

Tier I Benefits

<u>Tier 1</u>	<u>Step Rate Formula</u>	<u>Percentage</u>
Basic	First ten years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First ten years if service years are up to July 1, 2006	1.2% per year
	First ten years if service years are July 1, 2006, or after	1.4% per year
	All other years of service if service years are up to July 1, 2006	1.7% per year
	All other years of service if service years are July 1, 2006, or after	1.9% per year

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- 3% per year early retirement reduction factor for all years under normal retirement age.
- Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

Tier II Benefits

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

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

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death 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.

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

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

C. Contribution Rate

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2016, June 30, 2017, and June 30, 2018, were:

	<u>Employee</u>	<u>Employer</u>
Basic	11.0%	11.5%
Coordinated	7.5%	7.5%

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

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	\$ 367,791
Deduct Employer contributions not related to future contribution efforts	810
Deduct TRA's contributions not included in allocation	<u>(456)</u>
Total employer contributions	368,145
Total non-employer contributions	<u>35,588</u>
Total contributions reported in schedule of employer and non-employer pension allocations	<u><u>\$ 403,733</u></u>

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

C. Contribution Rate (Continued)

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

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation date	July 1, 2017
Experience study	June 5, 2015
	November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	5.12%, from the single equivalent interest rate calculation
Price inflation	2.50%
Wage growth rate	2.85% for ten years and 3.25% thereafter
Projected salary increase	2.85% to 8.85% for ten years and 3.25% to 9.25% thereafter
Cost of living adjustment	2.00%
Mortality Assumption	
Pre-retirement	RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

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

The TRA actuary has determined the average of the expected remaining services lives of all members for fiscal year 2016 is six years. The "Difference Between Expected and Actual Experience", "Changes of Assumptions", and "Changes in Proportion" use the amortization period of 6 years in the schedule presented. The amortization period for "Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments" is over a period of five years as required by GASB 68.

Changes in actuarial assumptions since the 2016 valuation:

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

E. Discount Rate

The discount rate used to measure the total pension liability was 5.12%. This is an increase from the discount rate at the prior measurement date of 4.66%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2017 contribution rate, contributions from 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 projected to be depleted in 2053 and, as a result, the Municipal Bond Index Rate was used in determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return (7.5%) was applied to periods before 2053 and the Municipal Bond Index Rate of 3.56% was applied to periods on and after 2052, resulting in a SEIR of 5.12%. There was a change in the Municipal Bond Index Rate from the prior year measurement date (3.01%).

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 RETIREMENT PLANS (CONTINUED)

F. Net Pension Liability

On June 30, 2018, the School reported a liability of \$1,117,862 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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 its contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. The School's proportionate share was 0.0056% at the end of the measurement period and 0.0011% for the beginning of the year.

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

Academy's proportionate share of net pension liability	\$ 1,117,862
State's proportionate share of the net pension liability associated with the Academy	107,333

For the year ended June 30, 2018, the School recognized pension expense of \$268,626. It recognized \$2,059 as an increase to this pension expense for the support provided by direct aid.

On June 30, 2018, the School had deferred resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 7,826
Net difference between projected and actual earnings on plan investments	-	49,398
Changes of assumptions	116,392	156,595
Changes in proportion	939,828	-
Contributions to TRA subsequent to the measurement date	<u>32,619</u>	<u>-</u>
Total	<u>\$ 1,088,839</u>	<u>\$ 213,819</u>

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

\$32,619 reported as deferred outflows of resources related to pensions resulting from School contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2019	\$ 174,989
2020	174,989
2021	174,991
2022	171,423
2023	<u>146,009</u>
Total	<u><u>\$ 842,401</u></u>

G. Pension Liability Sensitivity

The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 5.12% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower and 1 percent higher than the current rate.

<u>District proportionate share of NPL</u>		
<u>1% decrease (4.12%)</u>	<u>Current (5.12%)</u>	<u>1% increase (6.12%)</u>
\$ 1,475,362	\$ 1,117,862	\$ 816,445

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

H. Pension Plan Fiduciary Net Position

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

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))

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

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. 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 services.

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 1.7% 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.

Benefit recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 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 (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.

C. Contributions

Minnesota Statutes Chapter 353 set the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions (Continued)

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5%, of their annual covered salary in fiscal year 2018. The School was required to contribute 7.5% for Coordinated Plan members in fiscal year 2018. The School's contributions to the General Employees Fund for the year ended June 30, 2018, were \$8,828. The School's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2018, the School reported a liability of \$89,375 for its proportionate share of the General Employees Fund's net pension liability. The School's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the School totaled \$1,097. The net pension liability was measured as of June 30, 2017, 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 PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the School's proportion was 0.0014%, which was an increase of 0.0009% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School recognized pension expense of \$31,446 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the School recognized \$32 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

At June 30, 2018, the School reported its proportionate share of 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 experience	\$ 2,946	\$ 1,618
Net difference between projected and actual earnings on plan investments	-	10,775
Changes of assumptions	5,299	8,960
Changes in proportion	67,763	-
Contributions to PERA subsequent to the measurement date	8,828	-
	<u>8,828</u>	<u>-</u>
Total	<u>\$ 84,836</u>	<u>\$ 21,353</u>

\$8,828 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2019	\$ 22,255
2020	22,254
2021	13,939
2022	<u>(3,793)</u>
Total	<u>\$ 54,655</u>

E. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

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

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

The following changes in actuarial assumptions occurred in 2017:

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

The State Board of Investment, which manages the investments of PERA, 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.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	39%	5.10 %
International stocks	19%	5.30
Bonds	20%	0.75
Alternative assets	20%	5.90
Cash	2%	0.00
	<hr/>	
Total	<u>100%</u>	

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Discount Rates

The discount rate used to measure the total pension liability in 2017 was 7.5%. 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 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.

G. 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	Current Discount Rate	1% Increase in Discount Rate
	6.50%	7.50	8.50%
District's Proportionate Share of the PERA net pension liability	138,627	89,375	49,053

H. Pension Plan Fiduciary Net Position

Detailed information about the General Employees Fund's fiduciary net position is available in a separately-issued PERA financial report that includes the financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 4 COMMITMENTS AND CONTINGENCIES

A. Federal and State Programs

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

B. Operating Lease for Educational Space

The school leased space from Al-Jaziri Institute effective August 1, 2017 through June 30, 2022 for \$7,916.33 monthly for fiscal year 2018.

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Future minimum lease payments are as follows:

<u>Year Ended</u>	<u>Total Payments</u>
30-Jun-19	\$ 156,000
30-Jun-20	168,000
30-Jun-21	180,000
30-Jun-22	192,000
	<u>\$ 696,000</u>

Additional rent payments not included in the above minimum lease payments schedule are also included in the lease for the School's share of operating costs.

The School's ability to make payments under the lease agreement is dependent on its revenues which are, in turn, largely dependent on sufficient enrollment being served at the School and sufficient state aids per student being authorized and received from the State of Minnesota. The School believes that its enrollments and aid entitlements will be sufficient to meet the lease obligations as they become due.

NOTE 5 INTER-FUND TRANSFERS

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 15,444
Special Revenue Funds:		
Food Service Fund	15,444	-
Total	<u>\$ 15,444</u>	<u>\$ 15,444</u>

The School's General Fund transferred a total of \$15,444 to the Food Service Fund to eliminate the fiscal 2018 operating deficit of that fund.

REQUIRED SUPPLEMENTARY INFORMATION

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018**

**Schedule of Academy's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund**

<u>For Plan's Fiscal Year Ended June 30,</u>	<u>Academy's Proportion of the Net Pension Liability (Asset)</u>	<u>Academy's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Academy's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability</u>	<u>Academy's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability</u>	<u>Academy's Covered Payroll</u>	<u>Academy's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2016	0.0005%	\$ 40,598	\$ 523	\$ 41,121	\$ 31,040	130.8%	68.9%
2017	0.0014%	89,375	1,097	90,472	88,080	101.5%	75.9%

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

**Schedule of Academy's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years TRA Retirement Fund**

<u>For Plan's Fiscal Year Ended June 30,</u>	<u>Academy's Proportion of the Net Pension Liability (Asset)</u>	<u>Academy's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Academy's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability</u>	<u>Academy's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability</u>	<u>Academy's Covered Payroll</u>	<u>Academy's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2016	0.0011%	\$ 262,376	\$ 26,109	\$ 288,485	\$ 59,080	444.1%	44.9%
2017	0.0056%	1,117,862	107,333	1,225,195	302,587	369.4%	51.6%

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

**SUCCESS ACADEMY
CHARTER SCHOOL NO. 4232
SCHEDULE OF SCHOOL CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018**

**Schedule of Academy Contributions
General Employees Retirement Fund
Last Ten Years**

<u>Fiscal Year Ending June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Academy's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2016	\$ 2,328	\$ 2,328	\$ -	\$ 31,040	7.50%
2017	6,606	6,606	-	88,080	7.50%
2018	8,828	8,828	-	117,707	7.50%

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

**Schedule of Academy Contributions
TRA Retirement Fund
Last Ten Years**

<u>Fiscal Year Ending June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Academy's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2016	\$ 4,431	\$ 4,431	\$ -	\$ 59,080	7.50%
2017	22,694	22,694	-	302,587	7.50%
2018	32,619	32,619	-	434,920	7.50%

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

SUPPLEMENTARY INFORMATION

**SUCCESS ACADEMY
UNIFORM FINANCIAL ACCOUNTING AND REPORTING
STANDARDS COMPLIANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2018**

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				02 FOOD SERVICE			
Total Revenue	\$ 1,541,493	\$ 1,541,493	\$ -	Total Revenue	\$ 59,315	\$ 59,315	\$ -
Total Expenditures	\$ 1,350,492	\$ 1,350,492	\$ -	Total Expenditures	\$ 74,759	\$ 74,759	\$ -
Non Spendable:				Non Spendable:			
4.60 Non Spendable Fund Balance	\$ 47,370	\$ 47,370	\$ -	4.60 Non Spendable Fund Balance	\$ -	\$ -	\$ -
Restricted / Reserved:				Restricted / Reserved:			
4.03 Staff Development	\$ -	\$ -	\$ -	4.52 OPEB Liab Not In Trust	\$ -	\$ -	\$ -
4.05 Deferred Maintenance	\$ -	\$ -	\$ -	Restricted:			
4.06 Health and Safety	\$ -	\$ -	\$ -	4.64 Restricted Fund Balance	\$ -	\$ -	\$ -
4.07 Capital Projects Levy	\$ -	\$ -	\$ -	Unassigned:			
4.08 Cooperative Revenue	\$ -	\$ -	\$ -	4.63 Unassigned Fund Balance	\$ -	\$ -	\$ -
4.09 Alternative Facility Program	\$ -	\$ -	\$ -				
4.13 Project Funded by COP	\$ -	\$ -	\$ -				
4.14 Operating Debt	\$ -	\$ -	\$ -				
4.16 Levy Reduction	\$ -	\$ -	\$ -				
4.17 Taconite Building Maint	\$ -	\$ -	\$ -				
4.23 Certain Teacher Programs	\$ -	\$ -	\$ -				
4.24 Operating Capital	\$ -	\$ -	\$ -				
4.26 \$25 Taconite	\$ -	\$ -	\$ -				
4.27 Disabled Accessibility	\$ -	\$ -	\$ -				
4.28 Learning & Development	\$ -	\$ -	\$ -				
4.34 Area Learning Center	\$ -	\$ -	\$ -				
4.35 Contracted Alt. Programs	\$ -	\$ -	\$ -				
4.36 State Approved Alt. Program	\$ -	\$ -	\$ -				
4.38 Gifted & Talented	\$ -	\$ -	\$ -				
4.40 Teacher Development and Evaluation	\$ -	\$ -	\$ -				
4.41 Basic Skills Programs	\$ -	\$ -	\$ -				
4.45 Career Tech Programs	\$ -	\$ -	\$ -				
4.48 Achievement and Integration	\$ -	\$ -	\$ -				
4.49 Safe School Crime - Crime Levy	\$ -	\$ -	\$ -				
4.50 Pre-Kindergarten	\$ -	\$ -	\$ -				
4.51 QZAB Payments	\$ -	\$ -	\$ -				
4.52 OPEB Liab Not In Trust	\$ -	\$ -	\$ -				
4.53 Unfunded Sev & Retirement Levy	\$ -	\$ -	\$ -				
4.72 Medical Assistance	\$ -	\$ -	\$ -				
Retricted:							
4.64 Restricted Fund Balance	\$ -	\$ -	\$ -				
Committed:							
4.18 Committed for Separation	\$ -	\$ -	\$ -				
4.61 Committed Fund Balance	\$ -	\$ -	\$ -				
Assigned:							
4.62 Assigned Fund Balance	\$ -	\$ -	\$ -				
Unassigned:							
4.22 Unassigned Fund Balance	\$ 247,836	\$ 247,836	\$ -				

OTHER REQUIRED REPORTS

**CHUCK RINKEY, LTD.
CERTIFIED PUBLIC ACCOUNTANT**

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**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 Members of the Board of Education
Success Academy
Minneapolis, Minnesota

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Success Academy's basic financial statements, and have issued our report thereon dated December 17, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Success 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 Success Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Success Academy's internal control.

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

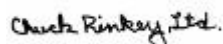
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Chuck Rinkey, Ltd.
Minneapolis, MN

December 17, 2018

CHUCK RINKEY, LTD.

CERTIFIED PUBLIC ACCOUNTANT

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REPORT ON COMPLIANCE WITH MINNESOTA LAWS AND REGULATIONS

Members of the School Board
Success Academy
Minneapolis, Minnesota

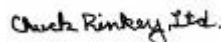
I have audited the financial statements of the governmental activities and each major fund of Success Academy, as of and for the year ended June 30, 2018, which collectively comprise the School's basic financial statements and have issued my report thereon dated December 17, 2018.

I conducted my audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat 6.65. Accordingly, the audit included such tests of the accounting records and such auditing procedures I considered necessary in the circumstances.

The Minnesota Legal Compliance Audit Guide for Political Subdivisions promulgated by the State Auditor pursuant to Minn. Stat. 6.65 identifies two main categories of compliance to be tested: uniform financial accounting and reporting standards, and charter schools. My study included both of the listed categories.

The results of my tests indicate that, with respect to the items tested, the School complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings.

This report is intended solely for the information and use of the Board, management of the School, and the state of Minnesota and is not intended to be and should not be used by anyone other than these specified parties.



Chuck Rinkey, Ltd.
Minneapolis, MN

December 17, 2018