

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

For The Year Ended June 30, 2016

- This page intentionally left blank -

**PARNASSUS PREPARATORY SCHOOL
 CHARTER SCHOOL NO. 4199
 TABLE OF CONTENTS**

	<u>Reference</u>	<u>Page Number</u>
INTRODUCTORY SECTION		
School Board		3
FINANCIAL SECTION		
Independent Auditor's Report		7
Management's Discussion and Analysis		11
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	Statement 1	20
Statement of Activities	Statement 2	21
Fund Financial Statements:		
Balance Sheet - Governmental Funds	Statement 3	22
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	Statement 4	23
Notes to Financial Statements		25
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule - General Fund	Statement 5	42
Budgetary Comparison Schedule - Food Service Special Revenue Fund	Statement 6	44
Budgetary Comparison Schedule - Community Service Special Revenue Fund	Statement 7	45
Schedule of Proportionate Share of Net Pension Liability		46
Schedule of Pension Contributions		47
Notes to RSI		48
INDIVIDUAL FUND STATEMENTS		
Balance Sheet - General Fund	Statement 8	50
Balance Sheet - Food Service Special Revenue Fund	Statement 9	51
Balance Sheet - Community Service Special Revenue Fund	Statement 10	52
SUPPLEMENTAL INFORMATION		
Uniform Financial Accounting and Reporting Standards - Compliance Table	Schedule 1	54
OTHER REQUIRED REPORTS		
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		57
Minnesota Legal Compliance Report		59

- This page intentionally left blank -

INTRODUCTORY SECTION

- This page intentionally left blank -

BOARD OF DIRECTORS

Name	Board Position During 2015 - 2016
Greg Friess	Board Chair and Treasurer
Ken Zigrino	Board Secretary
Heather Ross	Board Vice Chair
Nancy Rigby	Board Member
Barb Rose	Board Member
Constance Ford	Ex-Officio Executive Director

- This page intentionally left blank -

FINANCIAL SECTION

- This page intentionally left blank -



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Parnassus Preparatory School
Charter School No. 4199
Maple Grove, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Parnassus Preparatory School, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Parnassus Preparatory School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Parnassus Preparatory School, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Parnassus Preparatory School's 2015 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities and each major fund in our report dated November 10, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Parnassus Preparatory School's basic financial statements. The introductory section and individual fund financial statements are presented for purposes of additional analysis

and are not a required part of the basic financial statements. The Uniform Financial Accounting and Reporting Standards Compliance Table is presented as supplemental information as required by the Minnesota Department of Education and is also not part of the basic financial statements.

The individual fund financial statements and the Uniform Financial Accounting and Reporting Standards Compliance Table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and the Uniform Financial Accounting and Reporting Standards Compliance Table are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2016, on our consideration of Parnassus Preparatory School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Parnassus Preparatory School's internal control over financial reporting and compliance.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

September 14, 2016

- This page intentionally left blank -

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

This section of Parnassus Preparatory School’s (the School) annual financial reporting presents our discussion and analysis of the School’s financial performance during the year ended June 30, 2016. Please read it in conjunction with the School’s financial statements, which immediately follow this section.

Financial Highlights

Key financial highlights for the 2015-2016 fiscal year includes the following:

- Based on the fund financial statements, total revenues of \$8,652,701 were received and total expenditures of \$8,337,027 were incurred, which resulted in a \$315,674 increase in fund balance.
- The School budgeted for 880 students in the 2015-2016 fiscal year, where actual enrollment was 883 students in grades K-10.
- Total fund balance grew to \$2,279,712 or 27% of total expenditures.

Overview of the Financial Statements

The financial section of the annual report consists of four parts – Independent Auditor’s Report, required supplementary information which includes the MD&A (this section), the basic financial statements, and supplemental 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.

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 and liabilities. 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 and liabilities – is one way to measure the School’s financial health or position.

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

- Over time, increases or decreases in the School’s net position are 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 non-financial factors such as changes in the School’s creditworthiness and the condition of school buildings and other facilities.

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

- Governmental activities – all of the School’s basic services will be included here, such as regular and special education, transportation, and administration.

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.
- The School may establish other funds to control and manage money for a specific purpose.

The School has the following fund type:

- Governmental funds – 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 at the bottom of the governmental funds statements to explain the relationship (or differences) between them.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

FINANCIAL ANALYSIS OF THE SCHOOL-WIDE STATEMENTS

Net Position

The School's net position was \$847,198 on June 30, 2016 as shown below:

	June 30,	
	2016	2015
Current assets	\$2,857,427	\$2,462,214
Capital assets	528,066	306,766
Deferred outflows of resources	1,327,059	949,144
Total assets and deferred outflows	<u>4,712,552</u>	<u>3,718,124</u>
Current liabilities	577,715	498,176
Noncurrent liabilities	3,013,898	2,116,522
Deferred inflows of resources	273,741	651,298
Total liabilities and deferred inflows	<u>3,865,354</u>	<u>3,265,996</u>
Net position:		
Net investment in capital assets	528,066	306,766
Restricted for community service	46,991	85,055
Unrestricted	<u>272,141</u>	<u>60,307</u>
Total net position ⁽¹⁾	<u><u>\$847,198</u></u>	<u><u>\$452,128</u></u>

⁽¹⁾ See Statement 3 for the reconciliation between the net position on School-Wide Statements and fund balance on the Fund Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Changes in Net Position

The School's total revenue was \$8,712,682 for the year ended June 30, 2016. There were no restricted grant revenues for the year ended June 30, 2016.

	2016	2015
Revenues:		
Program revenues:		
Operating grants and contributions	\$2,135,987	\$2,010,990
Charges for services	290,203	240,458
General revenues - local sources	54,882	68,767
General revenues - state sources	6,231,610	5,478,889
Total revenues	<u>8,712,682</u>	<u>7,799,104</u>
Expenses:		
School support services	1,199,838	1,136,504
Regular instruction	3,358,754	2,780,501
Community education services	188,639	176,272
Special education	789,558	809,289
Instructional support services	151,823	93,883
Pupil support services	803,526	702,228
Site, building and equipment	1,806,212	1,649,139
Fiscal and other fixed costs	19,262	16,733
Total expenses	<u>8,317,612</u>	<u>7,364,549</u>
Change in net position ⁽¹⁾	395,070	434,555
Net position - beginning	452,128	1,797,431
Prior period adjustment	<u>-</u>	<u>(1,779,858)</u>
Net position - ending	<u><u>\$847,198</u></u>	<u><u>\$452,128</u></u>

Special education expenditures decreased due to expenditures for staff positions that in 2015 were contracted with vendors whereas in FY 2016 these expenditures were salaried employees.

Overall expenditures increased by 13% whereas Regular Instruction expenditures increased by 21%.

⁽¹⁾ See Statement 4 for the reconciliation between the change in net position on the School-Wide Statements and the change in fund balance on the Fund Financial Statements.

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

FINANCIAL ANALYSIS OF THE SCHOOL’S FUND FINANCIAL STATEMENTS

The financial performance of the School as a whole is reflected in its governmental funds as well. Financial information from the fund statements is as follows:

	2016			2015		
	General	Food Service	Community Service	General	Food Service	Community Service
Assets	\$2,800,568	\$12,969	\$55,617	\$2,358,540	\$6,702	\$96,972
Liabilities	567,847	12,969	8,626	479,557	6,702	11,917
Fund balance	<u>\$2,232,721</u>	<u>\$0</u>	<u>\$46,991</u>	<u>\$1,878,983</u>	<u>\$0</u>	<u>\$85,055</u>

	2016			2015		
	General	Food Service	Community Service	General	Food Service	Community Service
Revenue	\$8,294,944	\$171,144	\$186,613	\$7,476,065	\$152,349	\$165,181
Expenditures	7,919,377	192,973	224,677	7,057,782	187,971	165,823
Transfers	(21,829)	21,829	-	(35,622)	35,622	-
Change in fund balance	<u>\$353,738</u>	<u>\$0</u>	<u>(\$38,064)</u>	<u>\$382,661</u>	<u>\$0</u>	<u>(\$642)</u>

REVENUE ANALYSIS

For 2016, total revenue was \$8.65 million, up \$859 thousand or 11% from 2015. Enrollment growth of just over 11% to 883 students accounted for \$836,000 which was most of the revenue growth. In 2016, Parnassus received total revenue per student of \$9,799 down from \$9,828 in 2015. For context, ISD #11 (Anoka Hennepin) received total funds of \$13,404⁽¹⁾ (36% more than Parnassus) in 2015 while ISD #279 (Osseo) received \$14,923⁽¹⁾ (52% more than Parnassus). Minnesota Department of Education (MDE) data is unavailable for a comparison of 2016 per pupil funding.

The main driver of Parnassus' per pupil revenue decline had to do with a decrease in revenues recognized for Federal Special Education.

⁽¹⁾ Amounts are calculated by dividing Total Sources by Number of Students. This data was obtained from the Consolidated Financial Statement for each school district, as made publicly available on MDE’s website.

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

The demographic and economic make-up of the student population of any school also has an impact on per pupil funding. Serving a student population that reflects the surrounding community is important to Parnassus. As part of that, the school has, and will continue, to budget for a loss in our food service program (note the transfer payments in each of the last two years). This loss was in large part due to the reimbursement rates for free and reduced students which do not cover the full cost of serving them lunch.

Race/Ethnicity	Parnassus (End FY16)	Parnassus (Oct 1)	ISD 279 (Oct 1)	Anoka Hennepin School District (Oct 1)
American Indian/Alaskan Native	0.2	0.2	0.8	1.5
Asian/Pacific Islander	11.5	11.3	17.5	7.6
Hispanic	4.8	4.6	8.5	4.9
Black (Not of Hispanic Origin)	22.8	23.5	25.5	12.2
White (Not of Hispanic Origin)	60.6	60.4	47.7	73.8
Special Populations				
ELL	6.3	6.0	10.7	6.0
SPED	4.7	3.6	13.9	15.1
FRAM	28.6	22.7	42.3	33.4

EXPENDITURE ANALYSIS

In the fiscal year ending June 30, 2016, total expenditures were \$8.3 million, up over \$925 thousand or 13% from 2015. As with revenues, some of this expenditure growth can be explained by the growth in students; however, the bulk of the increase was due to an increase in expenditure per pupil. Parnassus believes that prudent management means that per pupil spending will follow per pupil revenue. This year reflects that philosophy.

Our per pupil expenditures in 2016 were \$9,442, up 1.02% from 2015’s \$9,347. For context, it is worth noting again that in 2015 ISD #11 (Anoka Hennepin) spent \$13,637⁽²⁾ (46% more than Parnassus) in 2015 while ISD #279 (Osseo) spent \$15,252⁽²⁾ (63% more than Parnassus).

Parnassus is a growing public school. The 2016 fiscal year marked the second year of the School of Rhetoric (high school) where, for the first time, Parnassus served students in the tenth grade. Starting a high school requires an investment in a number of teachers in advance of student growth. In addition, as a content rich classical school, the school utilizes a number of specialty teachers beyond the traditional subjects (Art, Latin, Spanish, etc.). This shows in the student/teacher ratio (excluding Special Education) which dropped to about 16 students per licensed teacher in 2016, down from 17 in 2015. While not the same as class size, it does capture the

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

school's ability to deliver a content rich classical education. This reduction in student/teacher ratio is the main driver in the increased expenditures in 2016. Including contracted services (which include substitute teachers, the taekwondo and music programs), expenditures on staffing and related (excluding Special Education) increased over \$400,000 in 2016 or about \$453/student. The balance of the increase in spending was driven by the earlier mentioned growth to serve the student population. All additional Special Education and Title funds were spent entirely on student services and had no impact on the fund balance.

⁽²⁾ Amounts are calculated by dividing Total Uses by Number of Students. This data was obtained from the Consolidated Financial Statement for each school district, as made publicly available on MDE’s website.

BUDGETARY COMPARISON

An annual budget for 2015 – 2016 was established prior to June 30, 2015. One budget revision were approved during the fiscal year to better reflect the estimated forecast of the School.

Parnassus board and management use the budget as an important tool to make prudent decisions in the ongoing management of the school. The board reviews the school's financial progress monthly and values its ability to maintain financial flexibility as circumstances change. The primary metric that is reviewed is the annual surplus and resulting fund balance.

The final budget for the General Fund anticipated a surplus of \$225,291. The actual result for the year shows a surplus of \$353,738.

The Community Fund had recognized a deficit this year of \$38,064. This deficit was directly attributed to the investment made in ipads for use in the afterschool program.

As a young and growing organization, the school has employed a conservative budgeting approach. This includes basing a revenue forecast on enrollment projections that are realistic and expenditure levels that are conservative. The positive annual surplus result (relative to budget) was driven by favorable outcomes on both revenues and expenditures.

There were a number of areas where expenses were slightly better (lower) than budgeted. The primary areas include contracted services (where savings from some services of \$20,000 were not needed), utilities (where savings of \$40,000 due to warmer weather), and curriculum along with equipment and furniture expenditures moved to FY 2017 spending (\$30,000 of unspent funds in FY 2016).

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

CAPITAL ASSETS

As of June 30, 2016, the School had capital assets net of accumulated depreciation of \$528,066. These capital assets are related to furniture and equipment growth in Parnassus's facility among other building improvements made to the facility. Parnassus also made an investment in Ipads for their curriculum, student testing, and after school program.

FACTORS BEARING ON THE SCHOOL'S FUTURE

The board of directors has mandated that School management builds appropriate fund balance percentage and monitor revenues and expenditures throughout the year. The School is dependent on the State of Minnesota for most of its revenue. This revenue source is mostly impacted by two variables: legislation and school enrollment.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our stakeholders with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact: Constance Ford, Executive Director, 763-496-1416.

BASIC FINANCIAL STATEMENTS

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

Statement 1

STATEMENT OF NET POSITION

June 30, 2016

With Comparative Amounts For June 30, 2015

	Governmental Activities	
	2016	2015
Assets:		
Cash	\$1,549,363	\$1,248,625
Accounts receivable	5,560	18,464
Due from other governments	1,115,468	976,736
Prepays	187,036	218,389
Capital assets (net of accumulated depreciation)	528,066	306,766
Total assets	<u>3,385,493</u>	<u>2,768,980</u>
Deferred outflows of resources:		
Related to pensions	<u>1,327,059</u>	<u>949,144</u>
Total assets and deferred outflows of resources	<u><u>\$4,712,552</u></u>	<u><u>\$3,718,124</u></u>
Liabilities:		
Accounts payable	119,298	197,351
Due to other government	19,825	-
Salaries payable	438,057	294,896
Unearned revenue	535	5,929
Net pension liability - due in more than one year	3,013,898	2,116,522
Total liabilities	<u>3,591,613</u>	<u>2,614,698</u>
Deferred inflows of resources:		
Related to pensions	<u>273,741</u>	<u>651,298</u>
Net position:		
Net investment in capital assets	528,066	306,766
Restricted for community services	46,991	85,055
Unrestricted	272,141	60,307
Total net position	<u>847,198</u>	<u>452,128</u>
Total liabilities, deferred inflows and net position	<u><u>\$4,712,552</u></u>	<u><u>\$3,718,124</u></u>

The accompanying notes are an integral part of these financial statements.

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

Statement 2

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2016

With Comparative Totals For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	2016	2015
Governmental activities:					
School support services	\$1,199,838	\$ -	\$ -	(\$1,199,838)	(\$1,136,504)
Regular instruction	3,358,754	31,131	60,226	(3,267,397)	(2,780,501)
Community education and services	188,639	186,613	-	(2,026)	(11,091)
Special education	789,558	-	779,637	(9,921)	51,695
Instructional support services	151,823	-	-	(151,823)	(93,883)
Pupil support service	803,526	72,459	98,685	(632,382)	(549,879)
Site, building and equipment	1,806,212	-	1,197,439	(608,773)	(576,205)
Fiscal and other fixed costs	19,262	-	-	(19,262)	(16,733)
Total governmental activities	<u>\$8,317,612</u>	<u>\$290,203</u>	<u>\$2,135,987</u>	<u>(5,891,422)</u>	<u>(5,113,101)</u>
General revenues:					
Local sources				54,882	68,767
State sources				6,231,610	5,478,889
Total general revenues				<u>6,286,492</u>	<u>5,547,656</u>
Change in net position				<u>395,070</u>	<u>434,555</u>
Net position - beginning, as previously reported				452,128	1,797,431
Prior period adjustment				-	(1,779,858)
Net position - beginning, as restated				<u>452,128</u>	<u>17,573</u>
Net position - ending				<u>\$847,198</u>	<u>\$452,128</u>

The accompanying notes are an integral part of these financial statements.

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

Statement 3

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016
With Comparative Totals For June 30, 2015

	General	Food Service Fund	Community Service Fund	Governmental Funds	
				2016	2015
Assets					
Cash	\$1,493,746	\$ -	\$55,617	\$1,549,363	\$1,248,625
Accounts receivable	5,560	-	-	5,560	18,464
Due from Federal Government through Minnesota Department of Education	7,314	12,719	-	20,033	10,272
Due from Minnesota Department of Education	1,095,185	250	-	1,095,435	966,464
Due from other funds	11,727	-	-	11,727	-
Prepaid items	187,036	-	-	187,036	218,389
Total assets	\$2,800,568	\$12,969	\$55,617	\$2,869,154	\$2,462,214
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$115,910	\$1,242	\$2,146	\$119,298	\$197,351
Due to other government	19,825	-	-	19,825	-
Due to other funds	-	11,727	-	11,727	-
Salaries payable	431,577	-	6,480	438,057	294,896
Unearned revenue	535	-	-	535	5,929
Total liabilities	567,847	12,969	8,626	589,442	498,176
Fund balance:					
Nonspendable	187,036	-	-	187,036	218,389
Restricted for community service	-	-	46,991	46,991	85,055
Unassigned	2,045,685	-	-	2,045,685	1,660,594
Total fund balance	2,232,721	0	46,991	2,279,712	1,964,038
Total liabilities and fund balance	\$2,800,568	\$12,969	\$55,617	\$2,869,154	\$2,462,214

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

Fund balance reported above	\$2,279,712	\$1,964,038
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds	528,066	306,766
Deferred outflows of resources related to pensions	1,327,059	949,144
Net pension liability is not due and payable in the current period and, therefore, is not reported in the funds	(3,013,898)	(2,116,522)
Deferred inflows of resources related to pensions	(273,741)	(651,298)
Net position of governmental activities (Statement 1)	\$847,198	\$452,128

The accompanying notes are an integral part of these financial statements.

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

Statement 4

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For The Year Ended June 30, 2016

With Comparative Totals For The Year Ended June 30, 2015

	General	Food Service Fund	Community Service Fund	Governmental Funds	
				2016	2015
Revenues:					
Local sources	\$86,013	\$72,459	\$186,613	\$345,085	\$309,225
State sources	8,062,996	8,011	-	8,071,007	7,234,629
Federal sources	145,935	90,674	-	236,609	249,741
Total revenues	<u>8,294,944</u>	<u>171,144</u>	<u>186,613</u>	<u>8,652,701</u>	<u>7,793,595</u>
Expenditures:					
Current:					
School support services	1,165,059	-	-	1,165,059	1,116,415
Regular instruction	3,172,376	-	-	3,172,376	2,744,461
Special education	775,976	-	-	775,976	801,267
Instructional support services	145,875	-	-	145,875	94,493
Pupil support services	613,223	192,973	-	806,196	703,298
Community services	-	-	184,766	184,766	165,823
Site, building and equipment	1,786,073	-	-	1,786,073	1,575,492
Fiscal and other fixed costs	19,262	-	-	19,262	16,733
Capital outlay	241,533	-	39,911	281,444	193,594
Total expenditures	<u>7,919,377</u>	<u>192,973</u>	<u>224,677</u>	<u>8,337,027</u>	<u>7,411,576</u>
Revenues over (under) expenditures	<u>375,567</u>	<u>(21,829)</u>	<u>(38,064)</u>	<u>315,674</u>	<u>382,019</u>
Other financing sources (uses):					
Transfers in	-	21,829	-	21,829	35,622
Transfers out	(21,829)	-	-	(21,829)	(35,622)
Total other financing sources (uses)	<u>(21,829)</u>	<u>21,829</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	353,738	0	(38,064)	315,674	382,019
Fund balance - beginning	<u>1,878,983</u>	<u>-</u>	<u>85,055</u>	<u>1,964,038</u>	<u>1,582,019</u>
Fund balance - ending	<u>\$2,232,721</u>	<u>\$0</u>	<u>\$46,991</u>	<u>\$2,279,712</u>	<u>\$1,964,038</u>

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

Revenues over expenditures reported above	\$315,674	\$382,019
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Depreciation	(51,692)	(21,070)
Capital expenditures	281,444	193,594
Capital expenditures not capitalized	(8,452)	(81,170)
Governmental funds report pension contributions as expenditures, however, pension expense is reported in the statement of activities	<u>(141,904)</u>	<u>(38,818)</u>
Change in net position of governmental activities (Statement 2)	<u>\$395,070</u>	<u>\$434,555</u>

The accompanying notes are an integral part of these financial statements.

- This page intentionally left blank -

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Parnassus Preparatory School (the School) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the School are described below:

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

A. FINANCIAL REPORTING ENTITY

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the School (the primary government) and its component units. Generally, component units are legally separate organizations for which the officials of the primary government are financially accountable. The School does not have any component units, nor is it a component unit of any other entity.

The School is authorized by Friends of Education. The authorizer has limited oversight responsibility but is not financially accountable for the School. Therefore, the School is not considered a component unit of the authorizer.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* generally are financed through intergovernmental revenues, and other nonexchange transactions.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not included among program revenues are reported instead as *general revenues*.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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 accounting structure.

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenues, grants, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School.

Fund Financial Statements: The fund financial statements provide information about the School's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School reports the following major governmental funds:

The *General Fund* is the general operating fund of the School. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

The *Food Service Fund* is used to account for food service revenues and expenditures.

The *Community Service Fund* is used to account for before and after school programs.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

D. INCOME TAXES

The 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. However, income from certain activities not directly related to the School's tax-exempt purpose is subject to taxation as unrelated business income. The School has not had any unrelated business activities.

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

A tax expense or benefit from an uncertain income tax position (including tax-exempt status) may be recognized only when it is more likely than not that the position will be sustained upon examination by taxing authorities. Management believes the School has no uncertain income tax positions that would result in an accrual, expense or benefit under the more likely than not standard.

E. BUDGETS

A budget for each fund is prepared on the same basis of accounting as the financial statements. The School's Board adopts an annual budget for the following fiscal year for the General, Food Service and Community Service Special Revenue Funds. Legal budgetary control is at the fund level. Budgeted amounts are as originally adopted or as amended by the Board. Budgeted expenditure appropriations lapse at year end. Encumbrance accounting is not used.

F. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and may be recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures at the time of consumption.

G. CAPITAL ASSETS

Capital assets, which include property, plant and equipment are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial cost of more than \$2,000, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. 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 depreciated using the straight-line method over the following estimated useful lives:

Equipment	10-20 years
Computers	3-5 years
Leasehold improvements	5-20 years
Other improvements	9 years

H. USE OF ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

I. FUND BALANCE CLASSIFICATIONS

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

Nonspendable - consists of amounts that are not in spendable form, such as prepaid items.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - consists of internally imposed constraints. These constraints are established by resolution of the School Board.

Assigned - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the School's intended use. These constraints are established by the School Board and/or management.

Unassigned - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the School's policy to first use restricted resources, then use unrestricted resources as they are needed.

When committed, assigned or unassigned resources are available for use, it is the School's policy to use resources in the following order; 1) committed 2) assigned and 3) unassigned.

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position 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.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial 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.

K. STUDENT ACTIVITIES

All student activities were under Board control.

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

L. MINIMUM FUND BALANCE POLICY

The School Board has formally adopted a minimum fund balance policy for the General Fund. The policy established a year-end targeted minimum fund balance of at least 20% of the annual budgeted expenditures.

At June 30, 2016, the targeted minimum fund balance for the General Fund was \$1,778,880. Actual fund balance in the General Fund was \$2,232,721.

M. NET POSITION

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

N. COMPARATIVE DATA

Comparative data for the prior year has been presented only for certain sections of the accompanying financial statements in order to provide an understanding of the changes in the School’s financial position and operations.

O. STEWARDSHIP AND ACCOUNTABILITY

Expenditures exceeded budgeted amounts in the following funds at June 30, 2016:

	Expenditures Budgeted	Actual Expenditures	Excess
Community Service Fund	\$212,500	\$224,677	\$12,177

The expenditures were funded by available fund balance.

P. FAIR VALUE OF FINANCIAL INSTRUMENTS

The School defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. To determine fair value, the School uses a fair value hierarchy categorized into three levels based on the inputs used. Generally, the three levels are as follows:

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Significant other observable inputs.
- Level 3 – Significant unobservable inputs.

The School does not have any significant fair value measurements as of June 30, 2016.

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 2 CASH AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent available in deposit accounts and securities as authorized by Minnesota Statutes.

A. DEPOSITS

In accordance with Minnesota Statutes, the School maintains deposits at financial institutions which are authorized by the School Board.

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

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

Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated “A” or better; revenue obligations of a state or local government rated “AA” or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository. The School does not have a deposit policy that is more restrictive than Minnesota Statutes.

At June 30, 2016, all of the School’s deposits were covered by insurance or collateral.

B. INVESTMENTS

Minnesota Statutes outline authorized investments for charter schools. During 2016, the School did not have any such investments.

Note 3 RETIREMENT PLANS

Substantially all employees of the School are required by state law to belong to pension plans administered by Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), both of which are cost-sharing multiple-employer defined benefit pension plans administered on a statewide basis. Disclosures relating to these plans are as follows:

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of TRA and PERA and additions to/deductions from TRA's and PERA's fiduciary net position have been determined on the same basis as they are reported by TRA and PERA. 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 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 in 2015. Additional information can be found in section E.

B. PLAN DESCRIPTIONS

The School participates in TRA's Basic Plan (without Social Security coverage) and its 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 are required to be TRA members.

The School also participates in the General Employees Retirement Plan (GERF), which is administered by PERA in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code. All full-time and certain part-time employees of the School, other than teachers, are covered by GERF. GERF members belong to either the Basic Plan (without Social Security coverage) or the Coordinated Plan (with Social Security coverage). The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

C. BENEFITS PROVIDED

TRA

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

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 (Tier I and Tier II) are used to compute benefits for TRA's Basic and Coordinated Plan members.

Tier I Benefits – a step rate formula of 2.2% per year for the first ten years of service and 2.7% for all other years is applied for Basic Plan members. For years of service prior to July 1, 2006, a step rate formula of 1.2% per year for the first ten years of service and 1.7% for all other years is applied for Coordinated Plan members. For years of service July 1, 2006 and after, a step rate formula of 1.4% per year for the first ten years of service and 1.9% for all other years is applies.

Tier II Benefits – for years of service prior to July 1, 2006, a level formula of 1.7% per year for Coordinated Plan members and 2.7% per year for Basic Plan members is applied. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated Plan members and 2.7% per year for Basic Plan 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 before July 1, 1989, receive the greater of the Tier I or Tier II benefits as described. 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.

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.

PERA

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

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.

The benefit provisions stated in the following paragraph 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.

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

Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. 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%

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 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 the member's highest average salary for any five successive years of allowable service.

D. CONTRIBUTIONS

Employee and employer contribution rates are established by Minnesota Statutes. Rates for the years ended June 30, 2015 and 2016 are as follows:

	<u>Employee</u>	<u>Employer</u>
TRA - Basic Plan	11.0%	11.5%
TRA - Coordinated Plan	7.5%	7.5%
PERA - Basic Plan	9.1%	11.78%
PERA - Coordinated Plan	6.5%	7.5%

The School's contributions to TRA and PERA for the plan's fiscal year ended June 30, 2015 were \$170,146 and \$20,368, respectively, which were equal to the required contributions as set by state statute.

E. MERGER OF DULUTH TEACHER'S RETIREMENT FUND ASSOCIATION (DTRFA)

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

	TRA CAFR <u>June 30, 2014</u>	<u>Restated</u>
Total pension liability	\$24,901,612,000	\$25,299,564,000
Plan fiduciary net position	20,293,684,000	20,519,756,000
Net pension liability	<u>\$4,607,928,000</u>	<u>\$4,779,808,000</u>

F. NET PENSION LIABILITY AND PENSION EXPENSE

The net pension liability reported at June 30, 2016 was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the measurement date. The School's proportionate share of the net pension liability was based on its contributions to each respective plan in relation to total contributions to the plan. For TRA, total contributions to the plan include direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. Pension-related assets reported by the School relating to TRA and PERA are \$0.

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

The School's net pension liability, its proportionate share of the plan's net pension liability, and pension expense as of and for the year ended June 30, 2016 are as follows:

	<u>TRA</u>	<u>PERA</u>	<u>Total</u>
Net pension liability	\$2,765,137	\$248,761	\$3,013,898
Proportionate share of net pension liability:			
Measurement date	0.0447%	0.0048%	
Prior measurement date	0.0390%	0.0068%	
Pension expense	\$446,088	\$184	\$446,272

The pension liability related to TRA 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 the total portion of the net pension liability that was associated with the School were \$2,765,137, \$339,286 and \$3,104,423, respectively. In addition, pension expense related to TRA includes recognition of \$59,981 as an increase to pension expense for the support provided by direct aid.

G. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

At June 30, 2016, the School reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience:		
TRA	\$125,298	\$ -
PERA	3,268	12,542
Difference between projected and actual investment earnings:		
TRA	-	149,553
PERA	-	41,184
Changes in actuarial assumptions:		
TRA	212,565	-
PERA	21,947	-
Changes in proportion:		
TRA	719,594	-
PERA	-	70,462
Contributions paid subsequent to the measurement date:		
TRA	213,183	-
PERA	31,204	-
Total	<u>\$1,327,059</u>	<u>\$273,741</u>

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Amounts reported as deferred outflows of resources resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense during the following years:

Year	Pension Expense		Total
	TRA	PERA	
2017	\$191,663	(\$30,750)	\$160,913
2018	191,663	(30,751)	160,912
2019	191,664	(43,360)	148,304
2020	332,914	5,888	338,802

H. ACTUARIAL ASSUMPTIONS

TRA

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Information

Measurement date	June 30, 2015
Valuation date	July 1, 2015
Experience study	October 30, 2009
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	8.00%
Wage inflation	3.0%
Projected salary increase	3.5 - 12%, based on years of service
Cost of living adjustment	2.0%

Mortality Assumption

Pre-retirement	RP 2000 non-annuitant generational mortality, white collar adjustment, male rates set back 5 years and female rates set back 7 years.
Post-retirement	RP 2000 annuitant generational mortality, white collar adjustment, male rates set back 2 years and female rates set back 3 years.
Post-disability	RP 2000 disabled retiree mortality, without adjustment.

There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date. Post-retirement benefit adjustments are now assumed to be 2% annually with no increase to 2.5% projected. The prior year valuation assumed a 2.5% increase commencing July 1, 2034. Also, the assumed investment rate of return and the discount rate used

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

to measure the net pension liability was reduced from 8.25% at the prior measurement date to 8.0% at the current measurement date.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2004 to June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB 67 valuation.

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

PERA

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

Measurement date	June 30, 2015
Valuation date	June 30, 2015
Inflation	2.75% per year
Active member payroll growth	3.50% per year
Investment rate of return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1% effective every January 1st until 2034 and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies. The experience study in the GERS was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. There were no changes in actuarial assumptions in 2015.

The long-term expected rate of return on pension plan investments is 7.9%. 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.

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

TRA and PERA

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

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

I. DISCOUNT RATE

The discount rates used to measure the total pension liability for TRA and PERA were 8.0% and 7.9%, respectively. The Legislature has since set the discount rate in statute at 8%. Beginning with the June 30, 2016 measurement date, the discount rate used when calculating the total net pension liability for PERA will be increased to 8% to be consistent with the rate set in statute used for funding progress.

The projection of cash flows used to determine the discount rate assumed that employee, employer, and state contributions, if any, will be made at current statutorily required rates. Based on those assumptions, 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.

J. PENSION LIABILITY SENSITIVITY

The following presents the School’s proportionate share of the net pension liability calculated using the discount rate for each plan, as well as the liability measured using one percent lower (7.0% for TRA; 6.9% for PERA) and one percent higher (9.0% for TRA; 8.9% for PERA).

	1% Decrease	Current	1% Increase
TRA	\$4,208,897	\$2,765,137	\$1,560,278
PERA	\$391,141	\$248,761	\$131,177

K. PENSION PLAN FIDUCIARY NET POSITION

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, Suite 400, St. Paul, MN, 55103; or by calling 651-296-2409 or 1-800-657-3669.

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Detailed information about PERA’s fiduciary net position is available in a separately issued PERA financial report. That report may be obtained at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, MN, 55103; or by calling 651-296-7460 or 1-800-652-9026.

DEFINED CONTRIBUTION PLAN

The School provides eligible employees future retirement benefits through the School’s 403(b) Plan (the Plan). The Plan provisions are established and can be modified by the School. All full-time employees of the School are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. The Plan allows for discretionary employer contributions. There were no employer contributions for 2016 or 2015.

Note 4 INTERFUND ACTIVITY

During 2016, the School made a routine transfer of \$21,829 from the General Fund to eliminate a deficit in the Food Service Fund.

Note 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, being depreciated:				
Computers	\$17,760	\$108,528	\$ -	\$126,288
Equipment	82,046	66,191	-	148,237
Leasehold improvements	231,781	98,273	-	330,054
Other improvements	18,811	-	-	18,811
Total capital assets, being depreciated	<u>350,398</u>	<u>272,992</u>	<u>0</u>	<u>623,390</u>
Less accumulated depreciation for:				
Computers	8,006	16,045	-	24,051
Equipment	12,085	10,003	-	22,088
Leasehold improvements	23,367	23,554	-	46,921
Other improvements	174	2,090	-	2,264
Total accumulated depreciation	<u>43,632</u>	<u>51,692</u>	<u>0</u>	<u>95,324</u>
Governmental activities capital assets - net	<u>\$306,766</u>	<u>\$221,300</u>	<u>\$0</u>	<u>\$528,066</u>

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
School support services	\$4,043
Regular instruction	18,661
Special education	1,367
Community education and services	338
Site, building and equipment	<u>27,283</u>
 Total depreciation expense - governmental activities	 <u><u>\$51,692</u></u>

Note 6 COMMITMENTS AND CONTINGENCIES

GRANTS

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 funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the School expects such amounts, if any, to be immaterial. The federal financial assistance received may be subject to an audit pursuant to Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) or audits by the grantor agency.

LEASES

The School has a signed lease agreement for educational space. In 2015, the leased building was purchased by another corporation. The lease was amended to reflect this change and extended through June 30, 2030. Future minimum lease payments will be based on the School's estimated average daily membership (ADM) as reported to the Minnesota Department of Education (MDE) each April. The ADM will be multiplied by the rental amount per pupil unit that results in the School's receipt of the maximum amount of lease aid available from MDE. At June 30, 2016, the rental amount per pupil unit was \$1,460. Future estimated minimum lease payments based on these terms and projected ADM's are as follows:

Fiscal Year	
<u>Ended</u>	<u>Amount</u>
2017	\$1,436,640
2018	1,537,438
2019	1,594,424
2020	1,640,658
2021	1,687,169
2022-2026	8,692,321
2027-2030	7,272,032

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

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 7 RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School carries commercial liability insurance for risk of loss. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

Note 8 LINE OF CREDIT

During the current year, the School renewed the line of credit with Anchor Bank through January 28, 2017. The maximum amount is \$500,000 with a variable interest rate subject to the Wall Street Journal Prime Rate, which resulted in an initial rate of 3.50%. The line of credit is secured by the School's assets. The outstanding balance at June 30, 2016 was \$0. There was no line of credit activity for the year ended June 30, 2016.

Note 9 FUND BALANCE

At June 30, 2016, a summary of fund balance classifications is as follows:

	<u>General Fund</u>	<u>Community Service Fund</u>	<u>Total</u>
Nonspendable:			
Prepaid items	<u>\$187,036</u>	<u>\$ -</u>	<u>\$187,036</u>
Restricted for:			
Community services	<u>-</u>	<u>46,991</u>	<u>46,991</u>
Unassigned	<u>2,045,685</u>	<u>-</u>	<u>2,045,685</u>
Total	<u><u>\$2,232,721</u></u>	<u><u>\$46,991</u></u>	<u><u>\$2,279,712</u></u>

Note 10 SUBSEQUENT EVENTS

On August 2, 2016, the School Board approved a total project budget of up to \$300,000 to advance the School's proposed real estate and bonding transaction due diligence process and for entering into a 30-year lease in connection therewith.

REQUIRED SUPPLEMENTARY INFORMATION

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended June 30, 2016
With Comparative Actual Amounts For The Year Ended June 30, 2015

	2016				2015 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)	
	Original	Final			
Revenues:					
Local sources	\$11,000	\$46,000	\$86,013	\$40,013	\$68,767
State sources	7,305,341	8,024,258	8,062,996	38,738	7,226,435
Federal sources	164,000	171,558	145,935	(25,623)	180,863
Total revenues	<u>7,480,341</u>	<u>8,241,816</u>	<u>8,294,944</u>	<u>53,128</u>	<u>7,476,065</u>
Expenditures:					
School support services:					
Current:					
Salaries	613,851	557,192	558,889	1,697	537,776
Employee benefits	199,399	183,545	180,051	(3,494)	161,908
Purchased services	301,393	382,638	348,700	(33,938)	339,964
Supplies and materials	79,080	78,950	76,014	(2,936)	76,079
Other expenditures	400	1,406	1,405	(1)	688
Capital expenditures	33,237	15,000	12,884	(2,116)	29,472
Total School support services	<u>1,227,360</u>	<u>1,218,731</u>	<u>1,177,943</u>	<u>(40,788)</u>	<u>1,145,887</u>
Regular instruction:					
Current:					
Salaries	2,040,532	2,123,253	2,153,141	29,888	1,791,509
Employee benefits	520,132	497,584	501,804	4,220	423,527
Purchased services	342,095	339,100	329,747	(9,353)	342,550
Supplies and materials	192,665	219,835	187,280	(32,555)	186,818
Other expenditures	100	405	404	(1)	57
Capital expenditures	46,278	132,000	129,581	(2,419)	54,008
Total regular instruction	<u>3,141,802</u>	<u>3,312,177</u>	<u>3,301,957</u>	<u>(10,220)</u>	<u>2,798,469</u>
Special education:					
Current:					
Salaries	98,086	404,113	400,119	(3,994)	163,379
Employee benefits	18,370	77,496	85,607	8,111	31,403
Purchased services	371,726	274,600	283,841	9,241	590,855
Supplies and materials	5,800	4,750	3,634	(1,116)	8,818
Other expenditures	4,500	3,139	2,775	(364)	6,812
Capital expenditures	794	10,000	7,860	(2,140)	1,362
Total special education	<u>499,276</u>	<u>774,098</u>	<u>783,836</u>	<u>9,738</u>	<u>802,629</u>
Instructional support:					
Current:					
Salaries	42,234	80,000	72,588	(7,412)	37,000
Employee benefits	10,304	19,800	19,129	(671)	8,020
Purchased services	49,043	54,300	48,056	(6,244)	44,480
Supplies and materials	10,517	8,150	6,102	(2,048)	4,993
Total instructional support	<u>112,098</u>	<u>162,250</u>	<u>145,875</u>	<u>(16,375)</u>	<u>94,493</u>

PARNASSUS PREPARATORY SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended June 30, 2016
With Comparative Actual Amounts For The Year Ended June 30, 2015

	2016		Actual Amounts	Variance with Final Budget - Over (Under)	2015 Actual Amounts
	Budgeted Amounts				
	Original	Final			
Pupil support:					
Current:					
Salaries	\$45,659	\$33,000	\$35,816	\$2,816	\$40,000
Employee benefits	17,926	10,247	10,073	(174)	14,904
Purchased services	517,494	557,350	559,227	1,877	459,486
Supplies and materials	1,027	8,200	8,107	(93)	937
Total pupil support	<u>582,106</u>	<u>608,797</u>	<u>613,223</u>	<u>4,426</u>	<u>515,327</u>
Site, building and equipment:					
Current:					
Purchased services	1,686,399	1,782,172	1,748,988	(33,184)	1,544,477
Supplies and materials	33,990	40,050	37,035	(3,015)	31,015
Other expenditures	-	50	50	-	-
Capital expenditures	<u>50,485</u>	<u>98,000</u>	<u>91,208</u>	<u>(6,792)</u>	<u>108,752</u>
Total site, building and equipment	<u>1,770,874</u>	<u>1,920,272</u>	<u>1,877,281</u>	<u>(42,991)</u>	<u>1,684,244</u>
Fiscal and other fixed costs:					
Current:					
Purchased services	<u>25,456</u>	<u>20,200</u>	<u>19,262</u>	<u>(938)</u>	<u>16,733</u>
Total expenditures	<u>7,358,972</u>	<u>8,016,525</u>	<u>7,919,377</u>	<u>(97,148)</u>	<u>7,057,782</u>
Revenues over expenditures	<u>121,369</u>	<u>225,291</u>	<u>375,567</u>	<u>150,276</u>	<u>418,283</u>
Other financing sources (uses):					
Transfers out	<u>-</u>	<u>-</u>	<u>(21,829)</u>	<u>(21,829)</u>	<u>(35,622)</u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(21,829)</u>	<u>(21,829)</u>	<u>(35,622)</u>
Net change in fund balance	<u>\$121,369</u>	<u>\$225,291</u>	<u>353,738</u>	<u>\$128,447</u>	<u>382,661</u>
Fund balance - beginning			<u>1,878,983</u>		<u>1,496,322</u>
Fund balance - ending			<u>\$2,232,721</u>		<u>\$1,878,983</u>

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

Statement 6

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - FOOD SERVICE SPECIAL REVENUE FUND

For The Year Ended June 30, 2016

With Comparative Actual Amounts For The Year Ended June 30, 2015

	2016				2015 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)	
	Original	Final			
Revenues:					
Local sources	\$124,100	\$124,000	\$72,459	(\$51,541)	\$75,277
State sources	15,000	20,000	8,011	(11,989)	8,194
Federal sources	40,000	45,000	90,674	45,674	68,878
Total revenues	<u>179,100</u>	<u>189,000</u>	<u>171,144</u>	<u>(17,856)</u>	<u>152,349</u>
Expenditures:					
Pupil support services:					
Current:					
Purchased services	1,000	-	-	-	-
Supplies and materials	198,000	209,000	192,324	(16,676)	187,328
Other expenditures	-	1,000	649	(351)	643
Total pupil support services	<u>199,000</u>	<u>210,000</u>	<u>192,973</u>	<u>(17,027)</u>	<u>187,971</u>
Revenues over (under) expenditures	<u>(19,900)</u>	<u>(21,000)</u>	<u>(21,829)</u>	<u>(829)</u>	<u>(35,622)</u>
Other financing sources (uses):					
Transfers in	-	-	21,829	21,829	35,622
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>21,829</u>	<u>21,829</u>	<u>35,622</u>
Net change in fund balance	<u>(\$19,900)</u>	<u>(\$21,000)</u>	-	<u>\$21,000</u>	-
Fund balance - beginning			-		-
Fund balance - ending			<u>\$0</u>		<u>\$0</u>

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

Statement 7

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - COMMUNITY SERVICE SPECIAL REVENUE FUND

For The Year Ended June 30, 2016

With Comparative Actual Amounts For The Year Ended June 30, 2015

	2016			Variance with Final Budget - Over (Under)	2015 Actual Amounts
	Budgeted Amounts		Actual Amounts		
	Original	Final			
Revenues:					
Local sources	\$141,800	\$180,000	\$186,613	\$6,613	\$165,181
Expenditures:					
Community services:					
Current:					
Salaries	80,620	95,000	101,084	6,084	99,683
Employee benefits	15,000	20,500	21,640	1,140	17,927
Purchased services	15,000	40,000	49,095	9,095	29,342
Supplies and materials	17,000	17,000	12,897	(4,103)	18,871
Other	-	50	50	-	-
Capital expenditures	-	39,950	39,911	(39)	-
Total community service	127,620	212,500	224,677	12,177	165,823
Revenues over (under) expenditures	\$14,180	(\$32,500)	(38,064)	(\$5,564)	(642)
Fund balance - beginning			85,055		85,697
Fund balance - ending			\$46,991		\$85,055

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY*
For The Year Ended June 30, 2016

<u>Measurement Date</u>	<u>Fiscal Year Ending</u>	<u>Proportion (Percentage) of the Net Pension Liability</u>	<u>Proportionate Share (Amount) of the Net Pension Liability (a)</u>	<u>Covered-Employee Payroll (b)</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
<u>Teacher's Retirement Association</u>						
June 30, 2014	June 30, 2015	0.0390%	\$1,797,092	\$1,780,420	100.9%	81.5%
June 30, 2015	June 30, 2016	0.0447%	\$2,765,137	\$2,268,234	121.9%	76.8%
<u>PERA - General Employees Retirement Fund</u>						
June 30, 2014	June 30, 2015	0.0068%	\$319,430	\$358,120	89.2%	78.8%
June 30, 2015	June 30, 2016	0.0048%	\$248,761	\$280,966	88.5%	78.2%

* The schedule is provided prospectively beginning with the School's fiscal year ended June 30, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PENSION CONTRIBUTIONS*
 For The Year Ended June 30, 2016

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
<u>Teacher's Retirement Association</u>					
June 30, 2015	\$170,146	\$170,146	\$0	\$2,268,234	7.50%
June 30, 2016	\$213,183	\$213,183	\$0	\$2,842,428	7.50%
<u>PERA - General Employees Retirement Fund</u>					
June 30, 2015	\$20,368	\$20,368	\$0	\$280,966	7.25%
June 30, 2016	\$31,130	\$31,130	\$0	\$415,063	7.50%

* The schedule is provided prospectively beginning with the School's fiscal year ended June 30, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
June 30, 2015

Note A BUDGETARY INFORMATION

The General Fund, Food Service and Community Service Special Revenue Funds budgets are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the fund level.

Note B PENSION INFORMATION

Changes of benefit terms (TRA) – the Duluth Teacher’s Retirement Fund Association was merged into TRA on June 30, 2015.

Changes of assumptions (TRA) – Post-retirement benefit adjustments used for the June 30, 2015 valuation are now assumed to be 2% annually with no increase to 2.5% projected. The previous valuation assumed a 2.5% increase commencing July 1, 2034. Also, the discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

There were no changes of benefit terms or assumptions for PERA. Additional details can be obtained from the financial reports of TRA and PERA.

INDIVIDUAL FUND STATEMENTS

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

Statement 8

BALANCE SHEET - GENERAL FUND

June 30, 2016

With Comparative Totals For June 30, 2015

Assets	<u>2016</u>	<u>2015</u>
Cash and investments	\$1,493,746	\$1,148,375
Accounts receivable	5,560	18,464
Due from Minnesota Department of Education	1,095,185	966,121
Due from Federal Government through Minnesota Department of Education	7,314	7,191
Due from other funds	11,727	-
Prepaid items	<u>187,036</u>	<u>218,389</u>
 Total assets	 <u><u>\$2,800,568</u></u>	 <u><u>\$2,358,540</u></u>
 Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$115,910	\$187,532
Due to other government	19,825	-
Salaries payable	431,577	292,025
Unearned revenue	535	-
Total liabilities	<u>567,847</u>	<u>479,557</u>
Fund balance:		
Nonspendable	187,036	218,389
Unassigned	2,045,685	1,660,594
Total fund balance	<u>2,232,721</u>	<u>1,878,983</u>
 Total liabilities and fund balance	 <u><u>\$2,800,568</u></u>	 <u><u>\$2,358,540</u></u>

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
BALANCE SHEET - FOOD SERVICE SPECIAL REVENUE FUND
June 30, 2016
With Comparative Totals For June 30, 2015

Statement 9

Assets	<u>2016</u>	<u>2015</u>
Cash and investments	\$ -	\$3,278
Due from Minnesota Department of Education	250	343
Due from Federal Government through Minnesota Department of Education	<u>12,719</u>	<u>3,081</u>
Total assets	<u><u>\$12,969</u></u>	<u><u>\$6,702</u></u>
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$1,242	\$6,702
Due to other funds	<u>11,727</u>	<u>-</u>
Total liabilities	<u>12,969</u>	<u>6,702</u>
Fund balance:		
Unassigned	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u><u>\$12,969</u></u>	<u><u>\$6,702</u></u>

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

Statement 10

BALANCE SHEET - COMMUNITY SERVICE SPECIAL REVENUE FUND

June 30, 2016

With Comparative Totals For June 30, 2015

Assets	<u>2016</u>	<u>2015</u>
Cash and investments	<u>\$55,617</u>	<u>\$96,972</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$2,146	\$3,117
Salaries payable	6,480	2,871
Unearned revenue	-	5,929
Total liabilities	<u>8,626</u>	<u>11,917</u>
Fund balance:		
Restricted for community service	<u>46,991</u>	<u>85,055</u>
Total liabilities and fund balance	<u>\$55,617</u>	<u>\$96,972</u>

SUPPLEMENTAL INFORMATION

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

Schedule 1

UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS - COMPLIANCE TABLE
June 30, 2016

	Audit	UFARS	Variance		Audit	UFARS	Variance
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$8,294,944	\$8,294,944	\$ -	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	7,919,377	7,919,380	(3)	Total Expenditures	-	-	-
<i>Non-Spendable:</i>				<i>Non-Spendable:</i>			
4.60 Non Spendable Fund Balance	187,036	187,036	-	4.60 Non Spendable Fund Balance	-	-	-
<i>Restricted/Reserve:</i>				<i>Restricted/Reserve:</i>			
4.03 Staff Development	-	-	-	4.07 Capital Projects Levy	-	-	-
4.05 Deferred Maintenance	-	-	-	4.09 Alternative Fac. Program	-	-	-
4.06 Health and Safety	-	-	-	4.13 Projects Funded By COP	-	-	-
4.07 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
4.08 Cooperative Revenue	-	-	-	4.64 Restricted Fund Balance	-	-	-
4.11 Severance Pay	-	-	-	<i>Unassigned:</i>			
4.13 Project Funded By COP	-	-	-	4.63 Unassigned Fund Balance	-	-	-
4.14 Operating Debt	-	-	-				
4.16 Levy Reduction	-	-	-	07 DEBT SERVICE			
4.17 Taconite Building Maint	-	-	-	Total Revenue	\$ -	\$ -	\$ -
4.23 Certain Teacher Programs	-	-	-	Total Expenditures	-	-	-
4.24 Operating Capital	-	-	-	<i>Non-Spendable:</i>			
4.26 \$25 Taconite	-	-	-	4.60 Non Spendable Fund Balance	-	-	-
4.27 Disabled Accessibility	-	-	-	<i>Restricted/Reserve:</i>			
4.28 Learning and Development	-	-	-	4.25 Bond Refundings	-	-	-
4.34 Area Learning Center	-	-	-	4.51 QZAB Payments	-	-	-
4.35 Contracted Alt. Programs	-	-	-	<i>Restricted:</i>			
4.36 St. Approved Alt. Program	-	-	-	4.64 Restricted Fund Balance	-	-	-
4.38 Gifted & Talented	-	-	-	<i>Unassigned:</i>			
4.41 Basic Skills Programs	-	-	-	4.63 Unassigned Fund Balance	-	-	-
4.45 Career & Tech Programs	-	-	-				
4.46 First Grade Preparedness	-	-	-	08 TRUST			
4.49 Safe Schools Levy	-	-	-	Total Revenue	\$ -	\$ -	\$ -
4.50 Pre-Kindergarten	-	-	-	Total Expenditures	-	-	-
4.51 QZAB Payments	-	-	-	<i>Unrestricted:</i>			
4.52 OPEB Liab Not In Trust	-	-	-	4.22 Net Assets	-	-	-
4.53 Unfunded Sev & Retirement Levy	-	-	-				
<i>Restricted:</i>				20 INTERNAL SERVICE			
4.64 Restricted Fund Balance	-	-	-	Total Revenue	\$ -	\$ -	\$ -
<i>Committed:</i>				Total Expenditures	-	-	-
4.18 Committed For Separation	-	-	-	<i>Unrestricted:</i>			
4.61 Committed Fund Balance	-	-	-	4.22 Net Assets	-	-	-
<i>Assigned:</i>							
4.62 Assigned Fund Balance	-	-	-	25 OPEB REVOCABLE TRUST			
<i>Unassigned:</i>				Total Revenue	\$ -	\$ -	\$ -
4.22 Unassigned Fund Balance	2,045,685	2,045,685	-	Total Expenditures	-	-	-
				<i>Unrestricted:</i>			
02 FOOD SERVICE				4.22 Net Assets	-	-	-
Total Revenue	\$171,144	\$171,144	\$ -				
Total Expenditures	192,973	192,974	(1)	45 OPEB IRREVOCABLE TRUST			
<i>Non-Spendable:</i>				Total Revenue	\$ -	\$ -	\$ -
4.60 Non Spendable Fund Balance	-	-	-	Total Expenditures	-	-	-
<i>Restricted/Reserve:</i>				<i>Unrestricted:</i>			
4.52 OPEB Liab Not In Trust	-	-	-	4.22 Net Assets	-	-	-
<i>Restricted:</i>							
4.64 Restricted Fund Balance	-	-	-	47 OPEB DEBT SERVICE FUND			
<i>Unassigned:</i>				Total Revenue	\$ -	\$ -	\$ -
4.63 Unassigned Fund Balance	-	-	-	Total Expenditures	-	-	-
				<i>Non-Spendable:</i>			
04 COMMUNITY SERVICE				4.60 Non Spendable Fund Balance	-	-	-
Total Revenue	\$186,613	\$186,613	\$ -	<i>Restricted/Reserve:</i>			
Total Expenditures	224,677	224,675	2	4.25 Bond Refundings	-	-	-
<i>Restricted/Reserve:</i>				<i>Restricted:</i>			
4.26 \$25 Taconite	-	-	-	4.64 Restricted Fund Balance	-	-	-
4.31 Community Education	-	-	-	<i>Unassigned:</i>			
4.32 E.C.F.E	-	-	-	4.63 Unassigned Fund Balance	-	-	-
4.44 School Readiness	-	-	-				
4.47 Adult Basic Education	-	-	-				
4.52 OPEB Liab Not In Trust	-	-	-				
<i>Restricted:</i>							
4.64 Restricted Fund Balance	46,991	46,993	(2)				
<i>Unassigned:</i>							
4.63 Unassigned Fund Balance	-	-	-				

OTHER REQUIRED REPORTS

- This page intentionally left blank -



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

To the Board of Directors
Parnassus Preparatory School
Charter School No. 4199
Maple Grove, 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 Parnassus Preparatory School, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Parnassus Preparatory School's basic financial statements, and have issued our report thereon dated September 14, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

September 14, 2016



MINNESOTA LEGAL COMPLIANCE REPORT

To the Board of Directors
Parnassus Preparatory School
Charter School No. 4199
Maple Grove, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Parnassus Preparatory School as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated September 14, 2016.

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

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

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

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

September 14, 2016

- This page intentionally left blank -