URBAN ACADEMY
CHARTER SCHOOL NO. 4088

<u>FINANCIAL STATEMENTS</u>
<u>AND INDEPENDENT AUDITOR'S REPORT</u>

For The Year Ended June 30, 2015

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CHARTER SCHOOL NO. 4088
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INTRODUCTORY SECTION

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URBAN ACADEMY
CHARTER SCHOOL NO. 4088
SCHOOL BOARD AND ADMINISTRATION
June 30, 2015

SCHOOL BOARD

Name	Board Position
Melissa Jensen	President
Tamara Mattison	Finance Chair
Fong Lor	Vice Chair
Kristin Evans	Secretary
Roger Sykes	Member
Nancy Smith	Member
Caley Long	Member

ADMINISTRATION

Mongsher Ly	Executive Director
Susan Airhart	Contract Business Manager with Designs for Learning

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Urban Academy
Charter School No. 4088
Saint Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Urban Academy, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Urban Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

4810 White Bear Parkway, St. Paul, MN, 55110 651.426.7000 www.redpathcpas.com

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 Urban Academy, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 9 to the financial statements, Urban Academy adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* for the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Urban Academy's 2014 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities and each major fund in our report dated October 9, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2015, on our consideration of Urban Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Urban Academy's internal control over financial reporting and compliance.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

October 19, 2015

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URBAN ACADEMY
INDEPENDENT SCHOOL DISTRICT NO. 4088
St. Paul, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015

This section of Urban Academy's (the School) annual audited financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the School's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS
Key financial highlights for the 2014-2015 fiscal year includes the following:

- Total net position increased by $90,277 before the prior period adjustment. This follows a decrease of $226,359 in the School's net position for fiscal year 2014.
- Net position of the School-wide financial statements was negatively impacted in the current year by $1,522,177 due to the required implementation of a new accounting standard. This is more fully described on page 14.
- General Fund revenues were $3,778,617 as compared to $3,461,132 of expenditures.
- The fund balance of the General Fund increased in fiscal year 2015 by $316,779 to a positive balance of $1,048,779.
- The School continued its teacher compensation schedule to include Quality Compensation Programs.
- Urban Academy increased instructional staff to meet achievement essentials and increased instructional resources to its students.
- School management continues to carefully monitor enrollment which is key to the financial stability of its programs.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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

School-Wide Statements

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

The two School-wide statements report the School's net position and how they have changed. Net position, or the difference between the School's assets and liabilities, is one way to measure the School's financial health or position.

- Over time, increases or decreases in the School's net position are an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of the School you need to consider additional non-financial factors such as changes in the condition of the school building and other facilities.

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the School's funds – focusing on its most significant or "major" funds – not the School as a whole. 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. In other words, funds are accounting devices the School uses to keep track of specific resources of funding and spending on particular programs. State law requires two different programmatic funds for charter schools:

- General Fund
- Food Service Fund

When these two funds are added together, they equal the total governmental funds, as seen in Statement 3 and Statement 4.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's net position was ($548,720) and $867,078 at June 30, 2015 and 2014 , respectively.

The School's Net Position

	June 30,	
	2015	2014
Current assets	$1,289,900	$969,673
Capital and noncurrent assets	165,106	135,078
Total assets	1,455,006	1,104,751
Deferred outflows of resources related to pensions	473,756	-
Total assets and deferred outflows	1,928,762	1,104,751
Current liabilities	241,121	237,673
Long term liabilities	1,534,002	-
Total liabilities	1,775,123	237,673
Deferred inflows of resources related to:		
Lease incentive	240,428	-
Pensions	461,931	-
Total deferred inflows of resources	702,359	-
Net position:		
Net investment in capital assets	165,106	135,078
Restricted for letter of credit collateral	450,000	-
Unrestricted	(1,163,826)	732,000
Total net position	($548,720)	$867,078

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Urban Academy has been strategic in its planning and management of resources and academic priorities. In Fiscal Year 13 Urban Academy focused on quality compensation for its teachers and achieved the objective to set aside funds for the future by increasing the general fund balance. In Fiscal Year 14 Urban Academy focused on competitive wages for its highly qualified employees and preparing for the World's Best Workforce requirements. (Minn Stat. §120B.11**)** During Fiscal Year 15 the school focused on building fund balance reserves in order to begin a relocation program from the downtown St. Paul area. The school moved to their new location on July 1st, 2015.

Urban Academy continues to have successful financial management using a conservative approach to enrollment projections, careful spending, and a budgetary vision towards the future.

The School adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* for the year ended June 30, 2015. The standard is required to be adopted by all schools and governmental entities nation-wide. Essentially, the standard requires the unfunded portion of cost-sharing multiple-employer pension plans (TRA and PERA in this case) to be allocated pro-rata to participating employers, including the School. The net pension liability is noncurrent and does not affect the fund financial statements. Recording the liability does not change the School's future funding requirements or obligations under the plans, which are determined by Minnesota statutes.

Net position was negatively impacted by $1,522,177 at June 30, 2015 due to the implementation of this standard. Pension-related amounts from above related to the standard are as follows:

Deferred outflows of resources	$473,756
Deferred inflows of resources	(461,931)
Noncurrent liabilities	(1,534,002)
Total	($1,522,177)

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Change in Net Position

The School's total revenues were $4,037,368 for the year ended June 30, 2015 . Operating revenue accounted for 29% and the other 71% came from other general revenue combined with other investments and program service revenues.

Change in Net Position

	2015	2014
Revenues:		
Program revenues:		
Charges for services	$ -	$60
Operating grants and contributions	1,180,951	1,059,718
General revenues:		
Unrestricted local, state and federal aid	2,856,224	2,468,345
Investment income	193	339
Total revenues	4,037,368	3,528,462
Expenses:		
Administration	294,406	265,911
District support services	336,332	288,304
Regular instruction	1,325,526	1,350,412
Special education instruction	402,652	405,453
Instructional support services	67,245	69,592
Pupil support services	294,026	299,500
Site, building and equipment	954,890	792,693
Fiscal and other fixed cost programs	15,847	15,465
Food service	256,167	267,491
Total expenses	3,947,091	3,754,821
Change in net position	90,277	(226,359)
Net position - July 1, as originally reported	867,078	1,093,437
Prior period adjustment	(1,506,075)	-
Net position - July 1, as restated	(638,997)	1,093,437
Net position - ending	($548,720)	$867,078

The prior period adjustment is due to the implementation of GASB Statement No. 68 as discussed on the previous page.

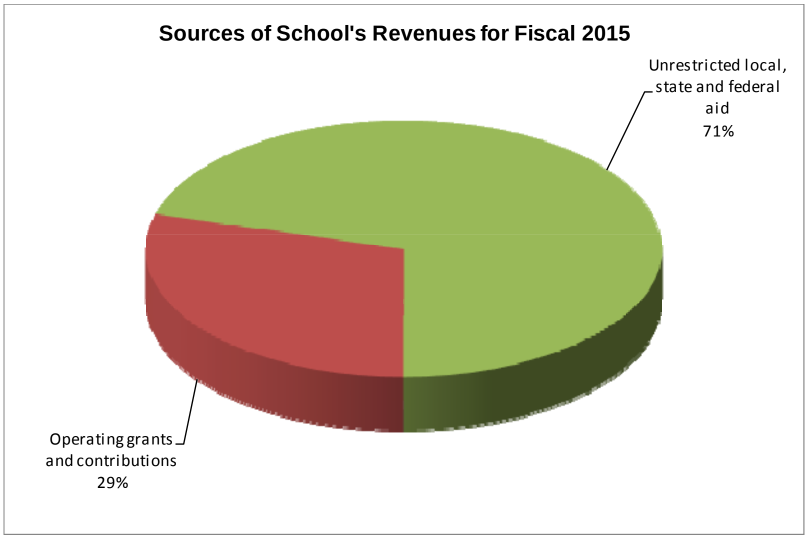
The total cost of all programs and services including interest and fiscal charges was $3,947,091. Total revenues exceeded expenditures which increased net position by $90,277 over last year before the prior period adjustment because the School is committed to building its learning

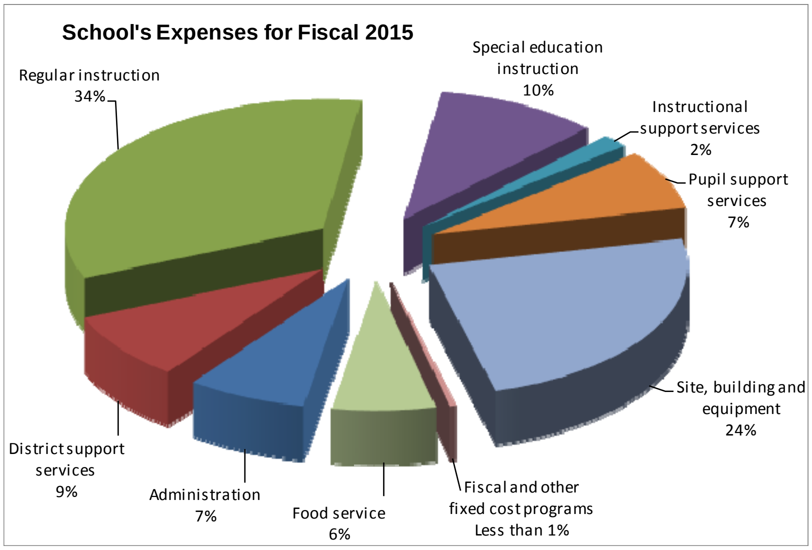
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

programs. Urban Academy set aside funds to secure a new building lease, and invested resources in the areas of administration, regular instruction, and building maintenance. Urban Academy also continued the Quality Compensation program which monitors, provides professional development and training, and compensates teachers based on student achievement.

The cost of all governmental activities this year was $3,947,091 (increased from the fiscal 2014 total of $3,754,821).

- The federal and state governments subsidized certain programs and grants and contributions ($1,180,951).
- The remaining portion of governmental activities was paid for primarily with unrestricted State and local aid and interest income.





MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Typically the School does not include in an analysis of all governmental funds a breakout of expenditures. To do so distorts the latitude available to the School to allocate resources to instruction. All governmental funds include not only funds received for the general operation of the School, which are used for classroom instruction, but also include resources from the entrepreneurial-type fund of Food Service and from resources for fiscal service transactions. Funding for the general operation of the School is controlled by the state and the School does not have the latitude to allocate money received in Food Service or for fiscal services to enhance classroom instruction resources. The School cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction. The preceding graph, by pooling all expenditures, implies that the School does have equal access to all funds to impact classroom instruction. In Minnesota, that is simply not an option.

Program Expenses and Net Cost of Services

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2015	2014	Change	2015	2014	Change
Administration	$294,406	$265,911	10.72%	$294,406	$265,911	10.72%
District support services	336,332	288,304	16.66%	336,332	288,304	16.66%
Regular instruction	1,325,526	1,350,412	(1.84%)	1,203,310	1,231,168	(2.26%)
Special education instruction	402,652	405,453	(0.69%)	(31,149)	(3,359)	827.33%
Instructional support services	67,245	69,592	(3.37%)	67,245	69,592	(3.37%)
Pupil support services	294,026	299,500	(1.83%)	294,026	299,500	(1.83%)
Sites and buildings	954,890	792,693	20.46%	585,417	473,157	23.73%
Fiscal and other fixed cost programs	15,847	15,465	2.47%	15,847	15,465	2.47%
Food service	256,167	267,491	(4.23%)	706	55,305	(98.72%)
Total	$3,947,091	$3,754,821	5.12%	$2,766,140	$2,695,043	2.64%

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The financial performance of the School as a whole is reflected in its governmental funds as well. As the School completed the year, its governmental funds reported a combined fund balance of $1,048,779 which is $316,779 above last year's ending fund balance of $732,000.

Revenues for the School's governmental funds were $4,034,078 of which total expenditures were $3,717,299.

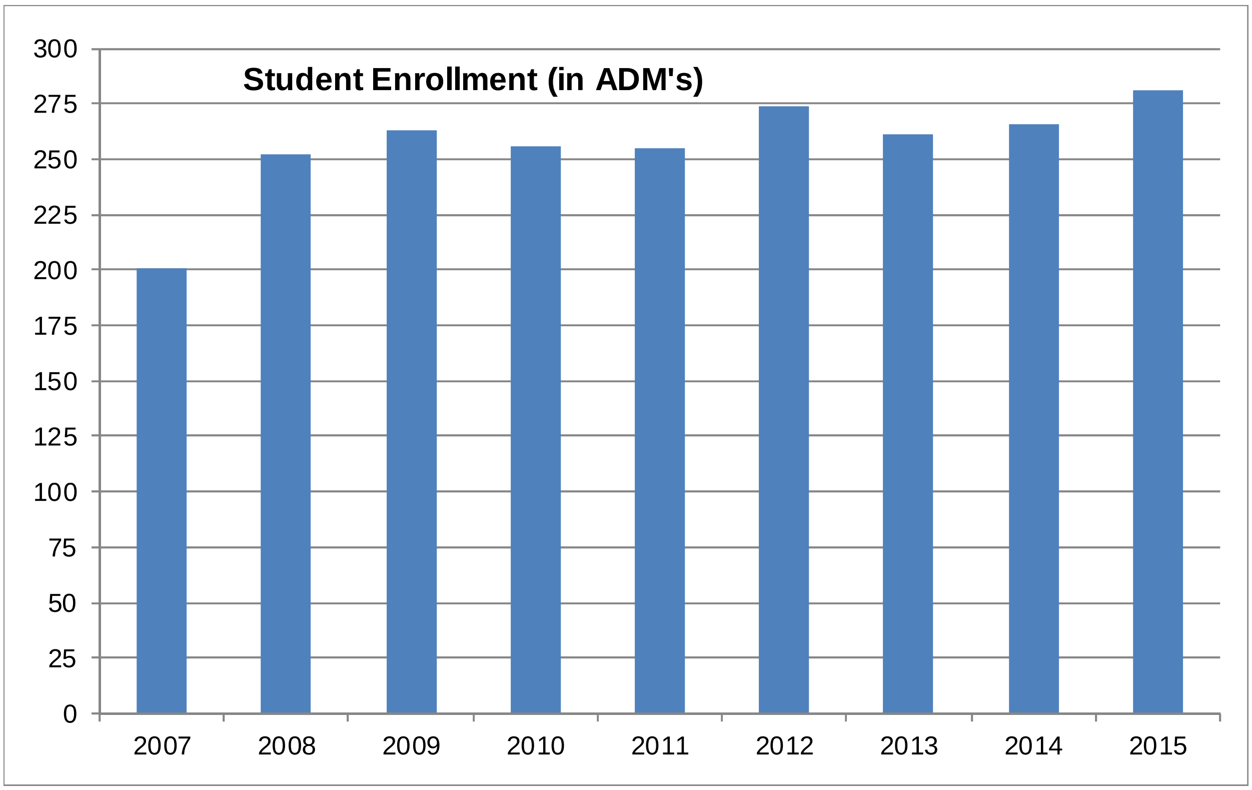
GENERAL FUND

The General Fund includes the primary operations of the School in providing educational services to students from kindergarten through grade 6, including pupil transportation activities.

A significant amount of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes basic general education aid which is determined by multiple state formulas and is largely enrollment driven and special education state aid, which, is based upon a cost reimbursement model.

ENROLLMENT

Enrollment is a critical factor in determining revenue. The following chart shows the latest seven years of student enrollment at the School.



Enrollment increased from 266 ADMs (average daily membership) at the end of the 2013-2014 school year to 281 in school year 2014-2015. The change in student enrollment reflects an increase of 15 ADM. The School is planning to increase this number over the next few years reaching out to a broader community into the future.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The following schedule presents a summary of General Fund revenues.

General Fund Revenues

Fund	Year Ended June 30, 2015	Year Ended June 30, 2014	Change Increase (Decrease)	Change Percent
Local sources:				
Investment income	$193	$339	($146)	(43.07%)
Other	1,910	1,379	531	38.51%
State sources	3,608,061	3,150,065	457,996	14.54%
Federal sources	168,453	164,493	3,960	2.41%
Total general fund revenue	$3,778,617	$3,316,276	$462,341	13.94%

During the current fiscal year the General Fund revenues increased by $462,341 from the previous. The difference primarily results from an increase in state and federal funding based on a higher overall enrollment.

The following schedule presents a summary of General Fund expenditures.

General Fund Expenditures

	Year Ended June 30, 2015	Year Ended June 30, 2014	Change Increase (Decrease)	Change Percent
Salaries	$1,613,704	$1,628,305	($14,601)	(0.90%)
Employee benefits	386,946	376,886	10,060	2.67%
Purchased services	1,341,751	1,342,736	(985)	(0.07%)
Supplies and materials	53,382	80,576	(27,194)	(33.75%)
Capital expenditures	9,414	24,804	(15,390)	(62.05%)
Other expenditures	55,935	31,948	23,987	75.08%
Total expenditures	$3,461,132	$3,485,255	($24,123)	(0.69%)

Total General Fund expenditures decreased $24,123 from the previous year. In the 2014-2015 school year Urban Academy continued to invest resources in instructional salaries and benefits. The School's vision is to provide high quality staffing which ultimately enriches student learning and achievement.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

General Fund Budgetary Highlights

Following approval of the budget prior to the beginning of the fiscal year, the School revises the annual operating budget in mid-year and again at year end.

Projected revenues were at $3,593,185 and were revised to $3,600,593 after reviewing state and federal expenditures. Some of these programs are based on student services provided or actual expenditures which are calculated on a reimbursement basis. By the end of the fiscal year, the actual amount was at $3,778,617, which is $178,024 more than the revised budgeted amount.

Actual expenditures were $50,338 less than budgeted. Much of this difference can be attributed to a temporary decrease of some employee work hours, and lower building maintenance costs.

From the standpoint of maintaining current operating expenditures within the range of annual revenue and maintaining a sound fund balance, the General Fund is operating on a sound financial basis.

OTHER MAJOR FUNDS

Expenditures exceeded revenues in the Food Service Fund by $706 compared to budgeted expenditures exceeding revenues of $14,838. The School monitored its food purchases and meals distribution, participated in a new federal funding program which increased the reimbursable rate for each meal served.

From the standpoint of maintaining current operating expenditures within the range of annual revenue and maintaining a sound fund balance, the Food Service Fund is operating on a sound financial basis.

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015, the School had invested $367,665 in equipment. Total depreciation expense for the year was $31,276.

	2015	2014
Capital assets, being depreciated:		
Computers and office equipment	$67,389	$131,954
Furniture and fixtures	187,950	187,950
Vehicles	26,763	26,763
Leasehold improvements	85,563	30,903
Total capital assets, being depreciated	367,665	377,570
Less accumulated depreciation for:		
Computers and office equipment	51,992	113,439
Furniture and fixtures	113,568	102,949
Vehicles	10,388	5,035
Leasehold improvements	26,611	21,069
Total accumulated depreciation	202,559	242,492
Total capital assets being depreciated - net	$165,106	$135,078

FACTORS BEARING ON THE SCHOOL’S FUTURE

The School is dependent on the State of Minnesota for the vast majority of its revenue. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. As the School continues to strive for success it is forced to seek outside grants and funding to create and support innovative programs.

Urban Academy has entered into a lease agreement with Lumen Christi Catholic Community and has relocated to a new facility in July 2015.

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

CONTACTING THE SCHOOL’S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the School’s finances and to demonstrate the School’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Charter School No. 4088, Urban Academy, 1668 Montreal Avenue, St. Paul, Minnesota 55116.

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BASIC FINANCIAL STATEMENTS

URBAN ACADEMY
CHARTER SCHOOL NO. 4088 **Statement 1**
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities
Assets:	
Cash and investments	$328,545
Restricted cash	450,000
Due from other governments	488,999
Other receivables	20,556
Prepaid items	1,800
Capital assets (net of accumulated depreciation)	165,106
Total assets	1,455,006
Deferred outflows of resources related to pensions	473,756
Total assets and deferred outflows of resources	$1,928,762
Liabilities:	
Accounts payable	$72,141
Salaries and taxes payable	168,980
Net pension liability, due in more than 1 year	1,534,002
Total liabilities	1,775,123
Deferred inflows of resources related to:	
Lease incentive	240,428
Pensions	461,931
Total deferred inflows of resources	702,359
Net position:	
Investment in capital assets	165,106
Restricted for letter of credit collateral	450,000
Unrestricted	(1,163,826)
Total net position	(548,720)
Total liabilities, deferred inflows and net position	$1,928,762

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

URBAN ACADEMY
CHARTER SCHOOL NO. 4088 **Statement 2**
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:				
Administration	$294,406	$ -	$ -	($294,406)
District support services	336,332	-	-	(336,332)
Regular instruction	1,325,526	-	122,216	(1,203,310)
Special education instruction	402,652	-	433,801	31,149
Instructional support services	67,245	-	-	(67,245)
Pupil support services	294,026	-	-	(294,026)
Site, building and equipment	954,890	-	369,473	(585,417)
Fiscal and other fixed costs	15,847	-	-	(15,847)
Food service	256,167	-	255,461	(706)
Total governmental activities	$3,947,091	$0	$1,180,951	(2,766,140)
General revenues:				
Local sources				1,910
State sources				2,854,314
Investment income				193
Total general revenues				2,856,417
Change in net position				90,277
Net position - July 1, as originally reported				867,078
Prior period adjustment				(1,506,075)
Net position - July 1, as restated				(638,997)
Net position - ending				($548,720)

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

URBAN ACADEMY
CHARTER SCHOOL NO. 4088 **Statement 3**
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Food Service Fund	Total
Assets			
Cash and investments	$328,545	$ -	$328,545
Restricted cash	450,000	-	450,000
Due from Minnesota Department of Education	453,082	179	453,261
Due from Federal Government through Minnesota Department of Education	28,573	7,165	35,738
Due from other funds	7,563	-	7,563
Other receivables	20,030	526	20,556
Prepaid items	1,800	-	1,800
Total assets	$1,289,593	$7,870	$1,297,463
Liabilities and Fund Balances			
Liabilities:			
Accounts and contracts payable	$71,834	$307	$72,141
Due to other funds	-	7,563	7,563
Salaries and taxes payable	147,150	-	147,150
Payroll deductions and employer contributions payable	21,830	-	21,830
Total liabilities	240,814	7,870	248,684
Fund balance:			
Nonspendable - prepaid items	1,800	-	1,800
Restricted - letter of credit collateral	450,000	-	450,000
Unassigned	596,979	-	596,979
Total fund balance	1,048,779	0	1,048,779
Total liabilities and fund balance	$1,289,593	$7,870	$1,297,463

Amounts reported for governmental activities in the statement of net position are different because:	
Fund balance reported above	$1,048,779
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds	165,106
Deferred outflows of resources related to pensions - see note 5	473,756
Net pension liability used in governmental activities are not financial resources, and therefore, are not reported in the funds	(1,534,002)
Deferred inflows of resources related to pensions - see note 5	(461,931)
Deferred inflows of resources related to leases are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	(240,428)
Net position of governmental activities (Statement 1)	($548,720)

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

URBAN ACADEMY
CHARTER SCHOOL NO. 4088 **Statement 4**
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2015

	General	Food Service Fund	Total
Revenues:			
Local sources	$1,910	$ -	$1,910
State sources	3,608,061	6,077	3,614,138
Federal sources	168,453	249,384	417,837
Investment income	193	-	193
Total revenues	3,778,617	255,461	4,034,078
Expenditures:			
Current:			
Administration	290,751	-	290,751
District support services	314,020	-	314,020
Regular instruction	1,306,177	-	1,306,177
Special education instruction	400,602	-	400,602
Instructional support services	63,688	-	63,688
Pupil support services	289,402	-	289,402
Site, building and equipment	764,973	-	764,973
Fiscal and other fixed costs	15,847	-	15,847
Food service	-	256,167	256,167
Capital outlay	9,414	-	9,414
Debt service	6,258	-	6,258
Total expenditures	3,461,132	256,167	3,717,299
Revenues over (under) expenditures	317,485	(706)	316,779
Other financing sources (uses):			
Transfers in	-	706	706
Transfers out	(706)	-	(706)
Total other financing sources (uses)	(706)	706	0
Net change in fund balance	316,779	-	316,779
Fund balance - beginning	732,000	-	732,000
Fund balance - ending	$1,048,779	$0	$1,048,779

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

Revenues over expenditures reported above	$316,779
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Depreciation	(31,276)
Capital outlay	9,414
Loss on dispositions	(2,770)
Termination fee and moving expenses paid for by the new landlord - see note 8	(185,768)
Amortization of deferred inflows and outflows of resources related to pensions	(16,102)
Change in net position of governmental activities (Statement 2)	$90,277

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

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Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. FINANCIAL REPORTING ENTITY

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

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

B. SCHOOL-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

As required by State Statute, the School operates as a nonprofit corporation under Minnesota Statutes §317A. However, State law also requires that the School comply with Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota School Districts which mandates the use of a governmental accounting structure.

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

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

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

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

The School reports the following major governmental funds:

> The *General Fund* is the general operating fund of the School. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.
>
> The *Food Service Fund* is used to account for the School's food service program.

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

D. INCOME TAXES

The School is operating as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and comparable sections of the Minnesota income tax statutes. The School's 2012 through 2014 tax years are open to examination by regulatory authorities.

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

E. BUDGETS

Budgets presented in this report for comparison to actual amounts are presented in accordance with U.S. generally accepted accounting principles. Each June, the School Board adopts an annual budget for the following fiscal year for the General and Food Service Funds. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

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

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

Revenues and Other Sources	Original Budget	Amendments	Amended Budget
General Fund	$3,593,185	$7,408	$3,600,593
Special Revenue Funds:			
Food Service Fund	$231,731	$31,622	$263,353
Expenditures and Other Uses			
General Fund	$3,497,699	$28,609	$3,526,308
Special Revenue Funds:			
Food Service Fund	$231,731	$31,622	$263,353

F. CASH AND INVESTMENTS

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

G. RESTRICTED CASH

The School purchased a certificate of deposit in the amount of $450,000 to be used as collateral to secure its letter of credit (see Note 4).

H. RECEIVABLES

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

I. PREPAID ITEMS

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

J. CAPITAL ASSETS

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The School maintains a threshold level of $500 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the School-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 5 to 20 years for equipment.

K. STUDENT ACTIVITIES

There were no student activities that were not under board control.

L. USE OF ESTIMATES

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

M. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

N. ACCRUED EMPLOYEE BENEFITS

Unpaid sick leave and vacation pay has not been accrued in any funds as these benefits do not vest to employees.

O. FUND BALANCE CLASSIFICATIONS

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

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

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

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

Assigned - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the School's intended use. These constraints are established by the School Board and/or management. Pursuant to Board resolution, the School's Director is authorized to establish assignments of fund balance.

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

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

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

P. MINIMUM FUND BALANCE POLICY

The School Board has formally adopted a minimum fund balance policy for the General Fund. The policy establishes a year-end minimum fund balance of 20% of the annual budgeted expenditures. At June 30, 2015, the minimum unassigned fund balance for the General Fund was $722,923. Actual unassigned fund balance in the General Fund was $596,979. In addition, $450,000 of fund balance previously classified as unassigned is now reported as restricted. This amount relates to the collateral provided for the letter of credit.

Q. NET POSITION

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

R. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the School's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

S. COMPARATIVE DATA

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

T. STEWARDSHIP AND ACCOUNTABILITY

Expenditures were under budget in the General and Food Service Funds for 2015.

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

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

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

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

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

At June 30, 2015, $308,561 of bank balances were in excess of insured or collateralized amounts.

B. INVESTMENTS

Minnesota Statutes outline authorized investments for charter schools. During 2015, the School did not have any such investments.

Note 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Computers and office equipment	$131,954	$9,414	($73,979)	$67,389
Furniture and fixtures	187,950	-	-	187,950
Vehicles	26,763	-	-	26,763
Leasehold improvements	30,903	54,660	-	85,563
Total capital assets, being depreciated	377,570	64,074	(73,979)	367,665
Less accumulated depreciation for:				
Computers and office equipment	113,439	9,762	(71,209)	51,992
Furniture and fixtures	102,949	10,619	-	113,568
Vehicles	5,035	5,353	-	10,388
Leasehold improvements	21,069	5,542	-	26,611
Total accumulated depreciation	242,492	31,276	(71,209)	202,559
Total capital assets being depreciated - net	$135,078	$32,798	($2,770)	$165,106

Depreciation expense was charged to functions/programs as follows:

Regular instruction	$17,091
Special education instruction	684
Instructional support services	3,507
Pupil support services	5,645
Site, building and equipment	4,349
Total depreciation expense - governmental activities	$31,276

Note 4 SHORT-TERM DEBT

LINE OF CREDIT AGREEMENT

The School renewed its line of credit on April 23, 2015 in the amount of $250,000 for short-term cash flow needs with a variable interest rate of 2.5% over the prime rate (currently 5.75%) and a maturity date of October 31, 2015. It is secured by substantially all the School's assets. The outstanding balance at June 30, 2015 was $0. There was no activity on the line of credit for the year ended June 30, 2015.

LETTER OF CREDIT AGREEMENT

The School obtained an irrevocable letter of credit on April 23, 2015 in the amount of $450,000 with a variable interest rate of 5% over the prime rate (currently 8.25%) and a maturity date of April 23, 2016. The School's landlord has the right to draw on the letter of credit if the School defaults on its lease agreement, as defined in Article 10 of the agreement. The letter of credit is secured by a certificate of deposit that the School purchased, as described in Note 1G. The outstanding balance at June 30, 2015 was $0. There was no activity on the letter of credit for the year ended June 30, 2015.

Note 5 RETIREMENT PLANS

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

TEACHER'S RETIREMENT ASSOCIATION (TRA)

A. Summary of Significant Accounting Policies

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

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

B. 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 schools, charter schools, and certain educational institutions maintained by the state are required to be TRA members.

C. Benefits Provided

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

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

Tier 1 Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First ten years of service	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	First ten years if service years are up to July 1, 2006	1.2 percent per year
	First 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 up to July 1, 2006	1.7 percent per year
	All other years of service if service years are July 1, 2006 of after	1.9 percent per year

With these provisions:

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

(b) 3 percent per year early retirement reduction factor for all years under normal retirement age.

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

or

Tier II Benefits

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

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

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

D. Contribution Rate

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

	Ending June 30, 2014		Ending June 30, 2015	
	Employee	Employer	Employee	Employer
Basic	10.5%	11.0%	11.0%	11.5%
Coordinated	7.0%	7.0%	7.5%	7.5%

The School’s contributions to TRA for the plan’s fiscal year ended June 30, 2014 were $74,451. The contributions were equal to the required contributions for each year as set by state statute.

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	$299,299,837
Deduct employer contributions not related to future contribution efforts	(398,798)
Deduct TRA's contributions not included in allocation	(370,701)
Employer contributions reported in schedule of employer and non-employer pension allocations	$298,530,338

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.

E. Actuarial Assumptions

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Information	
Measurement Date	June 30, 2014
Valuation Date	July 1, 2014
Experience Study	October 30, 2009
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	8.25%
Wage Inflation	3.0%
Projected Salary Increase	3.5 - 12%, based on years of service
Cost of living adjustment	2.0% until year 2034; 2.5% thereafter
Mortality Assumption	
Pre-retirement	RP 2000 non-annuitant generational mortaility, white collar adjustment, male rates set back 5 years and female rates set back 7 years.
Post-retirement	RP 2000 annuitant generational mortaility, white collar adjustment, male rates set back 2 years and female rates set back 3 years.
Post-disability	RP 2000 disabled retiree mortaility, without adjustment.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Unallocated Cash	2%	0.50%
Total	100%	

F. Discount Rate

The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2015 contribution rate, contributions from schools will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Net Pension Liability

On June 30, 2015, the School reported a liability of $1,073,647 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The School's proportionate share was 0.0233% at the end of the measurement period and 0.0189% for the beginning of the year.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the School as its proportionate share of the net pension liability, the state's proportionate share, and the total portion of the net pension liability that was associated with the School were $1,073,647, $75,411 and $1,149,058, respectively.

A change in benefit provisions that affected the measurement of the total pension liability since the prior measurement date was an increase of the contribution rates for both the member and employer. Section D contains the rate information.

There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date. Post-retirement benefit adjustments are now assumed to increase from 2.0 percent annually to 2.5 percent annually once the legally specified criteria are met. This is estimated to occur July 1, 2034.

For the year ended June 30, 2015, the School recognized pension expense of $104,282, including $3,290 relating to the support provided by direct aid.

On June 30, 2015, the School had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$91,611	$ -
Difference between projected and actual investment earnings	-	337,544
Changes in proportion	208,817	-
Contributions paid to TRA subsequent to the measurement date	78,432	-
Total	$378,860	$337,544

$78,432 reported as deferred outflows of resources related to pensions resulting from the School'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, 2016. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized as pension expense during the following years:

Year	Pension Expense
2016	($21,667)
2017	(21,667)
2018	(21,667)
2019	(21,667)
2020	49,552

H. Pension Liability Sensitivity

The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 8.25 percent as well as the liability measured using one percent lower and one percent higher.

1% decrease (7.25%)	Current (8.25%)	1% increase (9.25%)
$1,774,371	$1,073,647	$489,486

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

I. 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.

PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION (PERA)

A. Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and 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.

B. Plan Description

The School participates in the General Employees Retirement Plan (GERF), which is a cost-sharing multiple-employer defined benefit pension plan administered by 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.

All full-time and certain part-time employees of the School, other than teachers, are covered by 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.

C. Benefits Provided

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

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

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

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

D. Contributions

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

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5% of pay in 2015. In calendar year 2014, the School was required to contribute 11.78% of pay for Basic Plan members and 7.25% for Coordinated Plan members. In 2015, employer rates increased to 7.5% in the Coordinated Plan. The School’s contributions to the GERF for the plan’s fiscal year ended June 30, 2014, were $37,215. The School’s contributions were equal to the required contributions for each year as set by state statute.

E. Pension Costs

At June 30, 2015, the School reported a liability of $460,355 for its proportionate share of the GERF’s net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School’s proportion of the net pension liability was based on the

School's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2013 through June 30, 2014, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2014, the School's proportion was 0.0098%.

For the year ended June 30, 2015, the School recognized pension expense of $33,929 for its proportionate share of GERF's pension expense.

At June 30, 2015, the School reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$7,065	$ -
Changes in actuarial assumptions	47,444	-
Difference between projected and actual investment earnings	-	124,387
Contributions paid to PERA subsequent to the measurement date	40,387	-
Total	$94,896	$124,387

$40,387 reported as deferred outflows of resources related to pensions resulting from the School's 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized as pension expense as follows:

Year	Pension Expense
2016	($12,927)
2017	(12,927)
2018	(12,927)
2019	(31,097)

F. Actuarial Assumptions

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions:

Measurement Date	June 30, 2014
Valuation Date	June 30, 2014
Inflation	2.75% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments.

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014.

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

G. Discount Rate

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.9 percent as well as the liability measured using one percent lower and one percent higher.

1% decrease (6.9%)	Current (7.9%)	1% increase (8.9%)
$742,111	$460,355	$228,536

I. Pension Plan Fiduciary Net Position

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

TOTAL PENSION AMOUNTS – ALL PLANS

Total pension related assets, deferred outflows of resources, deferred inflows of resources, liabilities and expense for all pension plans is as follows:

	PERA	TRA	Total
Pension-related assets	$ -	$ -	$ -
Deferred outflows of resources	94,896	378,860	473,756
Liabilities	460,355	1,073,647	1,534,002
Deferred inflows of resources	124,387	337,544	461,931
Pension expense	33,929	104,282	138,211

Note 6 INTERFUND ACTIVITY

During 2015, the School made a routine transfer of $706 to eliminate a deficit in the Food Service Fund.

Note 7 COMMITMENTS AND CONTINGENCIES

A. FEDERAL AND STATE PROGRAMS

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the School expects such amounts, if any, to be immaterial. The federal financial assistance received may be subject to an audit pursuant to OMB Circular A-133 or audits by the grantor agency.

B. OPERATING LEASE COMMITMENTS AND TERMS

The School leased classroom and office space at 133 East 7th Street, St. Paul, MN through June 30, 2015. Base lease expense was $533,862 for 2015.

Effective July 1, 2015, the School entered into a new lease agreement for classroom and office space at 1668 Montreal Avenue, St. Paul, MN. The term of the lease is for fifteen years, expiring June 30, 2030. Annual base rent is the greater of (a) minimum amounts summarized below, or (b) the lease aid maximum amount, as defined in the lease agreement.

Year Ending June 30,	Minimum Lease Payments
2016	$509,391
2017	517,391
2018	525,391
2019	533,391
2020	541,391
2021-2025	2,609,391
2026-2030	2,755,000
Total	$7,991,346

Additional rent not included in the above schedule is also required for the School's share of operating costs.

The School's ability to make payments under the lease agreement is dependent on its revenues, which are in turn, largely dependent on sufficient enrollments being served at the School and on sufficient state aids per student being authorized and received from the State of Minnesota. The School believes that its enrollments and aid entitlements will be sufficient to meet the lease obligations as they become due. For 2015, the School qualified for estimated lease aid of $369,497 based on a statutory cap equal to $1,314 times the pupil unites served.

Note 8 DEFERRED LEASE INCENTIVE

As part of the new lease agreement for classroom and office space, as summarized in Note 7, the School's landlord provided the School a $485,000 tenant allowance upon executing the lease. Accounting standards require the School to set up a deferred lease incentive on the Statement of Net Position and recognize these payments as a reduction of rental expense on the Statement of Activities over the term of the lease. The School used $240,428 of the allowance as of June 30, 2015 and recognized this amount as deferred lease incentive. Amortization of this deferred lease income was $0 for the year ended June 30, 2015. Below is a summary of the future amortization of the deferred lease incentive.

Year Ending June 30,	Amount
2016	$16,029
2017	16,029
2018	16,029
2019	16,029
2020	16,029
2021-2025	80,145
2026-2030	80,138
Total	$240,428

Note 9 CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2015, the School implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27.* GASB 68 addresses accounting and financial reporting for defined benefit pension plans that are provided to employees of state and local governments, including schools. The standard requires the School to record its share of the net pension liability of these plans, as well as any corresponding deferred inflows and outflows of resources. See Note 5 for further information.

As a result of implementing this standard, the School has recorded a prior period adjustment on the Statement of Activities to reduce its beginning net position by $1,506,075, which is equal to its share of the net pension liability at June 30, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

URBAN ACADEMY
CHARTER SCHOOL NO. 4088 **Statement 5**
REQUIRED SUPPLEMENTARY INFORMATION **Page 1 of 2**
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended June 30, 2015
With Comparative Actual Amounts For the Year Ended June 30, 2014

	2015				
	Budgeted Amounts		Actual	Variance with Final Budget -	2014 Actual
	Original	Final	Amounts	Over (Under)	Amounts
Revenues:					
Local sources	$4,000	$2,200	$1,910	($290)	$1,379
State sources	3,414,729	3,428,237	3,608,061	179,824	3,150,065
Federal sources	174,106	169,906	168,453	(1,453)	164,493
Investment income	350	250	193	(57)	339
Total revenues	3,593,185	3,600,593	3,778,617	178,024	3,316,276
Expenditures:					
Administration:					
Current:					
Salaries	187,900	186,800	187,833	1,033	187,811
Employee benefits	32,370	34,270	34,736	466	33,209
Purchased services	15,250	20,621	32,377	11,756	16,246
Supplies and materials	200	3,900	3,984	84	105
Other expenditures	30,883	31,821	31,821	-	28,540
Capital expenditures	-	-	-	-	-
Total administration	266,603	277,412	290,751	13,339	265,911
District support services:					
Current:					
Salaries	141,213	113,253	129,920	16,667	105,540
Employee benefits	26,198	26,859	32,387	5,528	25,492
Purchased services	147,000	144,835	141,605	(3,230)	144,189
Supplies and materials	7,050	7,300	8,773	1,473	10,263
Other expenditures	1,250	1,350	1,335	(15)	1,238
Total district support services	322,711	293,597	314,020	20,423	286,722
Regular instruction:					
Current:					
Salaries	963,440	1,019,869	958,908	(60,961)	992,208
Employee benefits	239,444	262,031	242,977	(19,054)	241,451
Purchased services	57,715	71,809	77,155	5,346	53,245
Supplies and materials	36,900	29,310	26,463	(2,847)	44,972
Other expenditures	665	675	674	(1)	665
Capital expenditures	1,050	2,500	2,458	(42)	659
Total regular instruction	1,299,214	1,386,194	1,308,635	(77,559)	1,333,200
Special education instruction:					
Current:					
Salaries	286,144	230,017	217,100	(12,917)	235,338
Employee benefits	79,718	55,504	55,162	(342)	58,025
Purchased services	101,291	124,179	127,562	3,383	110,741
Supplies and materials	690	1,105	778	(327)	665
Capital expenditures	-	-	-	-	-
Total special education instruction	467,843	410,805	400,602	(10,203)	404,769

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended June 30, 2015
With Comparative Actual Amounts For the Year Ended June 30, 2014

	2015				
	Budgeted Amounts		Actual	Variance with Final Budget -	2014 Actual
	Original	Final	Amounts	Over (Under)	Amounts
Expenditures: (continued)					
Instructional support services:					
Current:					
Salaries	$37,000	$37,000	$37,000	$ -	$37,756
Employee benefits	5,849	5,882	6,339	457	6,295
Purchased services	10,000	18,215	18,631	416	22,007
Supplies and materials	1,700	1,651	1,718	67	1,189
Capital expenditures	-	7,000	6,956	(44)	-
Total instructional support services	54,549	69,748	70,644	896	67,247
Pupil support services:					
Current:					
Salaries	39,684	53,170	53,029	(141)	41,396
Employee benefits	4,352	6,273	6,231	(42)	4,303
Purchased services	227,700	230,017	228,144	(1,873)	243,075
Supplies and materials	9,370	1,868	1,998	130	7,168
Capital expenditures	-	-	-	-	20,865
Total pupil support services	281,106	291,328	289,402	(1,926)	316,807
Site, building and equipment:					
Current:					
Salaries	37,938	30,000	29,914	(86)	28,256
Employee benefits	9,344	9,066	9,114	48	8,111
Purchased services	710,712	711,062	716,277	5,215	737,768
Supplies and materials	15,000	10,000	9,668	(332)	16,214
Capital expenditures	1,000	-	-	-	3,280
Total site, building and equipment	773,994	760,128	764,973	4,845	793,629
Fiscal and other fixed costs:					
Current:					
Purchased services	13,000	16,000	15,847	(153)	15,465
Debt service	1,500	6,258	6,258	-	1,505
Total fiscal and other fixed costs	14,500	22,258	22,105	(153)	16,970
Total expenditures	3,480,520	3,511,470	3,461,132	(50,338)	3,485,255
Revenues over (under) expenditures	112,665	89,123	317,485	228,362	(168,979)
Other financing sources (uses):					
Transfer to Food Service Fund	(17,179)	(14,838)	(706)	14,132	(55,305)
Net change in fund balance	$95,486	$74,285	316,779	$242,494	(224,284)
Fund balance - beginning			732,000		956,284
Fund balance - ending			$1,048,779		$732,000

URBAN ACADEMY
CHARTER SCHOOL NO. 4088 **Statement 6**
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - FOOD SERVICE SPECIAL REVENUE FUND
For The Year Ended June 30, 2015
With Comparative Actual Amounts For the Year Ended June 30, 2014

	2015				
	Budgeted Amounts		Actual	Variance with Final Budget -	2014 Actual
	Original	Final	Amounts	Over (Under)	Amounts
Revenues:					
Local sources	$60	$10	$ -	($10)	$60
State sources	6,007	5,500	6,077	577	5,915
Federal sources	208,485	243,005	249,384	6,379	206,211
Total revenues	214,552	248,515	255,461	6,946	212,186
Expenditures:					
Food service					
Current:					
Salaries	28,639	23,000	24,158	1,158	21,816
Employee benefits	4,196	5,271	5,769	498	4,032
Purchased services	-	-	-	-	163
Supplies and materials	198,896	235,082	226,240	(8,842)	241,480
Total expenditures	231,731	263,353	256,167	(7,186)	267,491
Revenues over (under) expenditures	(17,179)	(14,838)	(706)	14,132	(55,305)
Other financing sources (uses):					
Transfer from General Fund	17,179	14,838	706	(14,132)	55,305
Net change in fund balance	$0	$0	0	$0	0
Fund balance - beginning			-		-
Fund balance - ending			$0		$0

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY*
For The Year Ended June 30, 2015

Measurement Date	School Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability	Proportionate Share (Amount) of the Net Pension Liability (a)	Covered-Employee Payroll (b)	Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Teacher's Retirement Association						
June 30, 2014	June 30, 2015	0.02330%	$1,073,647	$1,096,576	97.91%	81.5%
PERA - General Employees Retirement Fund						
June 30, 2014	June 30, 2015	0.0098%	$460,355	$513,308	89.68%	78.7%

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

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS*
For The Year Ended June 30, 2015

School Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
Teacher's Retirement Association					
June 30, 2015	$78,432	$78,432	$0	$1,045,738	7.50%
PERA - General Employees Retirement Fund					
June 30, 2015	$40,387	$40,387	$0	$547,590	7.38%

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

Note A BUDGETARY INFORMATION

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

Note B PENSION INFORMATION

There are no factors that affect trends in the amounts reported, such as change of benefit terms or assumptions. With only one year reported in the RSI, there is no additional information to include in notes. Details can be obtained from the financial reports of TRA and PERA.

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INDIVIDUAL FUND FINANCIAL STATEMENTS

URBAN ACADEMY
CHARTER SCHOOL NO. 4088 **Statement 7**
BALANCE SHEET - GENERAL FUND
June 30, 2015
With Comparative Totals For June 30, 2014

Assets	2015	2014
Cash and investments	$328,545	$609,923
Restricted cash	450,000	-
Due from Minnesota Department of Education	453,082	303,548
Due from Federal Government through Minnesota Department of Education	28,573	17,412
Due from other funds	7,563	-
Other receivables	20,030	3,807
Prepaid items	1,800	24,643
Total assets	$1,289,593	$959,333
Liabilities and Fund Balances		
Liabilities:		
Accounts and contracts payable	$71,834	$68,568
Salaries and taxes payable	147,150	138,234
Payroll deductions and employer contributions payable	21,830	20,531
Total liabilities	240,814	227,333
Fund balance:		
Nonspendable - prepaid items	1,800	24,643
Restricted - letter of credit collateral	450,000	-
Unassigned	596,979	707,357
Total fund balance	1,048,779	732,000
Total liabilities and fund balance	$1,289,593	$959,333

URBAN ACADEMY
CHARTER SCHOOL NO. 4088 **Statement 8**
BALANCE SHEET - FOOD SERVICE SPECIAL REVENUE FUND
June 30, 2015
With Comparative Totals For June 30, 2014

Assets	2015	2014
Cash and investments	$ -	$2,558
Due from Minnesota Department of Education	179	255
Due from Federal Government through Minnesota Department of Education	7,165	7,527
Other receivables	526	-
Total assets	$7,870	$10,340
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	$307	$10,340
Due to other funds	7,563	-
Total liabilities	7,870	10,340
Fund balance:		
Unassigned	-	-
Total liabilities and fund balance	$7,870	$10,340

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SUPPLEMENTAL INFORMATION

URBAN ACADEMY
CHARTER SCHOOL NO. 4088 **Schedule 1**
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
June 30, 2015

	Audit	UFARS	Variance
01 GENERAL FUND			
Total Revenue	$3,778,617	$3,778,616	$1
Total Expenditures	3,461,132	3,461,132	-
Non-Spendable:			
4.60 Non Spendable Fund Balance	1,800	1,800	-
Restricted/Reserve:			
4.03 Staff Development	-	-	-
4.05 Deferred Maintenance	-	-	-
4.06 Health and Safety	-	-	-
4.07 Capital Projects Levy	-	-	-
4.08 Cooperative Revenue	-	-	-
4.14 Operating Debt	-	-	-
4.16 Levy Reduction	-	-	-
4.17 Taconite Building Maint	-	-	-
4.23 Certain Teacher Programs	-	-	-
4.24 Operating Capital	-	-	-
4.26 $25 Taconite	-	-	-
4.27 Disabled Accessibility	-	-	-
4.28 Learning and Development	-	-	-
4.34 Area Learning Center	-	-	-
4.35 Contracted Alt. Programs	-	-	-
4.36 St. Approved Alt. Program	-	-	-
4.38 Gifted & Talented	-	-	-
4.41 Basic Skills Programs	-	-	-
4.45 Career & Tech Programs	-	-	-
4.49 Safe School Crime	-	-	-
4.50 Pre-Kindergarten	-	-	-
4.51 QZAB Payments	-	-	-
4.52 OPEB Liab Not In Trust	-	-	-
4.53 Unfunded Sev & Retiremt Levy	-	-	-
Restricted:			
4.64 Restricted Fund Balance	450,000	450,000	-
Committed:			
4.18 Committed For Separation	-	-	-
4.61 Committed Fund Balance	-	-	-
Assigned:			
4.62 Assigned Fund Balance	-	-	-
Unassigned:			
4.22 Unassigned Fund Balance	596,979	596,978	1
02 FOOD SERVICE			
Total Revenue	$255,461	$255,461	$ -
Total Expenditures	256,167	256,166	1
Non-Spendable:			
4.60 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
4.52 OPEB Liab Not In Trust	-	-	-
Restricted:			
4.64 Restricted Fund Balance	-	-	-
Unassigned:			
4.63 Unassigned Fund Balance	-	-	-
04 COMMUNITY SERVICE			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Restricted/Reserve:			
4.26 $25 Taconite	-	-	-
4.31 Community Education	-	-	-
4.32 E.C.F.E	-	-	-
4.44 School Readiness	-	-	-
4.47 Adult Basic Education	-	-	-
4.52 OPEB Liab Not In Trust	-	-	-
Restricted:			
4.64 Restricted Fund Balance	-	-	-
Unassigned:			
4.63 Unassigned Fund Balance	-	-	-

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

OTHER REQUIRED REPORTS

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

To the Board of Directors
Urban Academy
Charter School No. 4088
Saint Paul, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Urban Academy, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Urban Academy's basic financial statements and have issued our report thereon dated October 19, 2015.

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

October 19, 2015

MINNESOTA LEGAL COMPLIANCE REPORT

To the Board of Directors
Urban Academy
Charter School No. 4088
Saint Paul, 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 Urban Academy, as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated October 19, 2015.

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

In connection with our audit, nothing came to our attention that caused us to believe that Urban Academy failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Responses as item 2015-001. 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 Urban Academy's noncompliance with the above referenced provisions.

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

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

October 19, 2015

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2015

STATE LEGAL COMPLIANCE FINDING

2015-001 Deficiencies in Collateral for Deposits

Criteria: The School is required to obtain a corporate surety bond or collateral for deposits in excess of FDIC coverage. Minnesota Statute 118A provides certain specific collateral requirements for deposits.

Condition: At several times during the year the School's deposits exceeded FDIC coverage and proper collateral coverage was not obtained. For example, audit procedures detected uninsured and uncollateralized deposits in the School's checking and certificate of deposit accounts of $308,561 at June 30, 2015.

Cause: Unknown.

Effect: The effect was noncompliance with Minnesota Statutes. The School did not have any losses of uninsured bank deposits.

Recommendation: We recommend the School obtain sufficient collateral to comply with Minnesota Statute 118A.03, and monitor it on an ongoing basis to verify that pledged collateral remains sufficient to cover uninsured deposits.

Management Response
Correction Action Plan (CAP): The School Director and Business Manager have worked with the School's bank to obtain the necessary collateral and make changes necessary to ensure that School balances are properly collateralized in FY 2016 and the future.

Explanation of agreement or disagreement: The School agrees with the finding.

Official responsible for ensuring CAP: School Director.

Planned completion date for CAP: Ongoing.

Plan to monitor completion for CAP: The Director and Business Manager will monitor bank balances and the necessity for collateral.