Annual Financial Report

Nasha Shkola
Charter School No. 4208

Brooklyn Park, Minnesota

For the Year Ended
June 30, 2018

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
Annual Financial Report
Table of Contents
For the Year Ended June 30, 2018

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INTRODUCTORY SECTION

NASHA SHKOLA
CHARTER SCHOOL NO. 4208
BROOKLYN PARK, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2018

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Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
Board of Education and Administration
For the Year Ended June 30, 2018

BOARD OF EDUCATION

Name	Position
Yelena Hardcopf	Board Chair
Alex Brusilovsky	Vice Chair
Mark Eilers	Treasurer
Christian Schmidt	Secretary
Mark Eilers	Director
Alexei Abyzov	Director
Elizaveta Lindman	Director

ADMINISTRATION

Name	Position
Paul Kinsley	Executive Director

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FINANCIAL SECTION

NASHA SHKOLA
CHARTER SCHOOL NO. 4208
BROOKLYN PARK, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2018

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Nasha Shkola Charter School No. 4208
Brooklyn Park, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Nasha Shkola Charter School No. 4208 (the Charter School), Brooklyn Park, Minnesota as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Charter 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 of 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 Charter School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 the Charter School as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the General fund, Food Service fund, and Community Service fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15, the Schedules of Employer's Shares of the Net Pension Liability and the Schedules of Employer's Contributions starting on page 60 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 the Charter School's basic financial statements. The introductory section and individual fund schedule and table are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund schedule and 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated NEED DATE, on our consideration of the Charter 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
NEED DATE

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Management's Discussion and Analysis

As management of the Nasha Shkola Charter School No. 4208 (the Charter School), Brooklyn Park, Minnesota, we offer readers of the Charter School's financial statements this narrative overview and analysis of the financial activities of the Charter School for the fiscal year ended June 30, 2018.

Financial Highlights

- The liabilities and deferred inflows of resources of the Charter School exceeded assets and deferred outflows of resources at the close of the most recent fiscal year by $1,047,769.

- A deficit of $1,057,812 (unrestricted net position) exists mainly due to the outstanding long-term pension liability related to the TRA and PERA defined contribution benefit plans.

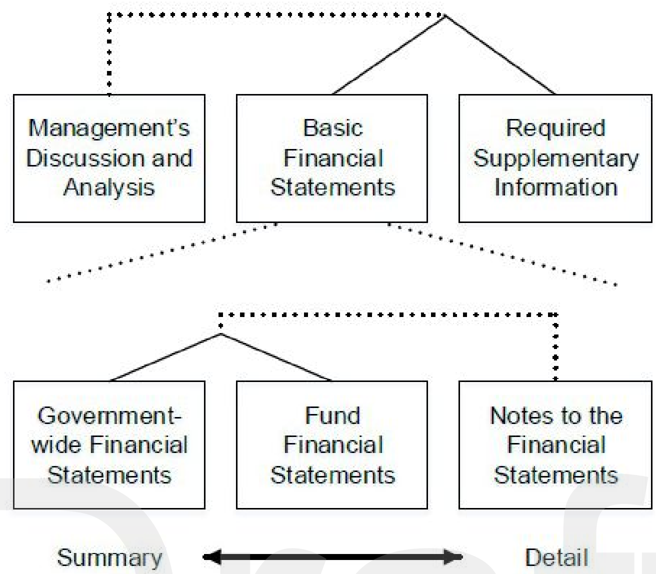
- The Charter School's total net position decreased $290,421 during the year as a result of expenditures in excess of revenues mainly due to the increase in long-term pension liabilities and related expenses in accordance with GASB Statement No. 68.

- As of the close of the current fiscal year, the Charter School's governmental funds reported a total ending fund balance of $45,460, an increase of $33,164 in comparison with the prior year ending fund balance of $12,296.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Charter School's basic financial statements. The Charter School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

Required Components of the Charter School's Annual Financial Report



The following chart summarizes the major features of the Charter School's financial statements, including the portion of the Charter School's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements:

Major Features of the Government-wide and Fund Financial Statements

		Fund Financial Statements
	Government-wide Statements	**Governmental Funds**
Scope	Entire Charter School (except fiduciary funds)	The activities of the Charter School that are not fiduciary, such as special education and building maintenance
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of inflow/out flow information	All revenues and expenditures during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Charter School's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Charter School's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Charter School is improving or deteriorating.

The *statement of activities* presents information showing how the Charter School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements display functions of the Charter School that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Charter School include administration, district support services, elementary and secondary regular instruction, special education instruction, instructional support services, pupil support services, sites and buildings, fiscal and other fixed cost programs, and interest on long-term debt.

The government-wide financial statements start on page 24 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Charter School, like other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Charter School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Charter School maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Food Service special revenue fund and Community Service fund, which are the three governmental funds.

The Charter School adopts an annual appropriated budget for its General, Food Service special revenue fund and Community Service fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements start on page 28 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 35 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Charter School's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found starting on page 58 of this report.

Other Information. The individual fund financial schedule that starts on page 62 presents budget and prior year comparative data for the General fund.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Charter School, liabilities and deferred inflows exceeded assets and deferred outflows by $1,047,769 at the close of the most recent fiscal year.

A portion of the Charter School's net position ($9,424) reflects its investment in capital assets (e.g. machinery and equipment). The Charter School uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending.

Nasha Shkola Charter School No. 4208's Net Position

	2018	2017	Increase (Decrease)
Assets			
Current and other assets	$ 263,804	$ 116,885	$ 146,919
Capital assets	9,424	12,115	(2,691)
Total Assets	273,228	129,000	144,228
Deferred Outflows of Resources			
Deferred pension resources	1,227,022	1,508,928	(281,906)
Liabilities			
Current and other liabilities	218,344	104,589	113,755
Noncurrent liabilities	1,967,876	2,215,689	(247,813)
Total Liabilities	2,186,220	2,320,278	(134,058)
Deferred Inflows of Resources			
Deferred pension resources	361,799	74,998	286,801
Net Position			
Investment in capital assets	9,424	12,115	(2,691)
Restricted for food service	619	-	619
Unrestricted	(1,057,812)	(769,463)	(288,349)
Total Net Position	$ (1,047,769)	$ (757,348)	$ (290,421)

At the end of the current fiscal year, the Charter School is able to report a positive balance in investment in capital assets and restricted net position, but unrestricted net position was negative due to the outstanding long-term pension liability related to the TRA and PERA defined contribution benefit plans.

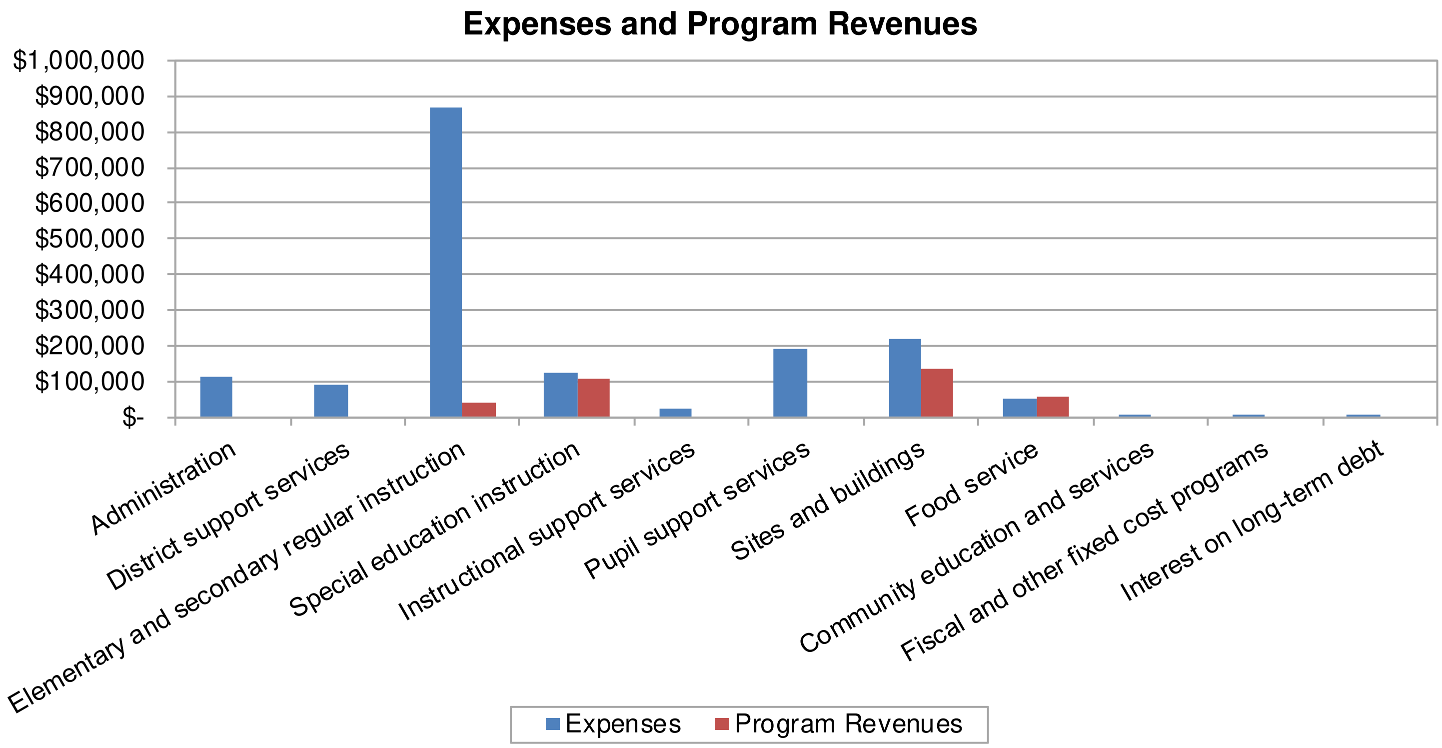
The Charter School's net position decreased $290,421 during the current fiscal year. The following table summarizes the changes in net position.

Nasha Shkola Charter School No. 4208's Changes in Net Position

	2018	2017	Increase (Decrease)
Revenues			
Program revenues			
Charges for services	$ 4,822	$ 5,562	$ (740)
Operating grants and contributions	335,153	346,225	(11,072)
General revenues			
State aid-formula grants	1,039,078	957,228	81,850
Other general revenues	31,878	62,248	(30,370)
Total Revenues	1,410,931	1,371,263	39,668
Expenses			
Administration	112,138	75,070	37,068
District support services	92,251	100,685	(8,434)
Elementary and secondary regular instruction	869,543	904,555	(35,012)
Special education instruction	122,950	129,729	(6,779)
Instructional support services	24,561	22,212	2,349
Pupil support services	190,838	165,054	25,784
Sites and buildings	221,131	293,642	(72,511)
Fiscal and other fixed cost programs	9,651	8,745	906
Food service	54,419	58,575	(4,156)
Community service	1,175	4,033	(2,858)
Interest on long-term debt	2,695	1,501	1,194
Total Expenses	1,701,352	1,763,801	(62,449)
Change in Net Position	(290,421)	(392,538)	102,117
Net Position, July 1	(757,348)	(364,810)	(392,538)
Net Position, June 30	$ (1,047,769)	$ (757,348)	$ (290,421)

- Total revenue increased a total of $39,668 mainly due to an increase of state-aid of $81,850 offset by decreases of all other revenues other than federal grants.

- Total expense decreased by $62,449, notably due to a decrease in sites and buildings expenses of $72,511 and an increase in admin expenses of $37,068. Elementary and secondary instruction costs decreased by $35,012 offsetting a portion of the decreases.



Financial Analysis of the Government's Funds

As noted earlier, the Charter School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Charter School's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Charter School's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Charter School's General fund reported an ending fund balance of $44,841, an increase of $32,545 in comparison with the prior year.

As of the end of the current fiscal year, the Charter School's Food Service special revenue reported an ending fund balance of $619.

General Fund Budgetary Highlights

The Charter School's original General fund budget called for an increase in fund balance of $17,935, and the revised budget called for a decrease in fund balance of $62,951. Actual fund balance increased $32,545. Revenues were $43,575 less than budget mainly due to less revenue from state source and few students than budgeted. Expenditures were $11,669 less than budget. Two significant expenditure variances included positive variances of $5,019 in pupil support services and $7,019 in direct support services.

Capital Asset and Debt Administration

Capital Assets. The Charter School's investment in capital assets for its governmental activities as of June 30, 2018, amounts to $9,424 (net of accumulated depreciation). This investment in capital assets includes computer equipment. The total depreciation for the year was $4,449. The following is a schedule of capital assets as of June 30, 2018.

Nasha Shkola Charter School No. 4208's Capital Assets
(Net of Depreciation)

	2018	2017	Increase (Decrease)
Equipment	$ 9,424	$ 12,115	$ (2,691)

Additional information on the Charter School's capital assets can be found in Note 3B on page 43 of this report.

Noncurrent Liabilities. At the end of the current fiscal year, the Charter School had the following noncurrent liabilities outstanding.

Nasha Shkola Charter School No. 4208's Noncurrent Liabilities

	2018	2017	Increase (Decrease)
Loans Payable	$ 14,858	$ 26,858	$ (12,000)

The Charter's total long-term debt decreased by $12,000. The primary reason for the decrease is due to regularly schedule principal payments.

Additional information on the Charter School's long-term liabilities can be found in Note 3E on page 44 of this report.

Factors Bearing on the Charter School's Future

The school is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. As stated in last year's report, the school needed to increase enrollment and reduce lease expenditures on rental costs. Prior to the completion of the FY 17 fiscal year, the school signed a new lease agreement with Northern Light Church of Christ located in Brooklyn Park. Our annual lease costs have been reduced for the upcoming year in excess of $90,000 as compared to its previous lease agreement. In addition the school has had an increase in program applications not only from its primary population but also from the local community. This is something that the school was unable to accomplish in its previous location.

With this increased interest, the school now expects that state and federal aids received will support the planned level of expenditures for FY 18 and beyond. The school will continue to strive to maintain its commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

Requests for Information

This financial report is designed to provide a general overview of the Charter School's finances for all those with an interest in the Charter School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School Director of Nasha Shkola Charter School No. 4208, 6717 85th Avenue North, Brooklyn Park, Minnesota 55445.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

NASHA SHKOLA
CHARTER SCHOOL NO. 4208
BROOKLYN PARK, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2018

Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash and temporary investments	$ 50,046
Due from the Department of Education	188,208
Prepaid items	25,550
Capital assets	
Depreciable assets, net of accumulated depreciation	9,424
Total Assets	273,228
Deferred Outflows of Resources	
Deferred pension resources	1,227,022
Liabilities	
Accounts and other payables	74,729
Accrued salaries payable	63,615
Short-term borrowing	80,000
Noncurrent liabilities	
Due within one year	12,000
Due in more than one year	1,955,876
Total Liabilities	2,186,220
Deferred Inflows of Resources	
Deferred pension resources	361,799
Net Position	
Investment in capital assets	9,424
Restricted for food service	619
Unrestricted	(1,057,812)
Total Net Position	$ (1,047,769)

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

Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Administration	$ 112,138	$ -	$ -	$ -	$ (112,138)
District support services	92,251	-	-	-	(92,251)
Elementary and secondary					
regular instruction	869,543	-	38,142	-	(831,401)
Special education instruction	122,950	-	109,239	-	(13,711)
Community education and services	1,175	-	-	-	(1,175)
Instructional support services	24,561	-	-	-	(24,561)
Pupil support services	190,838	-	-	-	(190,838)
Sites and buildings	221,131	-	137,556	-	(83,575)
Food service	54,419	4,822	50,216	-	619
Fiscal and other fixed cost programs	9,651	-	-	-	(9,651)
Interest on long-term debt	2,695	-	-	-	(2,695)
Total Governmental Activities	$ 1,701,352	$ 4,822	$ 335,153	$ -	(1,361,377)
General Revenues					
State aid-formula grants					1,039,078
Other general revenues					31,878
Total General Revenues					1,070,956
Change in Net Position					(290,421)
Net Position, July 1					(757,348)
Net Position, June 30					$ (1,047,769)

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

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FUND FINANCIAL STATEMENTS

NASHA SHKOLA
CHARTER SCHOOL NO. 4208
BROOKLYN PARK, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2018

Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
Balance Sheet
Governmental Funds
June 30, 2018

	General	Food Service	Total Governmental Funds
Assets			
Cash and temporary investments	$ 46,409	$ 3,637	$ 50,046
Due from the Department of Education	188,208	-	188,208
Prepaid items	25,550	-	25,550
Total Assets	$ 260,167	$ 3,637	$ 263,804
Liabilities			
Accounts and other payables	$ 71,711	$ 3,018	$ 74,729
Accrued salaries payable	63,615	-	63,615
Short-term borrowing	80,000	-	80,000
Total Liabilities	215,326	3,018	218,344
Fund Balances			
Nonspendable prepaid items	25,550	-	25,550
Restricted for food service	-	619	619
Unassigned	19,291	-	19,291
Total Fund Balances	44,841	619	45,460
Total Liabilities and Fund Balances	$ 260,167	$ 3,637	$ 263,804

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

Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
June 30, 2018

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

Total Fund Balances - Governmental Funds	$	45,460
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets		26,395
Less: accumulated depreciation		(16,971)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Noncurrent liabilities at year-end consist of		
Loans payable		(14,858)
Net pension liability		(1,953,018)
Governmental funds do not report long-term amounts related to pensions.		
Deferred outflow of pension resources		1,227,022
Deferred inflow of pension resources		(361,799)
Total Net Position - Governmental Activities	$	(1,047,769)

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

Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General	Food Service	Total Governmental Funds
Revenues			
Revenue from federal sources	$ 54,821	$ 48,263	$ 103,084
Revenue from state sources	1,293,036	1,953	1,294,989
Other local and county revenue	4,532	4,822	9,354
Total Revenues	1,352,389	55,038	1,407,427
Expenditures			
Current			
Administration	92,048	-	92,048
District support services	89,021	-	89,021
Elementary and secondary regular instruction	572,562	-	572,562
Special education instruction	105,083	-	105,083
Instructional support services	24,251	-	24,251
Pupil support services	189,761	-	189,761
Sites and buildings	221,013	-	221,013
Food service	-	54,419	54,419
Fiscal and other fixed cost programs	9,651	-	9,651
Capital outlay			
Sites and buildings	1,759	-	1,759
Debt service			
Principal	12,000	-	12,000
Interest and other charges	2,695	-	2,695
Total Expenditures	1,319,844	54,419	1,374,263
Net Change in Fund Balances	32,545	619	33,164
Fund Balances, July 1	12,296	-	12,296
Fund Balances, June 30	$ 44,841	$ 619	$ 45,460

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

Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2018

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

Net Change in Fund Balances - Total Governmental Funds	$	33,164
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Depreciation expense		(4,449)
Capital outlays		1,758
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. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. The amounts below are the effects of these differences in the treatment of long-term debt and related items.		
Principal repayments		12,000
Long-term pension activity is not reported in governmental funds.		
Pension revenue		3,504
Pension expense		(336,398)
Change in Net Position of Governmental Activities	$	(290,421)

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

Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2018

	General Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Revenue from federal sources	$ 72,953	$ 54,821	$ 54,821	$ -
Revenue from state sources	1,215,740	1,339,609	1,293,036	(46,573)
Other local and county revenue	25,000	1,534	4,532	2,998
Total Revenues	1,313,693	1,395,964	1,352,389	(43,575)
Expenditures				
Current				
Administration	81,973	95,142	92,048	3,094
District support services	103,755	96,040	89,021	7,019
Elementary and secondary regular instruction	580,821	574,350	572,562	1,788
Special education instruction	102,283	102,215	105,083	(2,868)
Instructional support services	19,566	24,866	24,251	615
Pupil support services	160,340	194,780	189,761	5,019
Sites and buildings	219,900	218,500	221,013	(2,513)
Fiscal and other fixed cost programs	11,500	11,500	9,651	1,849
Capital outlay				
Instructional support services	500	-	-	-
Sites and buildings	-	500	1,759	(1,259)
Debt service				
Principal	12,000	12,000	12,000	-
Interest and other charges	1,620	1,620	2,695	(1,075)
Total Expenditures	1,294,258	1,331,513	1,319,844	11,669
Excess of Revenues Over Expenditures	19,435	64,451	32,545	(31,906)
Other Financing Uses				
Transfers out	(1,500)	(1,500)	-	1,500
Net Change in Fund Balances	17,935	62,951	32,545	(30,406)
Fund Balances, July 1	12,296	12,296	12,296	-
Fund Balances, June 30	$ 30,231	$ 75,247	$ 44,841	$ (30,406)

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

Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Food Service Special Revenue Funds
For the Year Ended June 30, 2018

	Food Service Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Revenue from federal sources	$ 51,309	$ 51,309	$ 48,263	$ (3,046)
Revenue from state sources	3,450	3,450	1,953	(1,497)
Other local and county revenue	6,000	6,000	4,822	(1,178)
Total Revenues	60,759	60,759	55,038	(5,721)
Expenditures				
Current				
Food service	60,759	60,759	54,419	6,340
Net Change in Fund Balances	-	-	619	619
Fund Balances, July 1	-	-	-	-
Fund Balances, June 30	$ -	$ -	$ 619	$ 619

Draft

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

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Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Nasha Shkola Charter School No. 4208 (the Charter School), Brooklyn Park, Minnesota was incorporated as a non-profit corporation under section 501(c)3 of the Internal Revenue Code of 1954, for the purpose of providing educational services to individuals in kindergarten through grade 8 who are bilingual in Russian and English. The Charter School has been authorized, as defined in Minnesota statute 124d, by Innovative Quality Schools. The Charter School is governed by a maximum nine member Board of Education. The Charter School has considered all potential units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Charter School are such that exclusion would cause the Charter School's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The Charter School has no component units that meet the GASB criteria.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Charter School.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State aid-formula grants and other items not properly included among program revenues are reported instead as *general revenues.*

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Other revenue is considered available if collected within one year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants, entitlement and donations. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Charter School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transaction must also be available before it can be recognized.

This preparation of the basic financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumption that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Description of Funds

The Charter School funds have been established by the State of Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions of the funds included in the report are as follows:

Major Governmental Funds

The *General fund* is the Charter School's primary operating fund. It accounts for all financial resources of the Charter School, except those required to be accounted for in another fund.

The *Food Service special revenue fund* is used to account for food service revenue and expenditures. The primary revenue source is intergovernmental revenue from state and federal sources that are restricted for food service operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance

Deposits and Investments

The Charter School's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Charter School may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.

2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.

3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.

4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.

5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.

6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.

7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.

8. Repurchase or reverse repurchase 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.

9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The Charter School currently does not have any student activity accounts.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. No substantial losses are anticipated from present receivable balances, therefore no allowance for uncollectible has been recorded.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets include property, plant, equipment and infrastructure assets (e.g., roads, parking lots, sidewalks, and similar items). Capital assets are defined by the Charter School as assets with an initial, individual cost of more than $1,000 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Equipment of the Charter School are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Equipment	5 - 20

The School does not own any buildings or related infrastructure.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statement of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Compensated Absences

Teachers are not eligible to accrue vacation pay and the amounts accrued to the eligible salaried employees are insignificant. All employees are entitled to ten days of sick pay per year. Sick leave may not be accrued and will not be paid out for any reason if not used within one school year.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. The Charter School currently has one long-term loan outstanding totaling $14,858 which will mature in fiscal year 2019. The General fund is typically used to retire long-term debt in the governmental funds.

Note 1: Summary of Significant Accounting Policies (Continued)

Pensions

Teachers Retirement Association (TRA)

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by TRA.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. Additional information can be found in Note 6.

Public Employees Retirement Association (PERA)

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The General fund is typically used to liquidate governmental net pension liability.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Charter School has one type of item, which arises only under a full accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, deferred pension resources, is reported only in the statement of net position of the government-wide statements and results from actuarial calculations.

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the Charter School is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by Minnesota statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board of Education, which is the Charter School's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board of Education modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board of Education itself or by an official to which the governing body delegates the authority. The Board of Education chose not to pass a resolution authorizing anyone to assign fund balances and their intended uses.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The Charter School considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the Charter School would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

a. Investment in capital assets - Consists of capital assets, net of accumulated depreciation.

b. Restricted net position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

c. Unrestricted net position - All other net position that do not meet the definition of “restricted” or “investment in capital assets”.

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

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund, Food Service and Community Service special revenue funds. All annual appropriations lapse at fiscal year-end.

Budgets are prepared for Charter School funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the General, Food Service and Community Service special revenue funds.

The Charter School follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the budget is prepared by the Administrator to be adopted by the Board of Education.

2. Budgets for the General fund and Food Service special revenue fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

3. Budgeted amounts are as originally adopted, or as amended.

4. Budget appropriations lapse at year end.

5. The legal level of control is the fund level.

6. The Charter School does not use encumbrance accounting.

At the end of each fiscal year, if the General Fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota schools which excludes certain restricted balances specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the Commissioner of the Department of Education. The School currently has fund balance of 3.4% fund balance exceeding current year expenditures.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the Charter School's deposits and investments may not be returned or the Charter School will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Board of Education, the Charter School maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all Charter School deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the Charter School.

At year end, the Charter School's carrying amount of deposits was $50,046 and the bank balance was $59,092. The bank balance was fully covered by federal depository insurance.

Note 3: Detailed Notes on All Funds (Continued)

B. 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 being Depreciated				
Equipment and Furniture	$ 24,637	$ 1,758	$ -	$ 26,395
Less Accumulated Depreciation for				
Equipment and Furniture	(12,522)	(4,449)	-	(16,971)
Governmental Activities				
Capital Assets, Net	$ 12,115	$ (2,691)	$ -	$ 9,424

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

Governmental Activities	
Elementary and secondary regular instruction	$ 4,022
Instructional support services	310
Sites and buildings	117
Total Depreciation Expense - Governmental Activities	$ 4,449

C. Interfund Transfer

The General fund budgeted for a transfer out $1,500 to the Food Service special revenue to eliminate the year end deficit fund balance. The transfer was not needed at year end due to the Food Service fund having a positive fund balance at year end.

Note 3: Detailed Notes on All Funds (Continued)

D. Operating Leases

The Charter School signed a lease agreement with the Minnesota Conference Association of Seventh-day Adventists for classroom and administrative space, for a five year period commencing on July 1, 2014. The lease requires a minimum annual lease payment amount, however the lease costs may be higher if the number of pupil units served multiplied by $1,314 is greater than the minimum required lease payments.

The Charter School entered into a new lease agreement with Northern Lights Church of Christ for classroom and administrative space for a five year period commencing on July 1, 2017. The lease expense was $153,300 for the year ended June 30, 2018. Future minimum lease payments on the new lease are as follows:

Year Ending June 30,	Amount
2019	$ 175,200
2020	197,100
2021	204,400
2022	204,400
Total Minimum Lease Payments	$ 781,100

E. Long-term Liabilities

Loans Payable

The Charter School entered into a loan payable with Gedaly Meerovich for various School needs on February 15, 2012. The loan terms state the draws may not exceed $130,000 in the life of the loan. Further details of the loan are as follows:

Description	Amount Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Gedaly Meerovich	$ 72,750	4.50 %	02/15/12	09/01/19	$ 14,858

Annual debt service requirements to maturity for the loans payable are as follows:

Year Ending June 30,	Loans Payable		
	Principal	Interest	Total
2019	$ 14,858	$ 442	$ 15,300

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Loans Payable	$ 26,858	$ -	$ (12,000)	$ 14,858	$ 12,000
Pension Liability					
TRA	2,075,158	262	(199,009)	1,876,411	-
PERA	113,673	-	(37,066)	76,607	-
Governmental Activity Long-term Liabilities	$ 2,215,689	$ 262	$ (248,075)	$ 1,967,876	$ 12,000

F. Short-term Indebtedness

The Charter School has a line of credit agreement with Venture Bank to assist with the timing of cash flows. The line of credit was issued with a maximum amount of $75,000 and an interest rate of 5.50 percent. The Charter School also agreed to loan with an individual on May 31, 2018 for $5,000. For the year ended June 30, 2018, the indebtedness activity was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Line of Credit	$ 20,000	$ 80,000	$ (20,000)	$ 80,000

Note 4: Other Information

A. Risk Management

The Charter 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 Charter School carries commercial insurance. Settled claims have not exceeded this commercial coverage for the past three years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The Charter School's management is not aware of any incurred but not reported claims.

B. Economic Dependency

The Charter School has a significant amount of revenue (87 percent) coming from the State of Minnesota.

C. Income Taxes

The Charter School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Charter School also qualifies as a tax-exempt organization under applicable statutes of the State of Minnesota.

The Charter School has evaluated and determined that there are no uncertain tax positions as of June 30, 2018. The Charter School's tax returns are subject to possible examination by the taxing authorities.

Note 5: Commitments and Contingencies

Federal and State Programs

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

Note 6: Defined Benefit Pension Plans - Statewide

A. Teachers Retirement Association (TRA)

1. Plan Description

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

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

2. Benefits Provided

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

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

Tier I:	Step Rate Formula	Percentage
Basic	1st ten years of service	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	1st ten years if service years are prior to July 1, 2006	1.2 percent per year
	1st ten years if service years are July 1, 2006 or after	1.4 percent per year
	All other years of service if service years are prior to July 1, 2006	1.7 percent per year
	All other years of service if service years are July 1, 2006 or after	1.9 percent per year

Note 6: Defined Benefit Pension Plans - Statewide (Continued)

With these provisions:

1. Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

2. Three percent per year early retirement reduction factors for all years under normal retirement age.

3. Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

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

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

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death or the retiree - no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans, that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is also eligible for a refund of their employee contributions plus interest.

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

3. Contribution Rate

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

Plan	Employee	Employer
Basic	11.00%	11.50%
Coordinated	7.50%	7.50%

The Charter School's contributions to TRA for the year ending June 30, 2018, 2017, 2016 were $38,138, $34,016, and $38,743. The Charter School's contributions were equal to the contractually required contributions for each year as set by Minnesota Statute.

Note 6: Defined Benefit Pension Plans - Statewide (Continued)

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

Employer Contributions Reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	$ 367,791,000
Add Employer Contributions not Related to Future Contribution Efforts	810,000
Deduct TRA's Contributions not Included in Allocation	(456,000)
Total Employer Contributions	368,145,000
Total Non-employer Contributions	35,588,000
Total Contributions Reported in Schedule of Employer and Non-employer Pension Allocations	$ 403,733,000

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

4. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation date	July 1, 2017
Experience study	June 5, 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	5.12%, from the Single Equivalent Interest Rate calculation
Price inflation	2.50%
Wage growth rate	2.85% for ten years and 3.25% thereafter
Projected salary increase	2.85 to 8.85% for tens years and 3.25 to 9.25% thereafter
Cost of living adjustment	2.00%
Mortality Assumption	
Pre-retirement	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

Note 6: Defined Benefit Pension Plans - Statewide (Continued)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	39.00 %	5.10 %
International Stocks	19.00	5.30
Bonds	20.00	0.75
Alternative Assets	20.00	5.90
Unallocated Cash	2.00	-
Total	100.00 %	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is 6.00 years. The “Difference Between Expected and Actual Experience”, “Changes of Assumptions” and “Changes in Proportion” use the amortization period of 6.00 years in the schedule presented. The amortization period for “Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments” is 5.00 years as required by GASB 68.

Changes in actuarial assumptions since the 2016 valuation:

- The cost of living adjustment (COLA) was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5 percent, but remain at 2.0 percent for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4 percent to 0.0 percent, the vested inactive load increased from 4.0 percent to 7.0% and the non-vested inactive load increased from 4.0 percent to 9.0 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for ten years followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Note 6: Defined Benefit Pension Plans - Statewide (Continued)

5. Discount Rate

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

6. Net Pension Liability

On June 30, 2018 the Charter School reported a liability of $1,876,411 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Charter School's proportion of the net pension liability was based on the Charter School's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The Charter School's proportionate share was 0.0094 percent at the end of the measurement period which was an increase of 0.0007 percent from its proportion measured as of June 30, 2016.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the charter school as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the charter school were as follows:

Charter School's Proportionate Share of Net Pension Liability	$ 1,876,411
State's Proportionate Share of Net Pension Liability Associated with the Charter School	181,234

For the year ended June 30, 2018 the charter school recognized negative pension expense of $320,640. It also recognized $3,476 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 14,123	$ 13,172
Changes in Actuarial Assumptions	1,020,175	262,855
Net Difference between Projected and Actual Earnings on Plan Investments	-	13,167
Changes in Proportion	116,372	49,279
Contributions to TRA Subsequent to the Measurement Date	38,138	-
Total	$ 1,188,808	$ 338,473

Note 6: Defined Benefit Pension Plans - Statewide (Continued)

Deferred outflows of resources totaling $38,138 related to pensions resulting from the District's contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2019	$ 229,091
2020	256,106
2021	200,520
2022	181,665
2023	(55,185)

7. Pension Liability Sensitivity

The following presents the charter school's proportionate share of the net pension liability of TRA calculated using the discount rate of 5.12 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.12 percent) or one percentage point higher (6.12 percent) than the current rate.

Charter School's Proportionate Share of NPL		
1 Percent Decrease (3.66%)	Current (4.66%)	1 Percent Increase (5.66%)
$ 2,476,500	$ 1,876,411	$ 1,370,462

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

8. Pension Plan Fiduciary Net Position

Detailed information about the plan'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, 55103-4000; or by calling (651) 296-2409 or (800) 657-3669.

B. Public Employees Retirement Association (PERA)

1. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (GERF)

All full-time and certain part-time employees of the District are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Note 6: Defined Benefit Pension Plans - Statewide (Continued)

2. Benefits Provided

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 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

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

<u>GERF Benefits</u>

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

3. Contributions

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

<u>GERF Contributions</u>

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in fiscal year 2018. In fiscal year 2018, the District was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.50 percent of Coordinated Plan members. The District's contributions to the GERF for June 30, 2018, 2017, and 2016 were $6,060, $5,748, and $6,437, respectively. The Charter School's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Note 6: Defined Benefit Pension Plans - Statewide (Continued)

4. Pension Costs

At June 30, 2018, the Charter School reported a liability of $76,607 for its proportionate share of the GERF's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $955. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the Charter School's proportion was 0.0012 percent, which was a decrease of 0.0002 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018 the Charter School recognized pension expense of $12,209 for its proportionate share of GERF's pension expense. In addition, the District recognized an additional $72 as pension expenses (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $6 million to the GERF.

At June 30, 2018 the Charter School reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 2,574	$ 4,872
Changes in Actuarial Assumptions	13,040	7,680
Net Difference between Projected and Actual Earnings on Plan Investments	-	1,628
Changes in Proportion	16,540	9,146
Contributions to GERF Subsequent To the Measurement Date	6,060	-
Total	$ 38,214	$ 23,326

Deferred outflows of resources totaling $6,060 related to pensions resulting from Charter School contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2019	$ 8,959
2020	7,489
2021	(4,367)
2022	(3,253)

Note 6: Defined Benefit Pension Plans - Statewide (Continued)

5. Actuarial Assumptions

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 the GERF 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 percent per year for the GERF through 2044 and then 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2016

The following changes in actuarial assumptions occurred in 2017:

<u>GERF</u>

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

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	39.00 %	5.10 %
International Stocks	19.00	5.30
Bonds	20.00	0.75
Alternative Assets	20.00	5.90
Cash	2.00	-
Total	100.00 %	

Note 6: Defined Benefit Pension Plans - Statewide (Continued)

6. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF 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.

7. Pension Liability Sensitivity

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

Charter School's Proportionate Share of NPL

1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
$ 118,823	$ 76,607	$ 42,046

8. Pension Plan Fiduciary Net Position

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

REQUIRED SUPPLEMENTARY INFORMATION

NASHA SHKOLA
CHARTER SCHOOL NO. 4208
BROOKLYN PARK, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2018

Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2018

Schedule of Employer's Share of TRA Net Pension Liability

Year	Charter School's Proportion of the Net Pension Liability	Charter School's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the Charter Schoo (b)	Total (a+b)	Charter School's Covered Payroll (c)	Charter School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/17	0.0094 %	$ 1,876,411	$ 181,234	$ 2,057,645	$ 508,507	404.6 %	51.6 %
06/30/16	0.0087	2,075,158	208,874	2,284,032	516,573	442.2	44.9
06/30/15	0.0101	624,785	76,373	701,158	512,667	136.8	76.8
06/30/14	0.0103	474,617	33,314	507,931	471,557	107.7	81.5

Schedule of Employer's TRA Contributions

Year	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Charter School's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/18	$ 38,138	$ 38,138	$ -	$ 508,507	7.5 %
06/30/17	34,016	34,016	-	453,547	7.5
06/30/16	38,743	38,743	-	516,573	7.5
06/30/15	33,009	33,009	-	471,557	7.0

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Notes to the Required Supplementary Information - TRA

Changes In Actuarial Assumptions

2017 - There are no factors that affect trends in the amounts reported, such as change of benefit terms or assumptions.

2016 - The assumed investment return was changed from 8.0 percent to 4.66 percent using the Single Equivalent Interest Rate calculation. The single discount rate was changed from 8.0 percent to 4.66 percent. The assumed future salary increases, payroll growth and inflation were changed by a 0.25 percent decrease for price inflation, a 0.50 percent increase for wage inflation and a 2.50 percent decrease in maximum salary increases based on years of service. Mortality assumptions were updated using the RP-2014 tables.

2015 - The assumed post-retirement benefit increase rate was changed from 2.0 percent per year through 2034 and 2.5 percent per year thereafter to 2.0 percent per year for all future years. The assumed investment return was changed from 8.25 percent to 8.0 percent. The single discount rate was changed from 8.25 percent to 8.0 percent.

Changes in Plan Provisions

2015 - On June 30, 2015, the Duluth Teachers Retirement Fund Association was merged into TRA.

Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2018

Schedule of Employer's Share of PERA Net Pension Liability

Year	Charter School's Proportion of he Net Pensior Liability	Charter School's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the Charter School (b)	Total (a+b)	Charter School's Covered Payroll (c)	Charter School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/17	0.0012 %	$ 76,607	$ 955	$ 77,562	$ 76,634	101.2 %	75.9 %
06/30/16	0.0014	113,673	1,465	115,138	85,827	134.2	68.9
06/30/15	0.0009	46,643	-	46,643	76,640	60.9	78.2
06/30/14	0.0007	33,361	-	33,361	50,347	66.3	78.7

Schedule of Employer's PERA Contributions

Year	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Charter School's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/17	$ 6,060	$ 6,060	$ -	$ 80,800	7.50 %
06/30/16	5,748	5,748	-	76,640	7.50
06/30/15	3,776	3,776	-	50,347	7.50
06/30/14	2,654	2,654	-	35,387	7.50

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

INDIVIDUAL FUND SCHEDULE AND TABLE

NASHA SHKOLA
CHARTER SCHOOL NO. 4208
BROOKLYN PARK, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2018

Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Continued on the Following Pages)
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018				2017
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Revenue from federal sources	$ 72,953	$ 54,821	$ 54,821	$ -	$ 71,974
Revenue from state sources	1,215,740	1,339,609	1,293,036	(46,573)	1,196,825
Other local and county revenue	25,000	1,534	4,532	2,998	45,005
Total Revenues	1,313,693	1,395,964	1,352,389	(43,575)	1,313,804
Expenditures					
Current					
Administration					
Salaries	31,500	27,942	27,764	178	31,500
Fringe benefits	4,773	4,700	4,802	(102)	5,119
Purchased services	33,500	50,500	48,429	2,071	28,284
Supplies and materials	-	-	248	(248)	-
Other	12,200	12,000	10,805	1,195	12,523
Total administration	81,973	95,142	92,048	3,094	77,426
District support services					
Salaries	19,500	19,500	19,500	-	18,000
Fringe benefits	12,955	3,630	3,470	160	3,320
Purchased services	70,700	71,710	64,451	7,259	71,429
Supplies and materials	600	1,200	897	303	1,618
Other	-	-	703	(703)	(11)
Total district support services	103,755	96,040	89,021	7,019	94,356
Elementary and secondary regular instruction					
Salaries	469,225	456,688	454,824	1,864	473,677
Fringe benefits	89,836	101,947	100,966	981	121,322
Purchased services	11,230	7,624	4,413	3,211	3,117
Supplies and materials	10,530	8,091	12,359	(4,268)	23,947
Other	-	-	-	-	360
Total elementary and secondary regular instruction	580,821	574,350	572,562	1,788	622,423
Special education instruction					
Salaries	43,100	44,330	44,732	(402)	46,260
Fringe benefits	6,531	7,486	8,173	(687)	13,401
Purchased services	48,500	48,790	50,584	(1,794)	46,701
Supplies and materials	4,152	1,609	1,594	15	495
Total special education instruction	102,283	102,215	105,083	(2,868)	106,857

Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Continued)
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018				2017
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Instructional support services					
Purchased services	$ 17,456	$ 19,256	$ 18,552	$ 704	$ 17,192
Supplies and materials	2,110	5,610	5,699	(89)	3,910
Total instructional support services	19,566	24,866	24,251	615	21,102
Pupil support services					
Fringe benefits	-	-	-	-	25
Purchased services	160,340	194,780	189,761	5,019	164,316
Total pupil support services	160,340	194,780	189,761	5,019	164,341
Sites and buildings					
Purchased services	217,500	218,500	220,905	(2,405)	289,856
Supplies and materials	2,400	-	108	(108)	3,786
Total sites and buildings	219,900	218,500	221,013	(2,513)	293,642
Fiscal and other fixed cost programs					
Purchased services	11,500	11,500	9,651	1,849	8,745
Total Current Expenditures	1,280,138	1,317,393	1,303,390	14,003	1,388,892
Capital outlay					
Instructional support services	500	-	-	500	800
Sites and buildings	-	500	1,759	(1,259)	-
Total capital outlay	500	500	1,759	(759)	800
Debt service					
Principal	12,000	12,000	12,000	-	12,000
Interest and other charges	1,620	1,620	2,695	(1,075)	1,501
Total debt service	13,620	13,620	14,695	(1,075)	13,501
Total Expenditures	1,294,258	1,331,513	1,319,844	12,169	1,403,193
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 19,435	$ 64,451	$ 32,545	$ (31,406)	$ (89,389)
Other Financing Uses					
Transfers out	(1,500)	(1,500)	-	1,500	(3,079)
Net Change in Fund Balances	17,935	62,951	32,545	(29,906)	(92,468)
Fund Balances, July 1	12,296	12,296	12,296	-	104,764
Fund Balances, June 30	$ 30,231	$ 75,247	$ 44,841	$ (29,906)	$ 12,296

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OTHER REQUIRED REPORTS

NASHA SHKOLA
CHARTER SCHOOL NO. 4208
BROOKLYN PARK, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2018

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Members of the Board of Education
Nasha Shkola Charter School No. 4208
Brooklyn Park, 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 Nasha Shkola Charter School No. 4208 (the Charter School) as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated NEED DATE.

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

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

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
NEED DATE

5201 Eden Avenue, Suite 250
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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*

Members of the Board of Education
Nasha Shkola Charter School No. 4208
Brooklyn Park, Minnesota

Report on the Financial Statements

We have audited, in accordance with auditing standards generally accepted in the Unites 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 Nasha Shkola Charter School No. 4208 (the Charter School), Brooklyn Park, Minnesota as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated NEED DATE.

Internal Control Over Financial Reporting

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter 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 Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
NEED DATE