PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

For The Year Ended June 30, 2018

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CHARTER SCHOOL NO. 4199
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INTRODUCTORY SECTION

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PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
SCHOOL BOARD
June 30, 2018

BOARD OF DIRECTORS

Name	Board Position During 2017 - 2018
Greg Friess	Board Chair and Treasurer
Kenneth Zigrino	Board Secretary
Heather Ross	Vice Chair
Barbara Rose	Board Director
Ben Ark	Board Director
Constance Ford	Ex-Officio Executive Director

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FINANCIAL SECTION

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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, 2018, 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, 2018, 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 2017 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 13, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 19, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Parnassus Preparatory School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Parnassus Preparatory School's internal control over financial reporting and compliance.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

September 19, 2018

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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, 2018. Please read it in conjunction with the School's financial statements, which immediately follow this section.

Financial Highlights

Key financial highlights for the 2017-2018 fiscal year includes the following:

- Based on the fund financial statements, not including the building company fund and loan proceeds, total revenues of $11,253,360 were received, an increase of $1,211,840 or 12% from the previous year. The increase was mainly due to student growth from 994 students in the 2016-2017 fiscal year to 1,077 students in the 2017-2018 fiscal year and a 2% increase in general education funding from the State.
- The School borrowed $421,577 for school related furniture, fixtures and equipment associated with the growth and renovation of the school building.
- Based on the fund financial statements, excluding the building company, total fund balance grew to $2,861,067 or 25% of total expenditures.
- During the 2017-2018 fiscal year substantial completion of School's 147,000 square foot construction project was performed and which was financed by $27.4 million in issued bonds in 2016-2017 fiscal year.

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. These 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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 plus deferred outflows and liabilities plus deferred inflows – is one way to measure the School's financial health or position.

Over time, increases or decreases in the School's net position are 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.

FINANCIAL ANALYSIS OF THE SCHOOL-WIDE STATEMENTS

Net Position

The School's net position was ($3,878,846) on June 30, 2018 as shown below:

	June 30,	
	2018	2017
Current assets	$6,789,842	$16,706,159
Capital assets	26,626,111	16,127,876
Deferred outflows of resources	9,224,578	9,361,047
Total assets and deferred outflows	42,640,531	42,195,082
Current liabilities	3,019,921	2,381,628
Noncurrent liabilities	41,386,280	41,219,088
Deferred inflows of resources	2,113,176	89,849
Total liabilities and deferred inflows	46,519,377	43,690,565
Net position:		
Net investment in capital assets	327,754	33,665
Restricted for community service	-	2,263
Unrestricted	(4,206,600)	(1,531,411)
Total net position	($3,878,846)	($1,495,483)

The School's construction project was completed during 2017-2018 fiscal year. Therefore, current assets decreased (project funds used for the renovation of the School's grounds and facilities) and capital assets increased (renovation of the school facility) during the fiscal year.

The School participates in cost-sharing multiple-employer defined benefit pension plans administered by the Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA). Governmental accounting standards require that the School's share of each plan's net pension liability be recorded on the Statement of Net Position. The portion attributable to the School is based on its contributions to each plan in comparison to contributions made by all plan participants.

The School's net pension liability, combined with pension related deferred outflows and inflows of resources, negatively impacted unrestricted net position by $6,216,417 and $3,826,777 for the years ended June 30, 2018 and 2017, respectively. The increased deficit was primarily due to changes in actuarial assumptions used to calculate the net pension liability, as well as changes to the proportion share of the pension plans. Excluding the net pension liability, the School's total net position would have grown to $2,337,571 in 2017-2018 up from $2,331,294 in 2016-2017.

The School continues to make its required contributions to each plan. Additional information can be found in Note 4 to the financial statements.

Changes in Net Position

The School-wide total revenue was $11,291,259 for the year ended June 30, 2018. As noted above, school-wide statements include both short-term and long-term information and differ from fund financial statements (see below for analysis of fund financial statements). There were no restricted grant revenues for the year ended June 30, 2018.

	As of June 30,	
	2018	2017
Revenues:		
Program revenues:		
Operating grants and contributions	$2,905,603	$2,748,380
Charges for services	293,973	280,209
General revenues - local sources	77,198	41,060
General revenues - state sources	8,014,485	7,129,119
Total revenues	11,291,259	10,198,768
Expenses:		
School support services	1,564,498	1,676,689
Regular instruction	6,394,347	5,401,648
Community education services	196,799	251,297
Special education	1,310,442	1,123,571
Instructional support services	402,695	226,867
Pupil support services	984,958	911,452
Site, building and equipment	1,476,891	1,960,773
Fiscal and other fixed costs	62,174	823,242
Interest and fiscal charges	1,281,818	165,910
Total expenses	13,674,622	12,541,449
Change in net position	(2,383,363)	(2,342,681)
Net position - beginning	(1,495,483)	847,198
Net position - ending	($3,878,846)	($1,495,483)

Excluding pension expense in 2017-2018 of $2.76 million and 2016-2017 of $2.34 million, overall school wide expenditures increased by 7% in 2018. The increase was driven by student growth.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUND FINANCIAL STATEMENTS

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. These are statements the School uses to manage and oversee operations. 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 uses the General Fund, Food Service Fund and Community Fund
- The Building Company Fund is used to account for the revenue and expenditures of CS Property Parnassus LLC, a blended component unit and the School's landlord.

- 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.

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

	2018				2017			
	General	Food Service	Community Service	Building Company	General	Food Service	Community Service	Building Company
Assets	$3,522,498	$4,599	$21,423	$3,244,913	$3,322,296	$11,313	$18,659	$13,358,990
Liabilities	653,912	4,599	28,942	1,659,553	774,363	11,313	16,396	1,418,745
Fund balance	$2,868,586	$0	($7,519)	$1,585,360	$2,547,933	$0	$2,263	$11,940,245

	2018				2017			
	General	Food Service	Community Service	Building Company	General	Food Service	Community Service	Building Company
Revenues	$10,871,286	$226,268	$155,806	$1,488,020	$9,656,828	$234,180	$150,512	$121,837
Expenditures	10,943,806	254,672	165,588	11,842,905	9,325,039	250,757	195,240	16,302,705
Other financing sources (uses)	393,173	28,404	-	-	(16,577)	16,577	-	28,121,113
Change in fund balance	$320,653	$0	($9,782)	($10,354,885)	$315,212	$0	($44,728)	$11,940,245

REVENUE ANALYSIS

In order to do a thorough analysis on the school's operations, the Building Company fund will be excluded from this analysis. The Building Company's sole purpose is to own the facilities and lease them to the School.

For 2018, total revenue was $11,253,360 (excludes the loan proceeds of $421,577), up $1.2 million or 12% from 2017. Enrollment growth of just over 8% to 1,077 students which was the

main factor of the revenue growth. In 2018, Parnassus received total revenue per student of $10,449 up from $10,102 in 2017.

The main driver of Parnassus' per student revenue growth had to do with an increase in the per pupil unit general education revenue of approximately 2%.

The demographic and economic make-up of the student population of any school also has an impact on per student funding. In 2018, Parnassus served a Free and Reduce population just over 26% of students with approximately 8% Special Education students and 8% English Language Learners (ELL). Parnassus's enrollment reflects its commitment to serve all students in its demographic area.

EXPENDITURE ANALYSIS

In order to do a thorough analysis on the school's operations, the Building Company fund will be excluded from this analysis. The Building Company's sole purpose is to own the facilities and lease them to the School.

In the fiscal year ending June 30, 2018, total expenditures were $10,942,489 (excludes the loan proceeds of $421,577 spent on furniture, fixtures and equipment), up $1.2 million or 12% from 2017. As with revenues, the majority of expenditure growth can be explained by the growth in students. The overall expenditure growth matched the overall revenue growth.

The School's per student expenditures in 2018 were $10,160, up 3% from 2017 and in line with per pupil revenue growth.

Parnassus is a growing public school. The 2018 fiscal year marked the fourth year of the School of Rhetoric (high school) where, for the first time, Parnassus served students in the twelfth 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 maintained at about 16 students per licensed teacher in fiscal year 2018. While not the same as class size, it does capture the school's ability to deliver a content rich classical education. Parnassus managed to keep per pupil expenditure growth in line with per pupil revenue growth. Major components of expense growth included our lease cost, up 19% to $1.77mm and utilities and maintenance, up 79% to $306m. Both of these numbers were within budgeted parameters. The utility and maintenance costs include not only heating, cooling and lighting a much bigger space, they also include the costs associated with occupying our 12-acre facility—landscaping, snow removal etc. Again, these costs were within budget and growth is expected to slow considerably in the future.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

BUDGETARY COMPARISON

An annual budget for 2017 – 2018 was established prior to June 30, 2017. One budget revision was 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 $209,075. The actual result for the year shows a surplus of $320,653. Higher actual than budgeted enrollment as well as some expenditure savings during the year contributed to the higher surplus.

The Community Fund had recognized a deficit this year of $9,782. This deficit reflects a competitively priced before and after school program which includes a strong academic enrichment program.

As a growing organization, the school continues to employ 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.

CAPITAL ASSETS

As of June 30, 2018, the School had capital assets net of accumulated depreciation of $26,626,111. These capital assets are mainly related to the land, building, and associated construction and renovation by the Building Company of the school facilities. Additional expenditures which were capitalized is made up of a receivable from the School in the amount of $590,966. This amount is expected to be brought down over the next 3-5 years.

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.

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BASIC FINANCIAL STATEMENTS

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199 **Statement 1**
STATEMENT OF NET POSITION
June 30, 2018 (December 31, 2017 for the Building Company Fund)
With Comparative Totals For June 30, 2017 (December 31, 2016 for the Building Company Fund)

	Governmental Activities	
	2018	2017
Assets:		
Cash	$1,730,403	$1,821,143
Cash and investments with fiscal agent	3,234,631	13,342,367
Accounts receivable	7,668	-
Due from other governments	1,142,518	1,293,126
Due from Building Company	590,906	120,706
Prepaid items	83,716	128,817
Capital assets - nondepreciable	15,851,704	5,529,979
Capital assets - net of accumulated depreciation	10,774,407	10,597,897
Total assets	33,415,953	32,834,035
Deferred outflows of resources related to pensions	9,224,578	9,361,047
Total assets and deferred outflows of resources	$42,640,531	$42,195,082
Liabilities:		
Accounts payable	$123,299	$251,879
Contracts and retainage payable	1,142,730	1,389,199
Due to General Fund	520,510	99,634
Salaries, taxes and benefits payable	551,104	472,020
Accrued interest payable	216,506	165,910
Unearned revenue	5,772	2,986
Long-term liabilities:		
Note payable - due in more than one year	421,577	-
Bonds payable - due within one year	460,000	-
Bonds payable - due in more than one year	27,636,884	28,121,113
Net pension liability - due in more than one year	13,327,819	13,097,975
Total liabilities	44,406,201	43,600,716
Deferred inflows of resources related to pensions	2,113,176	89,849
Net position:		
Net investment in capital assets	327,754	33,665
Restricted for community service	-	2,263
Unrestricted	(4,206,600)	(1,531,411)
Total net position	(3,878,846)	(1,495,483)
Total liabilites, deferred inflows and net position	$42,640,531	$42,195,082

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, 2018 (December 31, 2017 for the Building Company Fund)
With Comparative Totals For the Year Ended June 30, 2017 (December 31, 2016 for the Building Company Fund)

		Program Revenues		Net (Expense) Revenue and Changes in Net Position	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	2018	2017
Governmental activities:					
School support services	$1,564,498	$ -	$ -	($1,564,498)	($1,676,689)
Regular instruction	6,394,347	68,478	101,886	(6,223,983)	(5,079,727)
Community education and services	196,799	155,806	-	(40,993)	(100,785)
Special education	1,310,442	-	1,066,982	(243,460)	(169,912)
Instructional support services	402,695	-	-	(402,695)	(226,867)
Pupil support services	984,958	69,689	156,579	(758,690)	(677,272)
Site, building and equipment	1,476,891	-	1,580,156	103,265	(592,456)
Fiscal and other fixed costs	62,174	-	-	(62,174)	(823,242)
Interest and fiscal costs	1,281,818	-	-	(1,281,818)	(165,910)
Total governmental activities	$13,674,622	$293,973	$2,905,603	(10,475,046)	(9,512,860)
General revenues:					
Local sources				77,198	41,060
State sources				8,014,485	7,129,119
Total general revenues				8,091,683	7,170,179
Change in net position				(2,383,363)	(2,342,681)
Net position - beginning				(1,495,483)	847,198
Net position - ending				($3,878,846)	($1,495,483)

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, 2018 (1(December 31, 2017 for the Building Company Fund)
With Comparative Totals For June 30, 2017 (December 31, 2016 for the Building Company Fund)

	General	Food Service Fund	Community Service Fund	Building Company Fund	Governmental Funds 2018	Governmental Funds 2017
Assets						
Cash	$1,701,831	$ -	$21,040	$7,532	$1,730,403	$1,821,143
Cash and investments with fiscal agent	-	-	-	3,234,631	3,234,631	13,342,367
Accounts receivable	7,361	49	258	-	7,668	-
Due from Minnesota Department of Education	1,111,453	411	-	-	1,111,864	1,240,274
Due from Federal Government through Minnesota Department of Education	26,515	4,139	-	-	30,654	52,852
Due from other funds	594,497	-	-	-	594,497	125,805
Prepaid items	80,841	-	125	2,750	83,716	128,817
Total assets	$3,522,498	$4,599	$21,423	$3,244,913	$6,793,433	$16,711,258
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	$118,433	$1,008	$3,858	$ -	$123,299	$251,879
Contracts and retainage payable	3,687	-	-	1,139,043	1,142,730	1,389,199
Due to other funds	-	3,591	-	520,510	524,101	104,733
Salaries, taxes and benefits payable	531,714	-	19,390	-	551,104	472,020
Unearned revenue	78	-	5,694	-	5,772	2,986
Total liabilities	653,912	4,599	28,942	1,659,553	2,347,006	2,220,817
Fund balance:						
Nonspendable for prepaid items	80,841	-	125	2,750	83,716	128,817
Restricted for community service	-	-	-	-	-	2,263
Restricted for capital and debt service	-	-	-	1,582,610	1,582,610	11,923,622
Unassigned	2,787,745	-	(7,644)	-	2,780,101	2,435,739
Total fund balance	2,868,586	0	(7,519)	1,585,360	4,446,427	14,490,441
Total liabilities and fund balance	$3,522,498	$4,599	$21,423	$3,244,913	$6,793,433	$16,711,258

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

Fund balance reported above	$4,446,427	$14,490,441
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	26,626,111	16,127,876
Deferred outflows of resources related to pensions	9,224,578	9,361,047
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds payable	(27,370,000)	(27,370,000)
Unamortized bond premium	(726,884)	(751,113)
Note payable	(421,577)	-
Accrued interest payable	(216,506)	(165,910)
Net pension liability	(13,327,819)	(13,097,975)
Deferred inflows of resources related to pensions	(2,113,176)	(89,849)
Net position of governmental activities (Statement 1)	($3,878,846)	($1,495,483)

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, 2018 (December 31, 2017 for the Building Company Fund)
With Comparative Totals For the Year Ended June 30, 2017 (December 31, 2016 for the Building Company Fund)

	General	Food Service Fund	Community Service Fund	Building Company Fund	Governmental Funds 2018	Governmental Funds 2017
Revenues:						
Local sources	$106,199	$69,689	$155,806	$1,488,020	$1,819,714	$443,106
State sources	10,499,260	12,606	-	-	10,511,866	9,326,585
Federal sources	265,827	143,973	-	-	409,800	393,666
Total revenues	10,871,286	226,268	155,806	1,488,020	12,741,380	10,163,357
Expenditures:						
Current:						
School support services	1,227,705	-	-	120,548	1,348,253	1,364,643
Regular instruction	4,613,842	-	-	-	4,613,842	3,910,763
Special education	1,072,385	-	-	-	1,072,385	923,626
Instructional support services	336,717	-	-	-	336,717	200,744
Pupil support services	731,777	251,683	-	-	983,460	909,128
Community services	-	-	164,488	-	164,488	194,007
Site, building and equipment	2,443,314	-	-	-	2,443,314	2,007,670
Fiscal and other fixed costs	6,993	-	-	55,181	62,174	823,242
Capital outlay	511,073	2,989	1,100	10,411,725	10,926,887	15,739,918
Debt service:						
Interest	-	-	-	1,255,451	1,255,451	-
Total expenditures	10,943,806	254,672	165,588	11,842,905	23,206,971	26,073,741
Revenues over (under) expenditures	(72,520)	(28,404)	(9,782)	(10,354,885)	(10,465,591)	(15,910,384)
Other financing sources (uses):						
Issuance of debt	421,577	-	-	-	421,577	27,370,000
Bond premium	-	-	-	-	-	751,113
Transfers in	-	28,404	-	-	28,404	16,577
Transfers out	(28,404)	-	-	-	(28,404)	(16,577)
Total other financing sources (uses)	393,173	28,404	0	0	421,577	28,121,113
Net increase (decrease) in fund balance	320,653	0	(9,782)	(10,354,885)	(10,044,014)	12,210,729
Fund balance - beginning	2,547,933	-	2,263	11,940,245	14,490,441	2,279,712
Fund balance - ending	$2,868,586	$0	($7,519)	$1,585,360	$4,446,427	$14,490,441

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

Net change in fund balance reported above	($10,044,014)	$12,210,729
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	(352,532)	(113,649)
Capital outlay	10,926,887	15,739,918
Capital outlay not capitalized	(5,054)	(26,459)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. However, neither has any effect on net position:		
Issuance of debt	(421,577)	(27,370,000)
Bond issue premiums	-	(751,113)
Various other transactions involving capital assets increase (decrease) net position on the statement of activities, but are not reported in governmental funds because they do not provide (or use) current financial resources:		
Loss on disposal of capital assets	(71,066)	-
Some expenses reported in the statement of activities do not require the use of current resources and, thererfore, are not reported as expenditures in governmental funds:		
Change in accrued interest payable	(50,596)	(165,910)
Amortization of bond premium	24,229	-
Governmental funds report pension contributions as expenditures, however, pension expense is reported in the statement of activities (see Note 4D for details)	(2,389,640)	(1,866,197)
Change in net position of governmental activities (Statement 2)	($2,383,363)	($2,342,681)

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

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Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies.

A. FINANCIAL REPORTING ENTITY

As required by state statute, the School operates as a nonprofit corporation under Minnesota Statutes §317A. 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.

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.

There is one organization that is considered to be a component unit of the School. CS Property Parnassus, LLC (the Building Company) is an unaffiliated building corporation which was formed as a Minnesota nonprofit limited liability company. The Building Company is governed by a separate board. Although it is legally separate from the School, the Building Company is reported as if it were part of the School (as a blended component unit) because its sole purpose is to acquire and own educational sites which will be leased to the School. No separate financial statements of the Building Company are issued.

The School is required to operate under a charter agreement with an entity that has been approved by the Minnesota Department of Education (MDE) to be a charter school "authorizer." The authorizer monitors and evaluates the School's performance, and periodically determines whether to renew the School's charter. The School's authorizer is Friends of Education. Aside from its responsibilities as authorizer, Friends of Education has no authority or control over the School, and is not financially accountable for it. Therefore, the School is not considered a component unit of Friends of Education.

B. FISCAL YEAR-END OF THE BUILDING COMPANY

The Building Company was formed by Urban Homeworks, Inc., a Minnesota nonprofit corporation with a fiscal year-end of December 31. Urban Homeworks, Inc. is the sole member of the Building Company. Because of the relationship between the two entities, the Building Company also has a fiscal year-end of December 31.

The Building Company amounts and note disclosures reported in these financial statements are as of and for the year ending December 31, 2017.

C. SCHOOL-WIDE FINANCIAL STATEMENTS

The school-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School. Amounts 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. *Governmental activities* generally are financed through intergovernmental revenues, and other non-exchange transactions. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

As a general rule the effect of interfund activity has been eliminated from the school-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services, are similarly treated when they involve other funds of the School. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 charges for goods and services, as well as operating and capital 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*.

D. FUND FINANCIAL STATEMENTS

Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized when it becomes both measurable and available. *Measurable* means the amount of the transaction can be determined and *available* means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota Statutes and GAAP. Minnesota Statutes include state aid formulas for specific fiscal years. Federal revenue and other non-exchange transactions are recognized when all eligibility requirements imposed by the provider have been met and the resources are available. Food service sales and other miscellaneous revenue are recorded as revenue when received because they are generally not measurable until then. A 60 day availability period is used for other fund revenue.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, as applicable, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The emphasis of fund financial statements is on major 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 Special Revenue Fund* is used to account for the School's child nutrition program.

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

The *Building Company Special Revenue Fund* is used to account for the revenues and expenditures of the Building Company, a blended component unit.

E. INCOME TAXES

The School and Building Company are classified as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and comparable sections of the Minnesota income tax statutes.

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 and Building Company have no uncertain income tax positions that would result in an accrual, expense or benefit under the more likely than not standard.

F. BUDGETS

The School's Board adopts an annual budget for the General Fund, the Food Service Special Revenue Fund and the Community Service Special Revenue Fund. Budgets are prepared on the same basis of accounting as the financial statements. 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.

For the year ended June 30, 2018, a summary of actual results compared to the final budget is as follows:

	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Over (under)
General Fund revenues	$10,683,493	$10,871,286	$187,793
General Fund expenditures	10,916,888	10,943,806	26,918
Food Service Fund revenues	247,770	226,268	(21,502)
Food Service Fund expenditures	275,300	254,672	(20,628)
Community Service Fund revenues	162,000	155,806	(6,194)
Community Service Fund expenditures	162,000	165,588	3,588

G. STUDENT ACTIVITIES

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

H. CASH AND INVESTMENTS

Cash balances of the General Fund, the Food Service Fund, and Community Service Fund are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Investments are stated at fair value as of the balance sheet date. Cash and investments with fiscal agent are restricted for purposes contained in the 2016 bond documents.

I. RECEIVABLES

Receivables represent amounts receivable from other governments, individuals, firms, and corporations for goods and services furnished by the School. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

J. PREPAID ITEMS

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

K. CAPITAL ASSETS

Capital assets, which include property, plant and equipment are reported in the school-wide financial statements. Capital assets are defined by the School as assets with an initial, individual 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:

Computers	3-5 years
Equipment	5-20 years
Leasehold improvements	5-20 years
Other improvements	9 years
Buildings and improvements	40 years

L. ACCRUED EMPLOYEE BENEFITS

Since vacation benefits do not carryover at year end, no long-term liability for unused vacation has been recorded. Substantially all employees are entitled to sick leave at rates specified in their contracts. Employees are not compensated for unused sick leave upon termination of employment; therefore, no long-term liability for unused sick leave has been recorded.

M. DEFINED BENEFIT PENSION PLANS

For purposes of measuring the net pension liability, deferred outflows and inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA) and additions to and 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. Plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with 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, the City of Minneapolis, and the Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association 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. PERA also has a special funding situation created by direct aid contributions made by the State of Minnesota.

N. DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School has one item that qualifies for reporting in this category. It is the pension related deferred outflows of resources reported in the school-wide Statement of Net Position.

In addition to liabilities, the statement of financial reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The School has one item that qualifies for reporting in this category. It is the pension related deferred inflows of resources reported in the school-wide Statement of Net Position.

O. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OPEB are defined as benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment. The School does not offer such benefits to its employees. Also, employee health insurance premiums are age-adjusted. Therefore, an implicit rate subsidy does not exist and a liability for OPEB has not been recorded.

P. UNEARNED REVENUE

Unearned revenue represents amounts received under federal, state or private grant programs but not expended in the current year. Such amounts are unearned until subsequent periods when the funds are expended.

Q. LONG-TERM OBLIGATIONS

In the school-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities. Bond premiums and discounts are amortized over the life of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

R. FUND BALANCE

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 that are established by resolution of the School's Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned - consists of internally imposed constraints that are intended to be used by the School for specific purposes, but do not meet the criteria to be classified as restricted or committed. Assigned amounts represent intended uses established by the School's Board itself or by an official to which the governing body delegates the authority. Pursuant to

Board Resolution, the School's Director is authorized to assign fund balance for specific purposes.
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.

S. MINIMUM FUND BALANCE POLICY

The School's Board has formally adopted a fund balance policy for the General Fund. The policy establishes a minimum fund balance for the General Fund equal to 20% of current year expenditures.

At June 30, 2018, the targeted minimum fund balance for the General Fund was $2,188,761. Actual fund balance in the General Fund was $2,868,586.

T. NET POSITION

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the school-wide financial statements. Net investment 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 statements when there are limitations on its use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

U. COMPARATIVE DATA

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

V. USE OF ESTIMATES

The preparation of financial statements in accordance with 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.

W. 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. For which the School carries commercial liability insurance. 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.

X. 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 had investments of $3,234,631 in U.S. Treasury and Government securities as of December 31, 2017, which are categorized as level 1 investments.

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with Minnesota Statutes, the School maintains deposits at financial institutions which are authorized by the School's 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, 2018, all but an immaterial amount of the School's deposits were covered by insurance or collateral.

B. INVESTMENTS

The School may also invest idle funds as authorized by Minnesota Statutes, as follows: direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better, general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States' banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States' corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

Credit risk – State law limits investments as discussed above. The School has no investment policy that would further limit its investment choices.

C. CASH AND INVESTMENTS WITH FISCAL AGENT

As of December 31, 2017, the Building Company had cash and investments held with a fiscal agent for the following purposes:

Purpose	Amount
Future debt service payments	$297,061
Reserve Fund requirement	1,768,277
Project costs	1,167,943
Other	1,350
	$3,234,631

The amounts are held in a Fidelity Treasury Money Market Fund which has an S&P rating of AAAm.

Note 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$3,630,000	$ -	$ -	$3,630,000
Construction in progress	1,899,979	10,411,725	(90,000)	12,221,704
Total capital assets, not being depreciated	5,529,979	10,411,725	(90,000)	15,851,704
Capital assets, being depreciated:				
Buildings and improvements	9,976,387	-	-	9,976,387
Computers	146,660	-	-	146,660
Equipment	261,224	277,620	(24,067)	514,777
Leasehold improvements	403,788	322,488	(73,417)	652,859
Other improvements	18,811	-	-	18,811
Total capital assets, being depreciated	10,806,870	600,108	(97,484)	11,309,494
Less accumulated depreciation for:				
Buildings and improvements	41,568	249,410	-	290,978
Computers	52,425	28,003	-	80,428
Equipment	37,101	36,830	(7,559)	66,372
Leasehold improvements	73,525	36,198	(18,859)	90,864
Other improvements	4,354	2,091	-	6,445
Total accumulated depreciation	208,973	352,532	(26,418)	535,087
Governmental activities capital assets - net	$16,127,876	$10,659,301	($161,066)	$26,626,111

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
School support services	$9,833
Regular instruction	31,135
Special education	1,916
Instructional support services	17,851
Pupil support services	284
Community education and services	338
Site, building and equipment	291,175
Total depreciation expense - governmental activities	$352,532

Note 4 DEFINED BENEFIT PENSION PLANS

The School participates in cost-sharing multiple-employer defined benefit pension plans administered on a statewide basis by the Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA). The defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code. Disclosures relating to these plans are as follows:

A. PLAN DESCRIPTIONS

TRA administers a Coordinated Plan in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity 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.

PERA administers the General Employees Retirement Fund (GERF) in accordance with Minnesota Statutes, Chapters 353 and 356, and is governed by an eleven member Board of Trustees. All full-time and certain part-time employees of the School, other than teachers, are covered by the GERF.

B. 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 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.

Tier 1 Benefits – for members with service years up to July 1, 2006, a step rate formula of 1.2% per year for the first ten years of service and 1.7% per year thereafter is applied. For members with service years beginning July 1, 2006, a step rate formula of 1.4% per year for the first ten years of service and 1.9% per year thereafter is applied.

Tier II Benefits – for years of service prior to July 1, 2006, a level formula of 1.7% per year is applied. For years of service July 1, 2006 and after, a level formula of 1.9% per year is applied. 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.

GERF 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. 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 is 1.2% of average salary for each of the first ten years of service and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 1.7% 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.

C. CONTRIBUTIONS

Employee and employer contribution rates are established by Minnesota Statutes. Rates for the years ended June 30, 2018 and 2017 are as follows:

	Employee	Employer
TRA	7.5%	7.5%
PERA	6.5%	7.5%

The School's contributions to TRA and PERA were equal to the required contributions as set by state statute. Contributions to TRA and PERA for the previous two fiscal years were as follows:

Year Ended	TRA	PERA
June 30, 2018	$298,890	$43,809
June 30, 2017	$261,047	$35,746

D. NET PENSION LIABILITY AND PENSION EXPENSE

The net pension liability reported at June 30, 2018 was measured as of June 30, 2017. 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 contributions received by each respective plan during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017, relative to the

total contributions to the plan, which included direct aid from the State of Minnesota, the City of Minneapolis and the Minneapolis School District. The School has no pension-related assets.

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, 2018 are as follows:

	TRA	PERA	Total
Net pension liability	$12,855,408	$472,411	$13,327,819
Proportionate share of net pension liability:			
Measurement date	0.0644%	0.0074%	
Prior measurement date	0.0527%	0.0065%	
Pension expense	$2,685,823	$70,513	$2,756,336

The pension expense related to TRA and PERA includes recognition of $23,825 and $172, respectively, as an increase to pension expense (and grant revenue) for the support provided by direct aid.

On the Statement of Revenues, Expenditures and Changes in Fund Balance (Statement 4), amounts are reported to reconcile the change in fund balance to the change in net position of governmental activities (Statement 2). One such amount ($2,389,640) pertains to the reporting of pension expense in the Statement of Activities. The amount is calculated as follows:

Pension contributions	$342,699
Direct aid	23,997
Pension expense	(2,756,336)
	($2,389,640)

The net pension liability related to TRA reflected a reduction due to direct aid in the amount of $35,587,410 provided to TRA. The amount recognized by the School as its proportionate share of the net pension liability, the State's proportionate share of the net pension liability, and the total portion of the net pension liability that was associated with the School were $12,855,408, $1,242,245 and $14,097,653, respectively.

The net pension liability related to PERA reflected a reduction due to direct aid in the amount of $6,000,000 provided to PERA. The amount recognized by the School as its proportionate share of the net pension liability, the State's proportionate share of the net pension liability, and the total portion of the net pension liability that was associated with the School were $472,411, $5,952 and $478,363, respectively.

E. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience:		
TRA	$103,173	$89,930
PERA	15,569	30,393
Difference between projected and actual investment earnings:		
TRA	-	100,735
PERA	-	20,431
Changes in actuarial assumptions:		
TRA	6,967,434	1,800,840
PERA	78,430	47,359
Changes in proportion:		
TRA	1,633,541	-
PERA	83,732	23,488
Contributions paid subsequent to the measurement date:		
TRA	298,890	-
PERA	43,809	-
Total	$9,224,578	$2,113,176

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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense during the following years:

	Pension Expense		
Year	TRA	PERA	Total
2019	$1,808,057	$8,706	$1,816,763
2020	2,041,286	62,122	2,103,408
2021	1,634,486	5,285	1,639,771
2022	1,425,807	(20,053)	1,405,754
2023	(196,993)	-	(196,993)
Thereafter	-	-	-

F. ACTUARIAL ASSUMPTIONS

TRA

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

Actuarial Information	
Measurement date	June 30, 2017
Valuation date	July 1, 2017
Experience study	June 5, 2015 and November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	5.12%, from the Single Equivalent Interest Rate calculation
Price inflation	2.50%
Wage growth rate	2.85% for 10 years and 3.25% thereafter
Projected salary increase	2.85 to 8.85% for 10 years and 3.25 to 9.25% thereafter
Cost of living adjustment	2.0%
Mortality Assumptions:	
Pre-retirement	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is six years. The "Difference Between Expected and Actual Economic Experience," "Changes in Actuarial Assumptions," and "Changes in Proportion" use the amortization period of six years in the schedule presented. The amortization period for "Difference Between Projected and Actual Investment Earnings" is five years as required by GASB 68.

The following changes in actuarial assumptions occurred since the 2016 valuation:

- The investment return assumption was changed from 8.00% to 7.50%.
- The price inflation assumption was lowered from 2.75% to 2.50%.
- The payroll growth assumption was lowered from 3.50% to 3.00%.
- The general wage growth assumption was lowered from 3.50% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive loan increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.

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

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

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

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

The following changes in actuarial assumptions occurred in 2017:

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

TRA and PERA
The State Board of Investment, which manages the investments of TRA and PERA, prepares an analysis on a regular basis of the reasonableness of the long-term expected rate of return 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 percentages and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

G. DISCOUNT RATE

TRA
The discount rate used to measure the total pension liability was 5.12%. This is an increase from the discount rate at the prior measurement date of 4.66%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2017 contribution rate, contributions from schools will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2053 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return (7.50%) was applied to periods before 2053 and the Municipal Bond Index Rate of 3.56% was applied to periods on and after 2053, resulting in a SEIR of 5.12%. There was a change in the Municipal Bond Index Rate from the prior year measurement date (3.01%).

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

H. 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 (4.12% for TRA; 6.50% for PERA) and one percent higher (6.12% for TRA; 8.50% for PERA).

	1% Decrease	Current	1% Increase
TRA	$16,966,662	$12,855,408	$9,389,121
PERA	$732,745	$472,411	$259,281

I. 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.

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.

Note 5 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 2018 and 2017.

Note 6 INTERFUND ACTIVITY

During 2018, the School made a routine transfer of $28,404 from the General Fund to eliminate a deficit in the Food Service Fund.

The School's due to/from other funds consists of the following:

- As of December 31, 2017, the Building Company owed the General Fund $520,510 for expenses initially paid by the General Fund which will later be reimbursed by the Building Company.

- As of June 30, 2018, the Food Service Fund owed the General Fund $3,591 to cover a temporary cash deficit, and the Building Company owed the General Fund $590,906 for expenses initially paid by the General Fund which will later be reimbursed by the Building Company.

Total due to/from balances do not net to zero because of timing differences caused by the Building Company's fiscal year end of December 31, 2017.

Note 7 NOTE PAYABLE

The School has a promissory note payable with a maximum available amount of $500,000. The note evidences a straight line of credit, meaning once the total amount of principal has been advanced, the School is not entitled to further loan advances. The purpose of obtaining the note is to assist with the timing of cash flows. The note bears an interest rate of 5.50% and matures on July 1, 2023. For the year ended June 30, 2018, $421,577 was drawn on the note and no principal payments were made or due. As of June 30, 2018, the outstanding balance was $421,577.

Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest
2019	$ -	$23,509
2020	100,000	18,440
2021	100,000	12,814
2022	100,000	7,238
2023	100,000	1,662
2024	21,577	99
	$421,577	$63,762

Note 8 BONDS PAYABLE

A summary of bonds payable is as follows:

	Balance December 31, 2017
Building Company	
$27,110,000 Charter School Lease Revenue Bonds Series 2016A, $260,000 Taxable Charter School Lease Revenue Bonds Series 2016B, both dated November 1, 2016. The Series 2016A bonds mature November 1, 2047 and carry interest rates ranging from 3.0% to 5.0%. The Series 2016B bonds mature November 1, 2018 and carry an interest rate of 4.75%.	$27,370,000
Bond Premium	726,884
	$28,096,884

In November of 2016, the Building Company obtained a $27,370,000 loan from lease revenue bond proceeds sold by the City of Ham Lake, Minnesota. The loan proceeds were used by the Building Company to finance the acquisition, construction, improvement, and equipping of an approximately 147,388 square foot charter school facility intended for grades K-12, which was previously leased by the School from a third party. The School subsequently entered into an agreement to lease these facilities from the Building Company (see Note 9).

The bond proceeds were placed in an escrow account under the terms of a trust agreement for the benefit of the Building Company. The loan is payable in semi-annual principal and interest installments through November 1, 2047 and bears the same interest rates as the related lease revenue bonds. The debt is secured by the facility owned by the Building Company as well as a security interest in all leases and rents. The agreements contain certain covenants including a minimum cash on hand requirement and a covenant to maintain income available for debt service at levels specified in the loan documents.

Management has indicated that as of June 30, 2018, the School was compliant with all covenants.

Changes in bonds payable are as follows:

	Beginning Balance 1/1/2017	Additions	Retirements	Ending Balance 12/31/2017
Bonds payable	$27,370,000	$ -	$ -	$27,370,000
Bond premium	751,113	-	(24,229)	726,884
Total	$28,121,113	$0	($24,229)	$28,096,884

Annual debt service requirements to maturity for the lease revenue bonds are as follows:

Fiscal	Lease Revenue Bonds Series 2016A		Lease Revenue Bonds Series 2016B	
Year	Principal	Interest	Principal	Interest
2019	$ 200,000	$ 1,293,900	$ 260,000	$ 12,350
2020	475,000	1,287,900	-	-
2021	490,000	1,273,650	-	-
2022	505,000	1,258,950	-	-
2023	520,000	1,243,800	-	-
2024	540,000	1,223,000	-	-
2025	565,000	1,201,400	-	-
2026	585,000	1,178,800	-	-
2027	610,000	1,155,400	-	-
2028	635,000	1,131,000	-	-
2029	665,000	1,099,250	-	-
2030	700,000	1,066,000	-	-
2031	735,000	1,031,000	-	-
2032	770,000	994,250	-	-
2033	810,000	955,750	-	-
2034	850,000	915,250	-	-
2035	890,000	872,750	-	-
2036	935,000	828,250	-	-
2037	980,000	781,500	-	-
2038	1,030,000	732,500	-	-
2039	1,085,000	681,000	-	-
2040	1,135,000	626,750	-	-
2041	1,195,000	570,000	-	-
2042	1,255,000	510,250	-	-
2043	1,315,000	447,500	-	-
2044	1,380,000	381,750	-	-
2045	1,450,000	312,750	-	-
2046	1,525,000	240,250	-	-
2047	1,600,000	164,000	-	-
2048	1,680,000	84,000	-	-
	$27,110,000	$25,542,550	$260,000	$12,350

Note 9 COMMITMENTS AND CONTINGENCIES

A. 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.

B. LEASES

The School has a lease agreement with the Building Company for classroom and office space in Maple Grove. The term of the lease is 35 years, expiring June 30, 2051. Total annual base rent for the three facilities is the greater of (a) the minimum base rent summarized below or (b) the lease aid maximum amount, as defined in the lease agreement. For the year ended June 30, 2018, the School paid $1,642,189 in rent. Estimated minimum future rent based on current factors is as follows:

Fiscal Year Ended	Amount
2019	$1,800,017
2020	1,799,400
2021	1,799,850
2022	1,799,850
2023	1,799,267
2024-2028	9,005,433
2029-2033	9,006,916
2034-2038	8,845,958
2039-2043	8,997,667
2044-2048	7,788,250
2049-2051	**

** Base rent for the months of November 2047 through June 2051 has not yet been determined

Note 10 RECENTLY ISSUED ACCOUNTING STANDARDS

The Governmental Accounting Standards Boards (GASB) recently approved the following statements which were not implemented for these financial statements:

Statement No. 83 *Certain Asset Retirement Obligations.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84 *Fiduciary Activities.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87 *Leases.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Periods.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90 *Majority Equity Interests.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2018.

The effect these standards may have on future financial statements is not determinable at this time.

REQUIRED SUPPLEMENTARY INFORMATION

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended June 30, 2018
With Comparative Actual Amounts For The Year Ended June 30, 2017

	2018				
	Budgeted Amounts		Actual	Variance with Final Budget -	2017 Actual
	Original	Final	Amounts	Over (Under)	Amounts
Revenues:					
Local sources	$78,300	$99,300	$106,199	$6,899	$97,425
State sources	10,177,902	10,332,172	10,499,260	167,088	9,313,361
Federal sources	215,200	252,021	265,827	13,806	246,042
Total revenues	10,471,402	10,683,493	10,871,286	187,793	9,656,828
Expenditures:					
School support services:					
Current:					
Salaries	710,000	606,000	605,948	(52)	630,276
Employee benefits	238,850	248,214	214,874	(33,340)	207,106
Purchased services	292,100	322,615	301,783	(20,832)	321,553
Supplies and materials	110,700	84,300	103,101	18,801	111,977
Other expenditures	4,100	2,000	1,999	(1)	4,475
Capital expenditures	30,000	16,000	17,176	1,176	32,329
Total School support services	1,385,750	1,279,129	1,244,881	(34,248)	1,307,716
Regular instruction:					
Current:					
Salaries	3,056,961	3,145,587	3,169,794	24,207	2,714,826
Employee benefits	844,762	813,750	852,118	38,368	671,127
Purchased services	239,000	299,750	332,455	32,705	269,698
Supplies and materials	215,113	258,250	253,339	(4,911)	238,111
Other expenditures	2,250	7,450	6,136	(1,314)	17,001
Capital expenditures	60,250	49,000	40,936	(8,064)	27,894
Total regular instruction	4,418,336	4,573,787	4,654,778	80,991	3,938,657
Special education:					
Current:					
Salaries	457,000	553,356	607,956	54,600	472,539
Employee benefits	103,795	81,084	136,786	55,702	112,890
Purchased services	305,547	313,500	312,298	(1,202)	331,961
Supplies and materials	3,900	13,206	15,345	2,139	4,151
Other expenditures	-	-	-	-	2,085
Capital expenditures	10,500	8,000	9,221	1,221	14,315
Total special education	880,742	969,146	1,081,606	112,460	937,941
Instructional support:					
Current:					
Salaries	55,000	110,500	88,180	(22,320)	42,458
Employee benefits	19,400	32,100	26,879	(5,221)	12,354
Purchased services	171,000	180,600	186,456	5,856	128,914
Supplies and materials	24,500	41,200	35,202	(5,998)	16,779
Other expenditures	-	-	-	-	239
Capital expenditures	40,000	25,000	15,189	(9,811)	75,544
Total instructional support	309,900	389,400	351,906	(37,494)	276,288

PARNASSUS PREPARATORY SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended June 30, 2018
With Comparative Actual Amounts For The Year Ended June 30, 2017

	2018				
	Budgeted Amounts		Actual	Variance with Final Budget -	2017 Actual
	Original	Final	Amounts	Over (Under)	Amounts
Pupil support:					
Current:					
Salaries	$35,000	$35,000	$35,557	$557	$32,425
Employee benefits	14,300	12,350	9,785	(2,565)	9,681
Purchased services	659,932	692,268	682,906	(9,362)	612,978
Supplies and materials	4,050	2,750	3,529	779	3,258
Other expenditures	-	-	-	-	29
Capital expenditures	-	-	2,294	2,294	-
Total pupil support	713,282	742,368	734,071	(8,297)	658,371
Site, building and equipment:					
Current:					
Purchased services	2,457,223	2,406,008	2,376,975	(29,033)	1,979,360
Supplies and materials	29,000	57,000	66,309	9,309	28,280
Other expenditures	50	50	30	(20)	30
Capital expenditures	20,000	445,000	426,257	(18,743)	172,237
Total site, building and equipment	2,506,273	2,908,058	2,869,571	(38,487)	2,179,907
Fiscal and other fixed costs:					
Current:					
Purchased services	32,500	-	6,993	6,993	26,159
Debt service:					
Principal	-	55,000	-	(55,000)	-
Total expenditures	10,246,783	10,916,888	10,943,806	26,918	9,325,039
Revenues over expenditures	224,619	(233,395)	(72,520)	160,875	331,789
Other financing sources (uses):					
Loan proceeds	-	470,000	421,577	(48,423)	-
Transfers out	(24,080)	(27,530)	(28,404)	(874)	(16,577)
Total other financing sources (uses)	(24,080)	442,470	393,173	(49,297)	(16,577)
Net change in fund balance	$200,539	$209,075	320,653	$111,578	315,212
Fund balance - beginning			2,547,933		2,232,721
Fund balance - ending			$2,868,586		$2,547,933

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, 2018
With Comparative Actual Amounts For The Year Ended June 30, 2017

	2018				
	Budgeted Amounts		Actual	Variance with Final Budget -	2017 Actual
	Original	Final	Amounts	Over (Under)	Amounts
Revenues:					
Local sources	$82,720	$102,770	$69,689	($33,081)	$73,332
State sources	16,000	20,000	12,606	(7,394)	13,224
Federal sources	118,000	125,000	143,973	18,973	147,624
Total revenues	216,720	247,770	226,268	(21,502)	234,180
Expenditures:					
Pupil support services:					
Current:					
Purchased services	20,000	25,000	26,418	1,418	25,291
Supplies and materials	219,300	243,800	224,762	(19,038)	224,280
Other expenditures	1,500	1,500	503	(997)	1,186
Capital expenditures	-	5,000	2,989	(2,011)	-
Total pupil support services	240,800	275,300	254,672	(20,628)	250,757
Revenues over (under) expenditures	(24,080)	(27,530)	(28,404)	(874)	(16,577)
Other financing sources (uses):					
Transfers in	24,080	27,530	28,404	874	16,577
Net change in fund balance	$0	$0	-	$0	-
Fund balance - beginning			-		-
Fund balance - ending			$0		$0

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, 2018
With Comparative Actual Amounts For The Year Ended June 30, 2017

	2018				
	Budgeted Amounts		Actual	Variance with Final Budget -	2017 Actual
	Original	Final	Amounts	Over (Under)	Amounts
Revenues:					
Local sources	$223,800	$162,000	$155,806	($6,194)	$150,512
Expenditures:					
Community services:					
Current:					
Salaries	160,300	113,500	120,494	6,994	141,625
Employee benefits	32,000	27,000	25,167	(1,833)	29,608
Purchased services	13,000	9,500	6,861	(2,639)	10,430
Supplies and materials	15,000	10,000	11,966	1,966	10,419
Other	2,000	500	-	(500)	1,925
Capital expenditures	1,500	1,500	1,100	(400)	1,233
Total community service	223,800	162,000	165,588	3,588	195,240
Revenues over (under) expenditures	$0	$0	(9,782)	($9,782)	(44,728)
Fund balance - beginning			2,263		46,991
Fund balance - ending			($7,519)		$2,263

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
For The Year Ended June 30, 2018

Statement 8

Measurement Date	Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability	Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the School (b)	Total Proportionate Share of the Net Pension Liability (a+b)	Covered Payroll (c)	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll ((a/b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Teacher's Retirement Association								
June 30, 2014	June 30, 2015	0.0390%	$1,797,092	$126,291	$1,923,383	$1,780,420	108.0%	81.5%
June 30, 2015	June 30, 2016	0.0447%	2,765,137	339,286	3,104,423	2,268,234	136.9%	76.8%
June 30, 2016	June 30, 2017	0.0527%	12,570,207	1,261,945	13,832,152	2,842,428	486.6%	44.9%
June 30, 2017	June 30, 2018	0.0644%	12,855,408	1,242,245	14,097,653	3,480,627	405.0%	51.6%
PERA - General Employees Retirement Fund								
June 30, 2014	June 30, 2015	0.0068%	$319,430	$ -	$319,430	$358,120	89.2%	78.8%
June 30, 2015	June 30, 2016	0.0048%	248,761	-	248,761	280,966	88.5%	78.2%
June 30, 2016	June 30, 2017	0.0065%	527,768	6,909	534,677	415,063	128.8%	68.9%
June 30, 2017	June 30, 2018	0.0074%	472,411	5,952	478,363	476,613	100.4%	75.9%

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 **Statement 9**
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
For The Year Ended June 30, 2018

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
Teacher's Retirement Association					
June 30, 2015	$170,146	$170,146	$ -	$2,268,234	7.50%
June 30, 2016	213,183	213,183	-	2,842,428	7.50%
June 30, 2017	261,047	261,047	-	3,480,627	7.50%
June 30, 2018	298,890	298,890	-	3,985,200	7.50%
PERA - General Employees Retirement Fund					
June 30, 2015	$20,368	$20,368	$ -	$280,966	7.25%
June 30, 2016	31,130	31,130	-	415,063	7.50%
June 30, 2017	35,746	35,746	-	476,613	7.50%
June 30, 2018	43,809	43,809	-	584,120	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.

Note A BUDGETARY INFORMATION

The General Fund and Food Service Special Revenue Fund 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

TEACHERS RETIREMENT ASSOCIATION

2017 Changes
Changes in actuarial assumptions:

- The investment return assumption was changed from 8.00% to 7.50%.
- The price inflation assumption was lowered from 2.75% to 2.50%.
- The payroll growth assumption was lowered from 3.50% to 3.00%.
- The general wage growth assumption was lowered from 3.50% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive loan increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.

2016 Changes
Changes in actuarial assumptions:

- The assumed investment rate of return and discount rate was reduced from 8.00% to 4.66%.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The general wage growth and payroll growth assumptions were reduced from 3.75% to 3.50%.
- Projected salary increases of 3.5% – 12.0% were changed to 3.5% – 9.5%.
- Mortality assumptions changed as a result of using updated mortality tables.

2015 Changes
Changes of benefit terms:

- The Duluth Teacher's Retirement Fund Association was merged into TRA on June 30, 2015.

Changes in actuarial assumptions:

- Post-retirement benefit adjustments are assumed to remain level at 2.0% annually. The previous valuation assumed a 2.5% increase commencing July 1, 2034.
- The discount rate was reduced from 8.25% to 8.00%

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2017 Changes
Changes in actuarial assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1% per year for all future years to 1% per year through 2044 and 2.5% per year thereafter.

2016 Changes
Changes in actuarial assumptions:

- The assumed post-retirement benefit increase rate was changed from 1% per year through 2035 and 2.5% per year thereafter to 1% per year for all future years.
- The assumed investment rate of return and discount rate was reduced from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. Assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.5% for inflation.

2015 Changes
None

Additional details can be obtained from the financial reports of TRA and PERA.

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INDIVIDUAL FUND STATEMENTS

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199 **Statement 10**
BALANCE SHEET - GENERAL FUND
June 30, 2018
With Comparative Totals For June 30, 2017

	2018	2017
Assets		
Cash	$1,701,831	$1,802,484
Accounts receivable	7,361	-
Due from Minnesota Department of Education	1,111,453	1,239,795
Due from Federal Government through Minnesota Department of Education	26,515	42,018
Due from other funds	594,497	125,805
Prepaid items	80,841	112,194
Total assets	$3,522,498	$3,322,296
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	$118,433	$240,272
Contracts and retainage payable	3,687	73,734
Salaries, taxes and benefits payable	531,714	460,357
Unearned revenue	78	-
Total liabilities	653,912	774,363
Fund balance:		
Nonspendable for prepaid items	80,841	112,194
Unassigned	2,787,745	2,435,739
Total fund balance	2,868,586	2,547,933
Total liabilities and fund balance	$3,522,498	$3,322,296

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199 **Statement 11**
BALANCE SHEET - FOOD SERVICE SPECIAL REVENUE FUND
June 30, 2018
With Comparative Totals For June 30, 2017

	2018	2017
Assets		
Due from Minnesota Department of Education	$411	$479
Due from Federal Government through Minnesota Department of Education	4,139	10,834
Accounts receivable	49	-
Total assets	$4,599	$11,313
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	$1,008	$6,214
Due to other funds	3,591	5,099
Total liabilites	4,599	11,313
Fund balance:		
Unassigned	-	-
Total liabilities and fund balance	$4,599	$11,313

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199 **Statement 12**
BALANCE SHEET - COMMUNITY SERVICE SPECIAL REVENUE FUND
June 30, 2018
With Comparative Totals For June 30, 2017

	2018	2017
Assets		
Cash	$21,040	$18,659
Accounts receivable	258	-
Prepaid items	125	-
Total assets	$21,423	$18,659
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	$3,858	$1,747
Salaries, taxes and benefits payable	19,390	11,663
Unearned revenue	5,694	2,986
Total liabilities	28,942	16,396
Fund balance:		
Nonspendable for prepaid items	125	-
Restricted for community service	-	2,263
Unrestricted	(7,644)	-
Total fund balance	(7,519)	2,263
Total liabilities and fund balance	$21,423	$18,659

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199 **Statement 13**
BALANCE SHEET - BUILDING COMPANY SPECIAL REVENUE FUND
December 31, 2017
With Comparative Totals For December 31, 2016

	December 31, 2017	December 31, 2016
Assets		
Cash	$7,532	$ -
Cash and investments with fiscal agent	3,234,631	13,342,367
Prepaid items	2,750	16,623
Total assets	$3,244,913	$13,358,990
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	$ -	$3,646
Contracts and retainage payable	1,139,043	1,315,465
Due to other funds	520,510	99,634
Total liabilities	1,659,553	1,418,745
Fund balance:		
Nonspendable for prepaid items	2,750	16,623
Restricted for capital and debt service	1,582,610	11,923,622
Total fund balance	1,585,360	11,940,245
Total liabilities and fund balance	$3,244,913	$13,358,990

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SUPPLEMENTAL INFORMATION

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
June 30, 2018

Schedule 1

	Audit	UFARS	Variance
01 GENERAL FUND			
Total Revenue	$10,871,286	$10,871,287	($1)
Total Expenditures	10,943,806	10,943,806	-
Non-Spendable:			
4.60 Non Spendable Fund Balance	80,841	80,841	-
Restricted/Reserve:			
4.03 Staff Development	-	-	-
4.06 Health and Safety	-	-	-
4.07 Capital Projects Levy	-	-	-
4.08 Cooperative Revenue	-	-	-
4.13 Project Funded By COP	-	-	-
4.14 Operating Debt	-	-	-
4.16 Levy Reduction	-	-	-
4.17 Taconite Building Maint	-	-	-
4.24 Operating Capital	-	-	-
4.26 $25 Taconite	-	-	-
4.27 Disabled Accessibility	-	-	-
4.28 Learning and Development	-	-	-
4.34 Area Learning Center	-	-	-
4.35 Contracted Alt. Programs	-	-	-
4.36 St. Approved Alt. Program	-	-	-
4.38 Gifted & Talented	-	-	-
4.40 Teacher Development and Evaluation	-	-	-
4.41 Basic Skills Programs	-	-	-
4.45 Career & Tech Programs	-	-	-
4.48 Achievement and Integration	-	-	-
4.49 Safe Schools Levy	-	-	-
4.50 Pre-Kindergarten	-	-	-
4.51 QZAB Payments	-	-	-
4.52 OPEB Liab Not In Trust	-	-	-
4.53 Unfunded Sev & Retiremt Levy	-	-	-
4.59 Basic Skill Extended Time	-	-	-
4.67 LTFM	-	-	-
4.72 Medical Assistance	-	-	-
Restricted:			
4.64 Restricted Fund Balance	-	-	-
4.75 Title VII Impact Aid	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-
Committed:			
4.18 Committed For Separation	-	-	-
4.61 Committed Fund Balance	-	-	-
Assigned:			
4.62 Assigned Fund Balance	-	-	-
Unassigned:			
4.22 Unassigned Fund Balance	2,787,745	2,787,746	(1)
02 FOOD SERVICE			
Total Revenue	$226,268	$226,267	$1
Total Expenditures	254,672	254,671	1
Non-Spendable:			
4.60 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
4.52 OPEB Liab Not In Trust	-	-	-
Restricted:			
4.64 Restricted Fund Balance	-	-	-
Unassigned:			
4.63 Unassigned Fund Balance	-	-	-
04 COMMUNITY SERVICE			
Total Revenue	$155,806	$155,805	$1
Total Expenditures	165,588	165,586	2
4.60 Non Spendable Fund Balance	125	125	-
Restricted/Reserve:			
4.26 $25 Taconite	-	-	-
4.31 Community Education	-	-	-
4.32 E.C.F.E	-	-	-
4.40 Teacher Development and Evaluation	-	-	-
4.44 School Readiness	-	-	-
4.47 Adult Basic Education	-	-	-
4.52 OPEB Liab Not In Trust	-	-	-
Restricted:			
4.64 Restricted Fund Balance	-	-	-
Unassigned:			
4.63 Unassigned Fund Balance	(7,644)	(7,642)	(2)

	Audit	UFARS	Variance
06 BUILDING CONSTRUCTION			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Non-Spendable:			
4.60 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
4.07 Capital Projects Levy	-	-	-
4.13 Projects Funded By COP	-	-	-
4.67 LTFM	-	-	-
Restricted:			
4.64 Restricted Fund Balance	-	-	-
Unassigned:			
4.63 Unassigned Fund Balance	-	-	-
07 DEBT SERVICE			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Non-Spendable:			
4.60 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
4.25 Bond Refundings	-	-	-
4.33 Maximum Effort Loan Aid	-	-	-
4.51 QZAB Payments	-	-	-
Restricted:			
4.64 Restricted Fund Balance	-	-	-
Unassigned:			
4.63 Unassigned Fund Balance	-	-	-
08 TRUST			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Unrestricted:			
4.22 Unassigned Fund Balance (Net Assets)	-	-	-
20 INTERNAL SERVICE			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Unrestricted:			
4.22 Unassigned Fund Balance (Net Assets)	-	-	-
25 OPEB REVOCABLE TRUST			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Unrestricted:			
4.22 Unassigned Fund Balance (Net Assets)	-	-	-
45 OPEB IRREVOCABLE TRUST			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Unrestricted:			
4.22 Unassigned Fund Balance (Net Assets)	-	-	-
47 OPEB DEBT SERVICE FUND			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Non-Spendable:			
4.60 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
4.25 Bond Refundings	-	-	-
Restricted:			
4.64 Restricted Fund Balance	-	-	-
Unassigned:			
4.63 Unassigned Fund Balance	-	-	-

OTHER REQUIRED REPORTS

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

To the Board 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, 2018, 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 19, 2018.

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 19, 2018

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, 2018, and the related notes to the financial statements, which collectively comprise the Parnassus Preparatory School's basic financial statements, and have issued our report thereon dated September 19, 2018.

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 19, 2018

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