

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2017

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2017**

INTRODUCTORY SECTION

SCHOOL BOARD AND ADMINISTRATION	1
---------------------------------	---

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	2
------------------------------	---

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS	5
--------------------------------------	---

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION	15
---------------------------	----

STATEMENT OF ACTIVITIES	16
-------------------------	----

BALANCE SHEET – GOVERNMENTAL FUNDS	17
------------------------------------	----

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	18
--	----

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS	19
---	----

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES	20
---	----

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	21
---	----

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – MAJOR FOOD SERVICE FUND	22
--	----

NOTES TO BASIC FINANCIAL STATEMENTS	23
-------------------------------------	----

REQUIRED SUPPLEMENTARY INFORMATION

TRA SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	44
--	----

TRA SCHEDULE OF SCHOOL CONTRIBUTIONS	45
--------------------------------------	----

GERF SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	46
---	----

GERF SCHEDULE OF SCHOOL CONTRIBUTIONS	47
---------------------------------------	----

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
TABLE OF CONTENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

SUPPLEMENTARY INFORMATION

GENERAL FUND

BALANCE SHEET 48

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND
BALANCE – BUDGET AND ACTUAL 49

UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE 51

OTHER REQUIRED REPORTS

INDEPENDENT AUDITORS' 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 52

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE 54

INTRODUCTORY SECTION

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2017**

SCHOOL BOARD

<u>NAME</u>	<u>TERM ON BOARD EXPIRES</u>	<u>BOARD POSITION</u>
Wayne Jennings	10/31/2018	Board Chair
Andreas Jurewitsch	10/31/2017	Teacher Member
Antisar Vickers	10/31/2016	Parent Member
Cailin Rogers	10/31/2017	Community Member
Lori Crever	10/31/2018	Community Member
Natasha Harwell	10/31/2018	Parent Member
Val Honey	10/31/2017	Teacher Member
R'elle Robinson	10/31/2017	Student Member
Bill Zimniewicz		Ex-Officio Member

ADMINISTRATION

Bill Zimniewicz	Administrator
Designs for Learning	Contracted Business Services

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Members of the Board of Education
Charter School No. 4031
Jennings Community School
Saint Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of Jennings Community School as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Jennings Community 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.

Auditors' 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 auditors' 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Jennings Community School as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for 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 Prior Year Information

We have previously audited Jennings Community School's 2016 financial statements of the governmental activities and each major fund, and we expressed an unmodified opinion on those audited financial statements in our report dated November 1, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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, TRA Schedule of the School's Proportionate Share of the Net Pension Liability, TRA Schedule of School Contributions, PERA Schedule of the School's Proportionate Share of the Net Pension Liability, and PERA Schedule of School Contributions 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jennings Community School's basic financial statements. The individual fund statements and the accompanying Uniform Financial Accounting and Reporting Standards Compliance Table as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Supplementary Information (Continued)

The individual fund statements and the accompanying 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 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 financial statements or to the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2017, on our consideration of Jennings Community School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Jennings Community School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jennings Community School's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 30, 2017

REQUIRED SUPPLEMENTARY INFORMATION

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

This section of Jennings Community School – Charter School No. 4031's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the School's financial statements, which immediately follows this section. Certain comparative information between the current year (2016-2017) and the prior year (2015-2016) is required to be presented in the Management's Discussion and Analysis.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2016-2017 fiscal year include the following:

- Net position was a deficit of \$362,303 at June 30, 2017.
- Total General Fund revenues were \$1,161,295 as compared to \$1,056,365 of expenditures.
- The total of unrestricted net position of the School as a whole is a deficit of \$391,938, a decrease of \$128,020 from the prior year which is primarily due to the operating results of the General Fund and the GASB standard related to the recording of statewide pension plan liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *School-wide financial statements* that provide both *short-term* and *long-term* information about the School's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School, reporting the School's operations in *more detail* than the School-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data.

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

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, pension deferred outflows, liabilities, and pension 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 they have changed. Net position – the difference between the School's assets, pension deferred outflows, liabilities, and pension-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 is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the condition of school building and other facilities.

In the School-wide financial statements the School's activities are shown in one category:

- *Governmental Activities* – Most of the School's basic services are included here, such as regular and special education, administration, and transportation. State and federal aids finance most of these activities.

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:

- Some funds are required by State law and by debt covenants.
- The School can establish other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The School has one fund type:

- *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 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 funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer 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 School-wide statements, we provide additional information after the governmental fund statements that explain the relationship (or differences) between them.

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's *combined* net position was a deficit of \$362,303 on June 30, 2017 (see Table A-1).

**Table A-1
The School's Net Position**

	Governmental Activities as of June 30,		Percentage Change
	2017	2016	
Current and Other Assets	\$ 272,094	\$ 176,431	54.22 %
Capital Assets	29,635	34,845	(14.95)
Total Assets	<u>301,729</u>	<u>211,276</u>	42.81
Deferred Outflows of Resources	1,122,693	156,421	617.74
Current Liabilities	47,588	51,241	(7.13)
Long-Term Liabilities	1,702,652	493,037	245.34
Total Liabilities	<u>1,750,240</u>	<u>544,278</u>	221.57
Deferred Inflows of Resources	<u>36,485</u>	<u>52,492</u>	(30.49)
Net Position:			
Net Investment in Capital Assets	29,635	34,845	(14.95)
Unrestricted	<u>(391,938)</u>	<u>(263,918)</u>	48.51
Total Net Position	<u>\$ (362,303)</u>	<u>\$ (229,073)</u>	58.16

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Changes in Net Position

The School's total revenue was \$1,208,275 for the year ended June 30, 2017. State formula aid accounted for 75% of total revenue for the year (see Figure A-1). Another 22% came from other operating grants and the remainder from program revenues and fees for service.

**Table A-2
Change in Net Position**

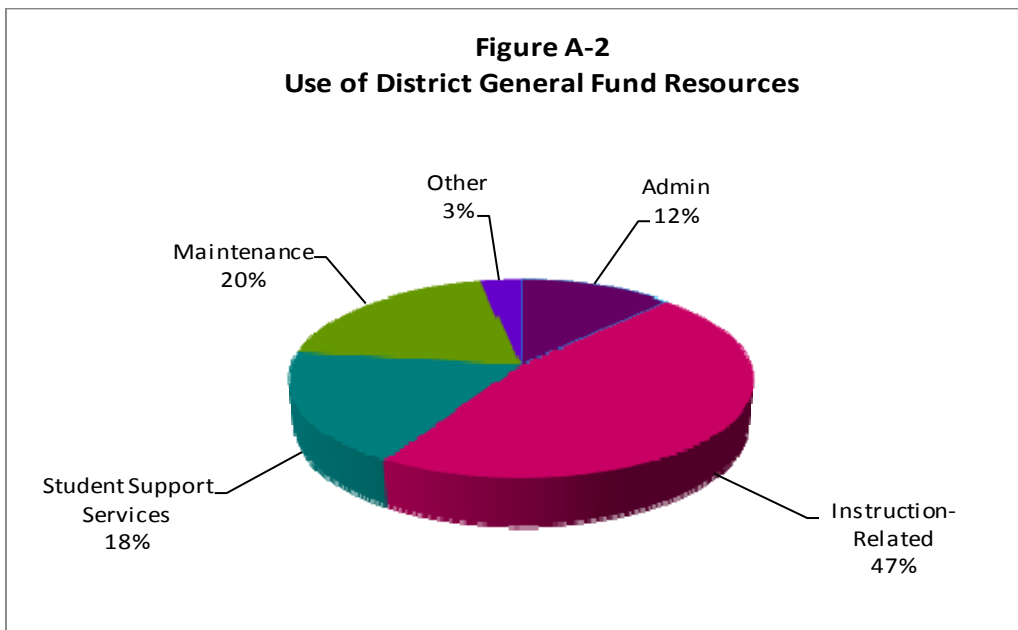
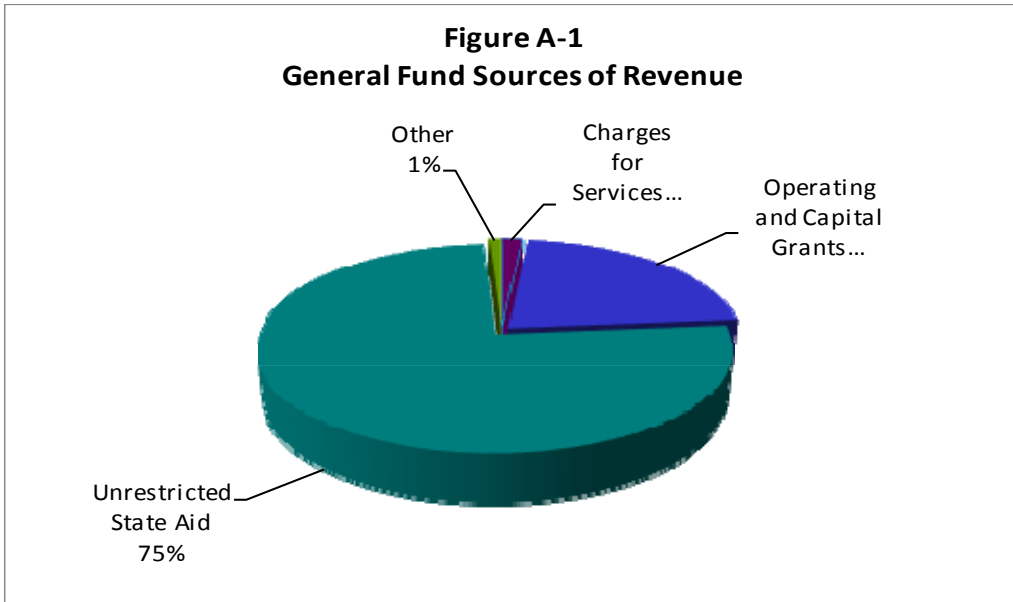
	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2017	2016	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 19,365	\$ -	- %
Operating Grants and Contributions	265,957	257,683	3.21
<u>General Revenues</u>			
Unrestricted State Aid	911,280	753,990	20.86
Investment Earnings	-	6	(100.00)
Other	11,673	4,463	161.55
Total Revenues	<u>1,208,275</u>	<u>1,016,142</u>	18.91
Expenses			
Administration	195,897	134,793	45.33
District Support Services	155,537	165,985	(6.29)
Regular Instruction	557,305	398,555	39.83
Special Education Instruction	119,129	100,068	19.05
Instructional Support Services	13,251	8,472	56.41
Pupil Support Services	36,045	31,353	14.97
Sites and Buildings	208,915	218,224	(4.27)
Fiscal and Other Fixed Cost Programs	19,636	21,357	(8.06)
Food Service	35,790	29,956	19.48
Total Expenses	<u>1,341,505</u>	<u>1,108,763</u>	20.99
Change in Net Position	(133,230)	(92,621)	
Beginning Net Position	(229,073)	(136,452)	
Ending Net Position	<u>\$ (362,303)</u>	<u>\$ (229,073)</u>	

The total cost of all programs and services was \$1,341,505. Total expenditures were greater than revenues, which decreased net position by \$133,230 from last year.

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

The cost of all *governmental* activities this year was \$1,341,505.

- Most of the cost for the governmental activities was covered by unrestricted state aid (\$911,280).
- The federal and state governments subsidized certain programs with grants and contributions (\$265,957).



**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

**Table A-3
Program Expenses and Net Cost of Services**

	<u>Total Cost of Services</u>		Percentage Change	<u>Net Cost of Services</u>		Percentage Change
	2017	2016		2017	2016	
Administration	\$ 195,897	\$ 134,793	45.33 %	\$ 193,441	\$ 134,793	43.51 %
District Support Services	155,537	165,985	(6.29)	155,537	165,985	(6.29)
Regular Instruction	557,305	398,555	39.83	539,376	398,555	35.33
Special Education Instruction	119,129	100,068	19.05	19,816	(26,416)	(175.02)
Instructional Support Services	13,251	8,472	56.41	13,251	8,472	56.41
Pupil Support Services	36,045	31,353	14.97	36,045	31,353	14.97
Sites and Buildings	208,915	218,224	(4.27)	69,710	109,383	(36.27)
Fiscal and Other Fixed Cost Programs	19,636	21,357	(8.06)	19,636	21,357	(8.06)
Food Service	35,790	29,956	19.48	9,371	7,598	23.34
Total	<u>\$ 1,341,505</u>	<u>\$ 1,108,763</u>	20.99	<u>\$ 1,056,183</u>	<u>\$ 851,080</u>	24.10

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The financial performance of the School as a whole is reflected in its General Fund. As the School completed the year, its General Fund reported a *combined* fund balance of \$233,803, which is \$95,559 greater than last year's ending fund balance of \$138,244.

Revenues for the School's governmental funds were \$1,187,714 while total expenditures were \$1,092,155.

GENERAL FUND

The General Fund includes the primary operations of the School in providing educational services to students from grades seven through twelve including pupil transportation activities and capital outlay projects.

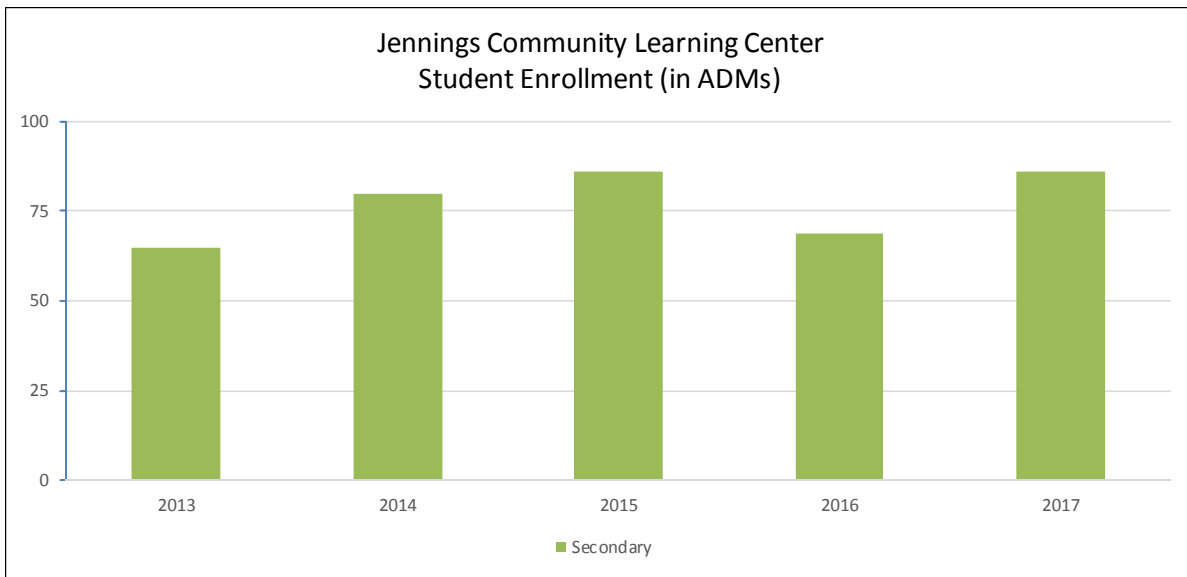
A significant portion of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board not having meaningful authority to determine the level of resources.

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

ENROLLMENT

Enrollment is a critical factor in determining revenue with approximately 90% of General Fund revenue being determined by enrollment. The following chart details enrollment over the past five years. Enrollment increased during the 2016–2017 school year due to changes in the School's long-term enrollment and retention strategies. Enrollment is expected to continue to increase for 2017-2018.

**Table A-4
Five-Year Enrollment Trend
Average Daily Membership (ADM)**



**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

The following schedule presents a summary of General Fund Revenues.

**Table A-5
General Fund Revenues**

	Year Ended		Change	
	June 30, 2017	June 30, 2016	Increase (Decrease)	Percent Change
Local Sources:				
Earnings on Investments	\$ -	\$ 6	\$ (6)	(100.0)%
Other	14,179	4,463	9,716	217.7
State Sources	1,114,765	935,340	179,425	19.2
Federal Sources	32,351	44,177	(11,826)	(26.8)
Total General Fund Revenue	<u>\$ 1,161,295</u>	<u>\$ 983,986</u>	<u>\$ 177,309</u>	18.0

Total General Fund revenue increased over the prior year by \$177,309, predominantly due to an increase in student enrollment. Basic general education revenue is determined by multiple state formulas that are largely enrollment driven. For Minnesota charter schools, the majority of all funding is made up of general education aid, special education aid, and charter school lease aid. Other revenue consists of federal and private grant funding that is often expenditure driven.

The following schedule presents a summary of General Fund Expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Change	
	June 30, 2017	June 30, 2016	Increase (Decrease)	Percent Change
Salaries	\$ 405,942	\$ 405,349	\$ 593	0.1 %
Employeed Benefits	132,598	138,876	(6,278)	(4.5)
Purchased Services	432,400	430,088	2,312	0.5
Supplies and Materials	43,472	34,755	8,717	25.1
Capital Expenditures	15,073	18,911	(3,838)	(20.3)
Other Expenditures	26,880	20,338	6,542	32.2
Total General Fund Expenditures	<u>\$ 1,056,365</u>	<u>\$ 1,048,317</u>	<u>\$ 8,048</u>	0.8

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Total General Fund expenditures increased \$8,048 or 0.8% from the previous year. Expenditures increased in most categories due to the increase in enrollment.

In fiscal year 2017, General Fund revenues were more than expenditures and other financing uses by \$95,559.

Ending fund balance is the single best measure of overall financial health. The fund balance of the General Fund at June 30, 2017 is \$233,803 or 22.1% of annual expenditures.

General Fund Budgetary Highlights

Following approval of the budget prior to the beginning of the fiscal year, the School revises the annual operating budget in mid-year. These budget amendments typically fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over, and budgeting for clearing.
- Legislation passes subsequent to budget adoption, changes necessitated by collective bargaining agreements, and increases in appropriations for significant unbudgeted costs.

Actual General Fund revenues were \$7,907 lower than expected, or a 0.7% variance.

The actual General Fund expenditures were \$29,647 lower than budget, or a 2.7% variance.

OTHER MAJOR FUNDS

Expenditures exceeded revenue in the Food Service Fund by \$9,371. A transfer from the General Fund eliminated this deficit.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2017, the School had invested \$180,865 in its capital assets, including computer and audio-visual equipment, and transportation vehicles (see Table A-7). (More detailed information about capital assets can be found in Note 5 to the financial statements.) Depreciation expense for the year was \$17,777.

**Table A-7
The School's Capital Assets**

	2017	2016	Percentage Change
Equipment	\$ 180,865	\$ 180,118	0.4 %
Less: Accumulated Depreciation	(151,230)	(145,273)	4.1
Total District Capital Assets	\$ 29,635	\$ 34,845	(15.0)

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Long-Term Liabilities

At year-end, the School had \$9,297 in compensated absences payable outstanding.

**Table A-8
The School's Long-Term Liabilities**

	2017	2016	Percentage Change
Compensated Absences Payable	\$ 9,297	\$ 13,054	(28.8)%
Pension Benefits Payable	1,702,652	493,037	245.3
Total Long-Term Liabilities	<u>\$ 1,711,949</u>	<u>\$ 506,091</u>	238.3
Long-Term Liabilities:			
Due Within One Year	\$ 9,297	\$ 13,054	
Due in More Than One Year	1,702,652	493,037	
Total	<u>\$ 1,711,949</u>	<u>\$ 506,091</u>	

FACTORS BEARING ON THE SCHOOL'S FUTURE

The School is dependent on the state of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

The School will strive to maintain its commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

The School has continued to contain costs while enhancing its educational program.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and 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 Bill Zimmewicz, Jennings Community Learning Center No. 4031, 2455 University Ave W, St. Paul, MN 55114.

BASIC FINANCIAL STATEMENTS

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
STATEMENT OF NET POSITION
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)**

	Governmental Activities	
	2017	2016
ASSETS		
Cash and Investments	\$ 161,282	\$ 164,909
Receivables:		
Other Governments	103,344	8,683
Other	-	134
Prepaid Items	7,468	2,705
Other Capital Assets, Net of Depreciation	29,635	34,845
Total Assets	301,729	211,276
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pensions	1,122,693	156,421
LIABILITIES		
Salaries Payable	23,772	24,137
Accounts and Contracts Payable	14,519	8,874
Due to Other Governmental Units	-	5,176
Long-Term Liabilities:		
Net Pension Liability	1,702,652	493,037
Other Long-Term Liabilities Due Within One Year	9,297	13,054
Total Liabilities	1,750,240	544,278
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pensions	36,485	52,492
NET POSITION		
Investment in Capital Assets	29,635	34,845
Unrestricted	(391,938)	(263,918)
Total Net Position	\$ (362,303)	\$ (229,073)

See accompanying Notes to Basic Financial Statements.

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

Functions	2017			2016	
	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position	Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities	Total Governmental Activities
Governmental Activities					
Administration	\$ 195,897	\$ -	\$ 2,456	\$ (193,441)	\$ (134,793)
District Support Services	155,537	-	-	(155,537)	(165,985)
Regular Instruction	557,305	-	17,929	(539,376)	(398,555)
Special Education Instruction	119,129	-	99,313	(19,816)	26,416
Instructional Support Services	13,251	-	-	(13,251)	(8,472)
Pupil Support Services	36,045	-	-	(36,045)	(31,353)
Sites and Buildings	208,915	-	139,205	(69,710)	(109,383)
Fiscal and Other Fixed Cost Programs	19,636	-	-	(19,636)	(21,357)
Food Service	35,790	19,365	7,054	(9,371)	(7,598)
Total School District	<u>\$ 1,341,505</u>	<u>\$ 19,365</u>	<u>\$ 265,957</u>	(1,056,183)	(851,080)
General Revenues					
State Aid Not Restricted to Specific Purposes				911,280	753,990
Earnings on Investments				-	6
Miscellaneous				14,179	4,463
Gain (Loss) on Sale of Capital Assets				(2,506)	-
Total General Revenues				<u>922,953</u>	<u>758,459</u>
Change in Net Position				(133,230)	(92,621)
Net Position - Beginning				<u>(229,073)</u>	<u>(136,452)</u>
Net Position - Ending				<u>\$ (362,303)</u>	<u>\$ (229,073)</u>

See accompanying Notes to Basic Financial Statements.

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)**

	Major Funds		Total Governmental Funds	
	General	Food Service	2017	2016
ASSETS				
Cash and Investments	\$ 161,282	\$ -	\$ 161,282	\$ 164,909
Receivables:				
Due from Minnesota Department of Education	88,515	75	88,590	100
Due from Federal through Minnesota Department of Education	12,121	2,633	14,754	8,583
Due from Other Funds	2,819	-	2,819	2,629
Other Receivables	-	-	-	134
Prepays	7,357	111	7,468	2,705
Total Assets	<u>\$ 272,094</u>	<u>\$ 2,819</u>	<u>\$ 274,913</u>	<u>\$ 179,060</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Salaries Payable	\$ 20,793	\$ -	\$ 20,793	\$ 21,156
Payroll Deductions and Employer Contributions Payable	2,979	-	2,979	2,981
Accounts and Contracts Payable	14,519	-	14,519	8,874
Due to Other Governmental Units	-	-	-	5,176
Due to Other Funds	-	2,819	2,819	2,629
Total Liabilities	<u>38,291</u>	<u>2,819</u>	<u>41,110</u>	<u>40,816</u>
Fund Balance:				
Nonspendable:				
Prepays	7,357	-	7,357	2,595
Unassigned	226,446	-	226,446	135,649
Total Fund Balance	<u>233,803</u>	<u>-</u>	<u>233,803</u>	<u>138,244</u>
Total Liabilities and Fund Balance	<u>\$ 272,094</u>	<u>\$ 2,819</u>	<u>\$ 274,913</u>	<u>\$ 179,060</u>

See accompanying Notes to Basic Financial Statements.

**JENNINGS COMMUNITY SCHOOL
 CHARTER SCHOOL NO. 4031
 RECONCILIATION OF THE BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 GOVERNMENTAL FUNDS
 JUNE 30, 2017
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)**

	2017	2016
Total Fund Balance for Governmental Funds	\$ 233,803	\$ 138,244

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Equipment, Net of Accumulated Depreciation	29,635	34,845
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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:

Net Pension Liability	(1,702,652)	(493,037)
Deferred Inflows of Resources - Pensions	(36,485)	(52,492)
Deferred Outflows of Resources - Pensions	1,122,693	156,421

Long-term liabilities that pertain to governmental funds are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:

Compensated Absences Payable	(9,297)	(13,054)
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Total Net Position of Governmental Activities	\$ (362,303)	\$ (229,073)
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**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

	Major Funds		Total Governmental Funds	
	General	Food Service	2017	2016
REVENUES				
Local Sources:				
Earnings and Investments	\$ -	\$ -	\$ -	\$ 6
Other	14,179	74	14,253	4,678
State Sources	1,114,765	635	1,115,400	936,129
Federal Sources	32,351	25,710	58,061	65,531
Total Revenues	<u>1,161,295</u>	<u>26,419</u>	<u>1,187,714</u>	<u>1,006,344</u>
EXPENDITURES				
Current:				
Administration	129,713	-	129,713	130,115
District Support Services	156,109	-	156,109	164,042
Elementary and Secondary Regular Instruction	390,979	-	390,979	375,857
Special Education Instruction	99,942	-	99,942	94,794
Instructional Support Services	6,773	-	6,773	8,454
Pupil Support Services	31,645	-	31,645	26,861
Sites and Buildings	206,495	-	206,495	207,926
Fiscal and Other Fixed Cost Programs	19,636	-	19,636	21,357
Food Service	-	35,790	35,790	29,956
Capital Outlay	15,073	-	15,073	18,911
Total Expenditures	<u>1,056,365</u>	<u>35,790</u>	<u>1,092,155</u>	<u>1,078,273</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	104,930	(9,371)	95,559	(71,929)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	9,371	9,371	7,598
Transfers Out	(9,371)	-	(9,371)	(7,598)
Total Other Financing Sources (Uses)	<u>(9,371)</u>	<u>9,371</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	95,559	-	95,559	(71,929)
FUND BALANCES				
Beginning of Year	138,244	-	138,244	210,173
End of Year	<u>\$ 233,803</u>	<u>\$ -</u>	<u>\$ 233,803</u>	<u>\$ 138,244</u>

See accompanying Notes to Basic Financial Statements.

**JENNINGS COMMUNITY SCHOOL
 CHARTER SCHOOL NO. 4031
 RECONCILIATION OF THE STATEMENT OF
 REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
 GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2017
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

	2017	2016
Net Change in Fund Balance - Total Governmental Funds	\$ 95,559	\$ (71,929)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period is:

Capital Outlays	15,073	17,368
Gain (Loss) on Disposal of Capital Assets	(2,506)	-
Depreciation Expense	(17,777)	(21,298)

Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.	(227,336)	(17,416)
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In the statement of activities, certain operating expenses - severance benefits and compensated absences - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amounts actually paid).	3,757	654
Total	\$ (133,230)	\$ (92,621)

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Earnings and Investments	\$ -	\$ 1	\$ -	\$ (1)
Other	4,000	13,300	14,179	879
State Sources	1,129,000	1,113,421	1,114,765	1,344
Federal Sources	39,400	42,480	32,351	(10,129)
Total Revenues	<u>1,172,400</u>	<u>1,169,202</u>	<u>1,161,295</u>	<u>(7,907)</u>
EXPENDITURES				
Current:				
Administration	119,655	130,502	129,713	(789)
District Support Services	182,205	166,613	156,109	(10,504)
Elementary and Secondary Regular Instruction	376,000	411,987	390,979	(21,008)
Special Education Instruction	148,015	101,925	99,942	(1,983)
Instructional Support Services	14,550	5,300	6,773	1,473
Pupil Support Services	30,770	31,705	31,645	(60)
Sites and Buildings	217,450	209,930	206,495	(3,435)
Fiscal and Other Fixed Cost Programs	22,500	22,500	19,636	(2,864)
Capital Outlay	10,500	5,550	15,073	9,523
Total Expenditures	<u>1,121,645</u>	<u>1,086,012</u>	<u>1,056,365</u>	<u>(29,647)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	50,755	83,190	104,930	21,740
OTHER FINANCING USES				
Transfers Out	<u>(1,815)</u>	<u>(10,050)</u>	<u>(9,371)</u>	<u>679</u>
NET CHANGE IN FUND BALANCE	<u>\$ 48,940</u>	<u>\$ 73,140</u>	95,559	<u>\$ 22,419</u>
FUND BALANCE				
Beginning of Year			<u>138,244</u>	
End of Year			<u>\$ 233,803</u>	

See accompanying Notes to Basic Financial Statements.

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	\$ 350	\$ 350	\$ 74	\$ (276)
State Sources	1,150	640	635	(5)
Federal Sources	30,400	22,400	25,710	3,310
Total Revenues	<u>31,900</u>	<u>23,390</u>	<u>26,419</u>	<u>3,029</u>
EXPENDITURES				
Current:				
Food Service	<u>33,715</u>	<u>33,190</u>	<u>35,790</u>	<u>2,600</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(1,815)	(9,800)	(9,371)	429
OTHER FINANCING SOURCES				
Transfers In	<u>1,815</u>	<u>10,050</u>	<u>9,371</u>	<u>(679)</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ -</u>	<u>\$ 250</u>	-	<u>\$ (250)</u>
FUND BALANCE				
Beginning of Year			<u>-</u>	
End of Year			<u>\$ -</u>	

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Jennings Community School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Financial Reporting Entity

Charter School No. 4031, also known as Jennings Community Learning Center (the School), is a nonprofit corporation that was formed, and began operating in July 1998. Beginning July 1, 2011, the School is authorized by Pillsbury United Communities under a four-year authorizer contract extending through June 30, 2018. The primary objective of Jennings Community Learning Center is to integrate liberal arts learning with industry-recognized certification of technology skills to prepare students for success in work life, family life, and life-long learning. The governing body consists of a board of directors composed of not less than three, but not exceeding ten members elected at an annual meeting by voters of the general membership of the School to serve two-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 organizations considered to be component units of the School.

Aside from its authorizer role, Pillsbury United Communities has no authority, control, power, or administrative responsibilities over Jennings Community School. Therefore, the School is not considered a component unit of any other entity.

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial Reporting Entity (Continued)

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 basic financial statements as part of the General Fund.

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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 a purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Generally, the effect of material interfund activity has been removed from the School-wide financial statements.

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

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, as are proprietary fund and fiduciary fund financial statements. 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 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 accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Other miscellaneous revenue (except investment earnings) is 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, the School 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.

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued)

A description of the School's funds included in this report is as follows:

Major Governmental Fund

General Fund

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

Special Revenue Fund

The special revenue fund is used to account for the proceeds of certain specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The School maintains the following special revenue fund:

Food Service Fund – Accounts for the School's food service program. Primary revenue sources in the Food Service Fund are meal sales and state and federal aids. The Food Service Fund also receives funds via a permanent transfer from the General Fund.

E. Income Taxes

□ → □ School 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 accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General and Food Service 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 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.

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.

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgeting (Continued)

Budgeted amounts include a mid-year budget amendment that changed revenue and expenditure budgets as follows:

	Original Budget	Amendments	Amended Budget
<u>Revenues</u>			
General Fund	\$ 1,172,400	\$ (3,198)	\$ 1,169,202
Special Revenue Funds:			
Food Service Fund	31,900	(8,510)	23,390
<u>Expenditures</u>			
General Fund	\$ 1,121,645	\$ (35,633)	\$ 1,086,012
Special Revenue Funds:			
Food Service Fund	33,715	(525)	33,190

At the end of each fiscal year, if the General Fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota schools which excludes certain restricted balances 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

Represents amounts receivable 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.

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School has one item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financials statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has one item that qualifies for reporting in this category.

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The School maintains a threshold level of \$500 or more for capitalizing capital assets. 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 School-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 surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the School, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 3 to 10 years for equipment.

The School does not possess any material amounts of infrastructure capital assets.

L. Accrued Employee Benefits

Unpaid Personal Leave

Paid-time-off (PTO) benefits that have been earned but not taken are recorded as Compensated Absences Payable. One employee of the School qualifies for the carryover of such leave. The expenditure is recorded in the General Fund when the benefit is utilized.

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. 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.

TRA has a special funding situation created by direct aid contributions made by the state of Minnesota, City of Minneapolis, and Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the state of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 8.

N. Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The Board of Education chose not to pass a resolution authorizing anyone to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts in the General Fund.

Although the School Board has not adopted a spending prioritization policy for restricted fund balance, the School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted fund balance is available. The default spending priority per GASB Statement No. 54 for unrestricted fund balance is 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.

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; injuries to employees; workers compensation 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.

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position

Net position represents the difference between assets and liabilities in the School-wide financial statements. Investments in capital assets consist of capital assets, net of accumulation depreciation. 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.

Q. Summarized Comparative Data

The basic financial statements include certain prior period year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

Actual expenditures exceeded the budgeted amounts at June 30, 2017 as follows:

	Budget	Expenditures	Excess
Special Revenue Funds:			
Food Service Fund	\$ 33,190	\$ 35,790	\$ 2,600

The overages were considered by School management to be the result of necessary expenditures critical to operations and were approved by the Board.

NOTE 3 DEPOSITS

The School maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Investments." In accordance with 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.

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DEPOSITS (CONTINUED)

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 depository.

The School's deposits in banks at June 30, 2017 in the amount of \$176,773 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

NOTE 4 INTERFUND BALANCES

At June 30, 2017, the following were the interfund balances:

	Due from Other Fund	Due to Other Fund
General Fund	\$ 2,819	\$ -
Special Revenue Funds:		
Food Service Fund	-	2,819
Total	\$ 2,819	\$ 2,819

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Being Depreciated:				
Furniture and Equipment	\$ 180,118	\$ 15,073	\$ (14,326)	\$ 180,865
Accumulated Depreciation for:				
Furniture and Equipment	(145,273)	(17,777)	11,820	(151,230)
Governmental Activities Capital Assets, Net	\$ 34,845	\$ (2,704)	\$ (2,506)	\$ 29,635

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the School as follows:

Governmental Activities	
Administrative Services	\$ 334
District Support Services	907
Regular Instruction	3,034
Special Education Instruction	112
Instructional Support Services	6,478
Pupil Support Services	4,492
Sites and Buildings	2,420
Total Depreciation Expense, Governmental Activities	<u>\$ 17,777</u>

NOTE 6 SHORT-TERM DEBT

The School entered into a \$65,000 line of credit agreement in February 2015. The line of credit agreement is at an interest rate of prime plus 2% and matured October 31, 2015 and was renewed each following year. The line matures October 29, 2017. The line of credit was secured by all business assets of the School. No amounts were borrowed under the terms of this agreement during fiscal year 2017. Subsequent to the maturity date, the line of credit has not been renewed.

NOTE 7 TRANSFERS

The School's Food Service Fund incurred an operating deficit of \$9,371 that was eliminated through a transfer from the General Fund at June 30, 2017. Under state accounting guidelines the School is required to eliminate such a deficit either through operations or through a fund balance transfer from the General Fund during the next fiscal year.

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 DEFINED BENEFIT PENSION PLAN

Substantially all employees of the Jennings Community School are required by state law to belong to pension plans administered by Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follow:

A. Plan Description

The School participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and Teachers Retirement Fund (TRA). PERA's and TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes. PERA's and TRA's defined benefit pension plans are tax-qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund)) (GERF)

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 Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Teachers Retirement Fund (TRA)

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 schools, charter schools, and certain educational institutions maintained by the state (except those teachers employed by the city of 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.

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided

PERA and TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statute 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% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

TRA: Postretirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0%. After the TRA funded ratio exceeds 90% for two consecutive years, the annual postretirement benefit will increase to 2.5%.

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

1. General Employee Plan Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a 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 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. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

2. TRA Benefits

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.

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

Tier 1 Benefits

Tier 1	Step Rate Formula	Percentage
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

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) 3.0% 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).

or

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. 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.

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions

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

1. GERF Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2017. In fiscal year 2017, the School was required to contribute 7.5% for Coordinated Plan members. The School's contributions to the General Employees Fund for the plan's fiscal year ended June 30, 2017 were \$4,976. 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:

	2017		2016	
	Employee	Employer	Employee	Employer
Basic	11.0%	11.5%	11.0%	11.5%
Coordinate	7.5%	7.5%	7.5%	7.5%

The School's contributions to TRA for the plan's fiscal year ended June 30, 2017 were \$24,388. The School's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At June 30, 2017, the School reported a liability of \$56,837 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 \$6 million to the fund in 2017. The state of Minnesota is considered a nonemployer 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 \$837. The net pension liability was measured as of June 30, 2016, 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, 2015 through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. As of the June 30, 2016, measurement date, the School's proportion was .0007%, which was a decrease of .0001% from its proportion measured as of June 30, 2015.

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

For the year ended June 30, 2017, the School recognized pension expense of \$1,762 for its proportionate share of GERF's pension expense.

At June 30, 2017, the School reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 168	\$ 4,617
Changes in Actuarial Assumptions	12,258	-
Net Difference Between Projected and Actual		
Earnings on Plan Investments	6,345	-
Changes in Proportion and Differences Between		
District Contributions and Proportionate		
Share of Contributions	-	12,267
District Contributions Subsequent to the		
Measurement Date	4,976	-
Total	<u>\$ 23,747</u>	<u>\$ 16,884</u>

A total of \$4,976 reported as deferred outflows of resources related to pensions resulting from School contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2018	\$ (1,486)
2019	(2,784)
2020	4,105
2021	2,052
2022	-
Thereafter	-

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs

At June 30, 2017, the School reported a liability of \$1,645,815 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2016, 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 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 0.0069% at the end of the measurement period and 0.0073% for the beginning of the period.

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:

<u>Description</u>	<u>Amount</u>
School's Proportionate Share of the TRA Net Pension Liability	\$ 1,645,815
State's Proportionate Share of the Net Pension Liability Associated with the School	165,358

For the year ended June 30, 2017, the School recognized pension expense of \$254,956. It also recognized \$23,067 as pension expense for the support provided by direct aid.

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

At June 30, 2017, 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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 16,121	\$ 46
Changes in Actuarial Assumptions	938,506	-
Net Difference Between Projected and Actual		
Earnings on Plan Investments	71,199	-
Changes in Proportion and Differences Between		
District Contributions and Proportionate		
Share of Contributions	48,732	19,555
District Contributions Subsequent to the		
Measurement Date	24,388	-
Total	<u>\$ 1,098,946</u>	<u>\$ 19,601</u>

A total of \$24,388 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 ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2018	\$ 215,923
2019	215,923
2020	238,412
2021	206,091
2022	178,608
Thereafter	-

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.50% Per Year	2.75%
Active Member Payroll Growth	3.25% Per Year	3.5 - 9.5%
Investment Rate of Return	7.5%	8.00%

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 the, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.0% per year for all future years for the General Employees Plan. Cost of living benefit increases for retirees are assumed to be 2.0% per year for all future years for the TRA.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan and TRA was completed in 2015.

The following changes in actuarial assumptions for General Employees Fund occurred in 2016:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date for TRA. Post-retirement benefit adjustments are now assumed to be 2.0% annually. The prior year valuation assumed a 2.5% increase commencing July 1, 2034.

The long-term expected rate of return on pension plan investments is 7.50% for General Employees Fund and 8.00% for TRA. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

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

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

F. Discount Rate

The discount rate used to measure the total pension liability was 7.50% for PERA and 4.66% for TRA. For PERA, this was a decrease from the discount rate at the prior measurement date of 7.90%. For TRA, this was a decrease from the discount rate at the prior measurement date of 8.00%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Based on PERA's assumptions, the fiduciary net position of the General Employees Fund 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.

Based on TRA's assumptions, the pension plan's fiduciary net position was projected to be depleted in 2052 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return was applied to periods before 2052 and the Municipal Bond Index Rate of 3.01% was applied to periods on and after 2052, resulting in a SEIR of 4.66%. Based on Fiduciary Net Position at prior year measurement date, the discount rate of 8.00% was used and it was not necessary to calculate the SEIR.

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Pension Liability Sensitivity

The following 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 one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
<u>GERF Discount Rate</u>	6.50%	7.50%	8.50%
School's Proportionate Share of the GERF Net Pension Liability	\$ 80,725	\$ 56,837	\$ 37,159
<u>TRA Discount Rate</u>	3.66%	4.66%	5.66%
School's Proportionate Share of the TRA Net Pension Liability	\$ 2,120,221	\$ 1,645,815	\$ 1,259,426

H. Pension Plan Fiduciary Net Position

Detailed information about GERF's fiduciary's net position is available in a separately issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

Detailed information about TRA's fiduciary net position is available in a separately issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-4000; or by calling (651) 296-2409 or 1-800-657-3669.

NOTE 9 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.

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 COMMITMENTS AND CONTINGENCIES (CONTINUED)

B. Lease Commitments and Terms

On July 15, 2007, the School entered into a lease agreement with 2451 University, LLC for an educational site at 2451 University Avenue consisting of 9,898 square feet through July 14, 2024. The utility costs are paid directly by the School. The total amount of rent paid to 2451 University, LLC under the terms of the lease agreement for fiscal 2017 was \$152,679.

For fiscal 2017, the School qualified for state charter school lease aid of \$135,710, based on a statutory cap equal to \$1,314 times the pupil units served. The lease aid may be prorated if the statewide appropriation is insufficient to fully pay the amounts owed.

Future minimum monthly lease payments through December 31, 2018 are \$12,700. In addition, the School is responsible for its pro rata share of common operating costs and real estate taxes that exceed the allowances under the terms of the lease agreement.

The School's ability to make payments under this lease agreement is dependent on its revenues which are in turn, largely dependent on sufficient enrollments being served at the School and on 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.

REQUIRED SUPPLEMENTARY INFORMATION

**JENNINGS COMMUNITY SCHOOL
 CHARTER SCHOOL NO. 4031
 TRA SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 LAST TEN FISCAL YEARS ***

**TRA Schedule of the District's Proportionate Share of the
 Net Pension Liability**

	Measurement Date June 30,		
	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0069%	0.0073%	0.0066%
School's Proportionate Share of the Net Pension Liability	\$ 1,645,815	\$ 451,577	\$ 304,123
State's Proportionate Share of the Net Pension Liability Associated with School	165,358	55,421	21,503
Total	<u>\$ 1,811,173</u>	<u>\$ 506,998</u>	<u>\$ 325,626</u>
School's Covered Payroll	\$ 356,280	\$ 356,280	\$ 378,787
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	461.94%	126.75%	80.29%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44.88%	76.80%	81.50%

* - The School implemented GASB Statement No. 68 in fiscal 2015, and the above table will be expanded to 10 years as information is available.

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
TRA SCHEDULE OF SCHOOL CONTRIBUTIONS
LAST TEN FISCAL YEARS ***

**TRA Schedule of District Contributions
Last Three Fiscal Years**

	Fiscal Year Ended June 30,		
	2017	2016	2015
Statutorily Required Contribution	\$ 24,388	\$ 26,721	\$ 28,409
Contributions in Relation to the Statutorily Required Contribution	(24,388)	(26,721)	(28,409)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
 School's Covered-Employee Payroll	 \$ 325,173	 \$ 356,280	 \$ 378,787
 Contributions as a Percentage of Covered Payroll	 7.50%	 7.50%	 7.50%

* - The School implemented GASB Statement No. 68 in fiscal 2015, and the above table will be expanded to 10 years as information is available.

**JENNINGS COMMUNITY SCHOOL
 CHARTER SCHOOL NO. 4031
 GERS SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 LAST TEN FISCAL YEARS ***

**GERF Schedule of the District's Proportionate Share of the
 Net Pension Liability**

	Measurement Date June 30,		
	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0007%	0.0008%	0.0011%
School's Proportionate Share of the Net Pension Liability	\$ 56,837	\$ 41,460	\$ 51,672
School's Covered Payroll	46,267	44,759	59,620
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	122.85%	92.63%	86.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.90%	78.20%	78.70%

* - The School implemented GASB Statement No. 68 in fiscal 2015, and the above table will be expanded to 10 years as information is available.

**JENNINGS COMMUNITY SCHOOL
 CHARTER SCHOOL NO. 4031
 GERS SCHEDULE OF SCHOOL CONTRIBUTIONS
 LAST TEN FISCAL YEARS ***

**GERF Schedule of District Contributions
 Last Three Fiscal Years**

	Fiscal Year Ended June 30,		
	2017	2016	2015
Statutorily Required Contribution	\$ 4,976	\$ 3,470	\$ 3,301
Contributions in Relation to the Statutorily Required Contribution	(4,976)	(3,470)	(3,301)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
School's Covered Payroll	\$ 66,347	\$ 46,267	\$ 44,759
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.375%

* - The School implemented GASB Statement No. 68 in fiscal 2015, and the above table will be expanded to 10 years as information is available.

SUPPLEMENTARY INFORMATION

**JENNINGS COMMUNITY SCHOOL
 CHARTER SCHOOL NO. 4031
 GENERAL FUND
 BALANCE SHEET
 JUNE 30, 2017
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)**

	2017	2016
ASSETS		
Cash and Investments	\$ 161,282	\$ 164,909
Receivables:		
Due from Minnesota Department of Education	88,515	-
Due from Federal Through the Minnesota Department of Education	12,121	6,164
Due from Other Funds	2,819	2,629
Other Receivables	-	134
Prepays	7,357	2,595
Total Assets	\$ 272,094	\$ 176,431
LIABILITIES AND FUND BALANCE		
Liabilities:		
Salaries Payable	\$ 20,793	\$ 21,156
Payroll Deductions and Employer Contributions Payable	2,979	2,981
Accounts and Contracts Payable	14,519	8,874
Due to Other Governmental Units	-	5,176
Total Liabilities	38,291	38,187
Fund Balance:		
Nonspendable:		
Prepays	7,357	2,595
Unassigned	226,446	135,649
Total Fund Balance	233,803	138,244
Total Liabilities and Fund Balance	\$ 272,094	\$ 176,431

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

	2017			2016
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Earnings and Investments	\$ 1	\$ -	\$ (1)	\$ 6
Other	13,300	14,179	879	4,463
State Sources	1,113,421	1,114,765	1,344	935,340
Federal Sources	42,480	32,351	(10,129)	44,177
Total Revenues	<u>1,169,202</u>	<u>1,161,295</u>	<u>(7,907)</u>	<u>983,986</u>
EXPENDITURES				
Current:				
Administration:				
Salaries	89,320	89,320	-	89,320
Employee Benefits	25,482	26,070	588	25,330
Purchased Services	2,200	350	(1,850)	2,201
Supplies and Materials	850	645	(205)	1,052
Other Expenditures	12,650	13,328	678	12,212
Total Administration	<u>130,502</u>	<u>129,713</u>	<u>(789)</u>	<u>130,115</u>
District Support Services:				
Salaries	32,640	32,640	-	32,000
Employee Benefits	10,168	9,559	(609)	10,665
Purchased Services	107,625	99,594	(8,031)	106,882
Supplies and Materials	5,800	4,643	(1,157)	7,834
Other Expenditures	10,380	9,673	(707)	6,661
Total District Support Services	<u>166,613</u>	<u>156,109</u>	<u>(10,504)</u>	<u>164,042</u>
Elementary and Secondary Regular Instruction:				
Salaries	237,470	237,766	296	238,011
Employee Benefits	71,112	73,762	2,650	85,396
Purchased Services	58,185	44,585	(13,600)	34,171
Supplies and Materials	43,450	31,508	(11,942)	17,207
Other Expenditures	1,770	3,358	1,588	1,072
Total Elementary and Secondary Regular Instruction	<u>411,987</u>	<u>390,979</u>	<u>(21,008)</u>	<u>375,857</u>
Special Education Instruction:				
Salaries	44,951	44,176	(775)	44,018
Employee Benefits	22,759	22,609	(150)	16,871
Purchased Services	33,000	31,669	(1,331)	31,825
Supplies and Materials	1,215	1,295	80	2,080
Other Expenditures	-	193	193	-
Total Special Education Instruction	<u>101,925</u>	<u>99,942</u>	<u>(1,983)</u>	<u>94,794</u>
Instructional Support Services:				
Purchased Services	4,650	6,296	1,646	6,705
Supplies and Materials	650	477	(173)	1,749
Total Instructional Support Services	<u>5,300</u>	<u>6,773</u>	<u>1,473</u>	<u>8,454</u>

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

	2017		Over (Under) Final Budget	2016
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Pupil Support Services:				
Salaries	\$ 2,040	\$ 2,040	\$ -	\$ 2,000
Employee Benefits	635	598	(37)	614
Purchased Services	27,600	28,029	429	22,953
Supplies and Materials	1,100	650	(450)	901
Other Expenditures	330	328	(2)	393
Total Pupil Support Services	<u>31,705</u>	<u>31,645</u>	<u>(60)</u>	<u>26,861</u>
Sites and Buildings:				
Purchased Services	205,930	202,241	(3,689)	203,994
Supplies and Materials	4,000	4,254	254	3,932
Total Sites and Buildings	<u>209,930</u>	<u>206,495</u>	<u>(3,435)</u>	<u>207,926</u>
Fiscal and Other Fixed Costs:				
Purchased Services	22,500	19,636	(2,864)	21,357
Capital Outlay:				
District Support Services	1,200	1,199	(1)	-
Regular Instruction	3,350	6,220	2,870	1,398
Special Education Instruction	-	-	-	2,138
Instructional Support Services	-	-	-	6,420
Sites and Buildings	1,000	7,654	6,654	8,955
Total Capital Outlay	<u>5,550</u>	<u>15,073</u>	<u>9,523</u>	<u>18,911</u>
Total Expenditures	<u>1,086,012</u>	<u>1,056,365</u>	<u>(29,647)</u>	<u>1,048,317</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	83,190	104,930	21,740	(64,331)
OTHER FINANCING USES				
Transfers Out	<u>(10,050)</u>	<u>(9,371)</u>	679	<u>(7,598)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 73,140</u>	95,559	<u>\$ 22,419</u>	(71,929)
FUND BALANCE				
Beginning of Year		<u>138,244</u>		<u>210,173</u>
End of Year		<u>\$ 233,803</u>		<u>\$ 138,244</u>

**JENNINGS COMMUNITY SCHOOL
CHARTER SCHOOL NO. 4031
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2017**

	AUDIT	UFARS	DIFFERENCE
01 GENERAL FUND			
Total Revenue	\$ 1,161,295	\$ 1,161,295	\$ -
Total Expenditures	1,056,365	1,056,365	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	7,357	7,357	-
<i>Restricted:</i>			
403 Staff Development	-	-	-
405 Deferred Maintenance	-	-	-
406 Health and Safety	-	-	-
407 Capital Project Levy	-	-	-
408 Cooperative Programs	-	-	-
413 Projects Funded by COP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maintenance	-	-	-
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 Programs	-	-	-
438 Gifted and Talented	-	-	-
440 Teacher Development and Evaluations	-	-	-
441 Basic Skills Programs	-	-	-
445 Career and Technical Programs	-	-	-
448 Achievement and Integration	-	-	-
449 Sage Schools Crime Levy	-	-	-
451 QZAB Payments	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-
453 Unfunded Severance & Retirement Levy	-	-	-
464 Restricted Fund Balance	-	-	-
<i>Committed:</i>			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
<i>Assigned:</i>			
462 Assigned Fund Balance	-	-	-
<i>Unassigned:</i>			
422 Unassigned Fund Balance	226,446	226,446	-
02 FOOD SERVICE			
Total Revenue	26,419	26,419	-
Total Expenditures	35,790	35,790	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
452 OPEB Liability Not Held in Trust	-	-	-
464 Restricted Fund Balance	-	-	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-

OTHER REQUIRED REPORTS



**INDEPENDENT AUDITORS' 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**

Members of the Board of Education
Charter School No. 4031
Jennings Community School
Saint Paul, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Jennings Community School, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Jennings Community School's basic financial statements, and have issued our report thereon dated October 30, 2017.

Internal Control Over Financial Reporting

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

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

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

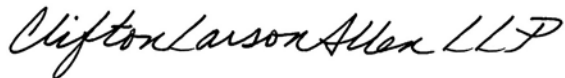
Members of the Board of Education
Charter School No. 4031
Jennings Community School

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jennings Community 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 result of that testing, and not to provide an opinion on the effectiveness of Jennings Community 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 Jennings Community School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 30, 2017



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CliftonLarsonAllen LLP
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**INDEPENDENT AUDITORS' REPORT ON
MINNESOTA LEGAL COMPLIANCE**

Members of the Board of Education
Charter School No. 4031
Jennings Community School
Saint Paul, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Jennings Community School as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 30, 2017.

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 in audits of charter schools: uniform financial accounting and reporting standards and charter schools. Our study included the listed categories.

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

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of Jennings Community School's compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 30, 2017