URBAN ACADEMY
CHARTER SCHOOL NO. 4088

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

For The Year Ended June 30, 2017

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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, 2017

SCHOOL BOARD

Name	Board Position
Melissa Jensen	Chair
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, 2017, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Urban Academy, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Urban Academy's 2016 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 17, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 31, 2017, 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 31, 2017

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URBAN ACADEMY

INDEPENDENT SCHOOL DISTRICT NO. 4088
St. Paul, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017

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, 2017. Please read it in conjunction with the School's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS
Key financial highlights for the 2016-2017 fiscal year includes the following:

- Total net position decreased by $578,632. This follows an increase of $21,548 in the School's net position for fiscal year 2016.
- General Fund revenues were $4,071,794 as compared to $3,914,405 of expenditures.
- Total fund balance increased in fiscal year 2017 by $160,622 to a positive balance of $1,213,489.
- The School continued its teacher compensation schedule to include Quality Compensation Programs and invest in quality teachers.
- 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. These statements tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

School-Wide Statements

The School-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, liabilities, and deferred inflows/outflows of resources. 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 plus deferred outflows, and liabilities plus deferred inflows, is one way to measure the School's financial health or position.

- Over time, increases or decreases in the School's net position are an indicator of whether its financial position is improving or deteriorating.
- 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 school-wide and fund financial statements.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School’s net position was ($1,105,804) and ($527,172) at June 30, 2017 and 2016, respectively.

The School's Net Position

	June 30, 2017	June 30, 2016
Current assets	$1,449,889	$1,267,385
Capital assets	163,837	182,758
Deferred outflows of resources	3,656,698	501,977
Total assets and deferred outflows	5,270,424	1,952,120
Current liabilities	236,400	214,518
Noncurrent liabilities	5,796,593	1,743,916
Deferred inflows of resources	343,235	520,858
Total liabilities and deferred inflows	6,376,228	2,479,292
Net position:		
Net investment in capital assets	163,837	182,758
Restricted for food service	17,562	14,329
Restricted for letter of credit collateral	250,000	350,000
Unrestricted	(1,537,203)	(1,074,259)
Total net position	($1,105,804)	($527,172)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The School's net pension liability, combined with pension related deferred outflows and inflows of resources, negatively impacted unrestricted net position by $2,274,760 and $1,538,398 as of June 30, 2017 and 2016, respectively. The increased deficit was primarily due to changes in actuarial assumptions used to calculate the net pension liability, as well as lower than expected investment earnings by each plan.

The School continues to make its required contributions to each plan. Additional information can be found in Note 5 to the financial statements.

Urban Academy uses a community vision as its foundation for strategic planning. Its Board sets priorities to educate students and incorporates careful management of its resources and academic priorities. In Fiscal Year 17, Urban Academy continued focusing on quality compensation for teachers and achieved the objective to set aside funds for the future. Urban Academy strives to focus on competitive wages for its highly-qualified employees and preparing for the World's Best Workforce requirements. In Fiscal Year 17, Urban Academy set priorities to strengthen fund balance reserves and set in motion a plan to provide for increased classroom space for its future growth. The school will also add a Pre-K Program in Fiscal Year 18.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Change in Net Position

The School's total revenues were $4,424,451 for the year ended June 30, 2017 . Operating revenue accounted for 30% and the other 70% came from other general revenue combined with other investments and program service revenues.

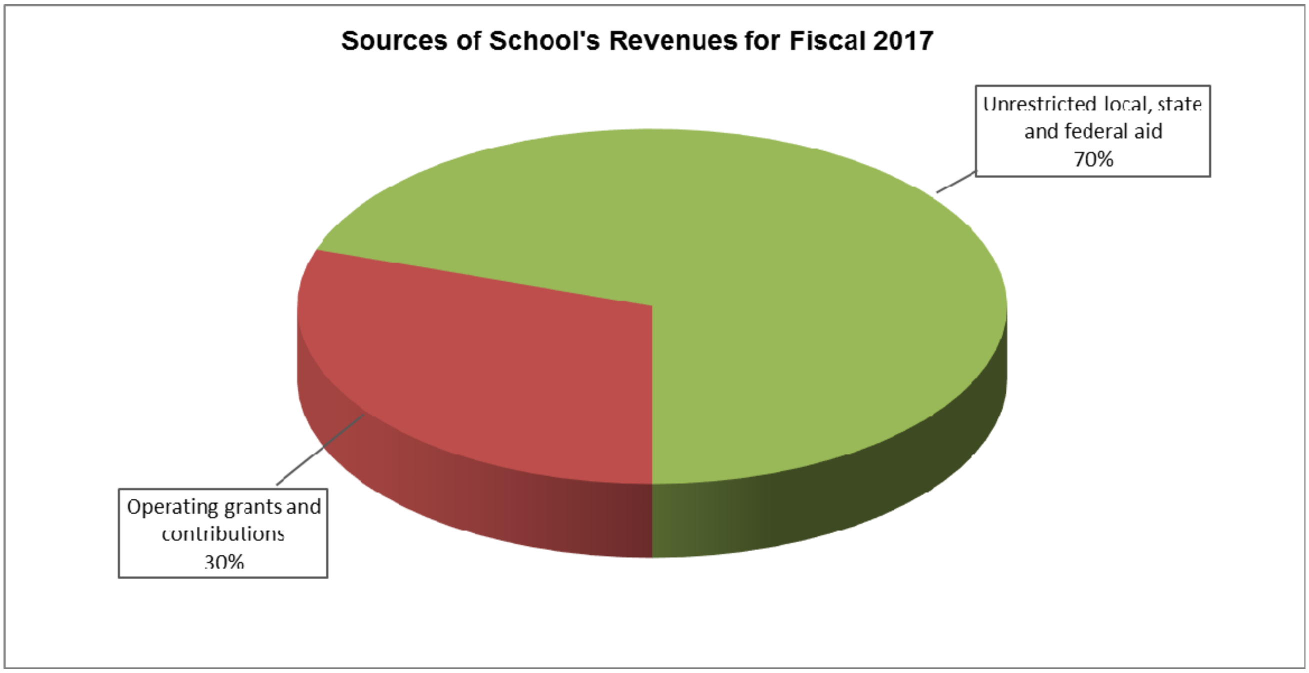
Change in Net Position

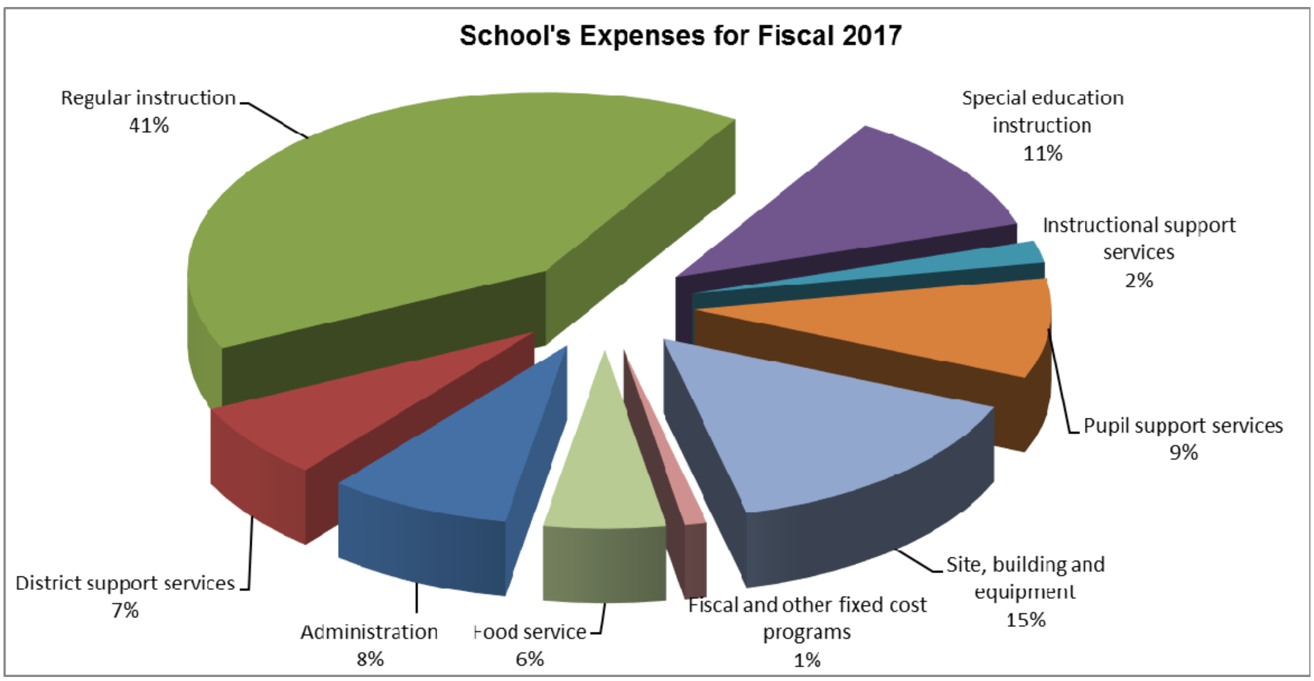
	2017	2016
Revenues:		
Program revenues:		
Operating grants and contributions	$1,335,146	$1,199,867
General revenues:		
Unrestricted local, state and federal aid	3,089,305	2,880,011
Total revenues	4,424,451	4,079,878
Expenses:		
Administration	411,746	266,122
District support services	343,539	355,131
Regular instruction	2,045,537	1,435,270
Special education instruction	563,871	397,783
Instructional support services	109,985	135,084
Pupil support services	451,827	409,866
Site, building and equipment	748,155	745,380
Fiscal and other fixed cost programs	52,238	56,462
Food service	276,185	257,232
Total expenses	5,003,083	4,058,330
Change in net position	(578,632)	21,548
Net position - beginning	(527,172)	(548,720)
Net position - ending	($1,105,804)	($527,172)

The total cost of all programs and services including interest and fiscal charges was $5,003,083, an increase of $944,753 from the prior year. Total expenses exceeded revenues which decreased net position by $578,632 over last year.

- The federal and state governments subsidized certain programs and grants ($1,335,146).
- The remaining portion of governmental activities was paid for primarily with unrestricted State and local aid.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)





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
	2017	2016	Change	2017	2016	Change
Administration	$411,746	$266,122	54.72%	$411,419	$266,122	54.60%
District support services	343,539	355,131	(3.26%)	343,539	355,131	(3.26%)
Regular instruction	2,045,537	1,435,270	42.52%	1,856,621	1,304,125	42.37%
Special education instruction	563,871	397,783	41.75%	81,021	(35,755)	(326.60%)
Instructional support services	109,985	135,084	(18.58%)	109,985	135,084	(18.58%)
Pupil support services	451,827	409,866	10.24%	451,827	409,866	10.24%
Sites and buildings	748,155	745,380	0.37%	364,520	381,757	(4.52%)
Fiscal and other fixed cost programs	52,238	56,462	(7.48%)	52,238	56,462	(7.48%)
Food service	276,185	257,232	7.37%	(3,233)	(14,329)	(77.44%)
Total	$5,003,083	$4,058,330	23.28%	$3,667,937	$2,858,463	28.32%

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 $1,213,489 which is $160,622 above last year’s ending fund balance of $1,052,867.

Revenues for the School’s governmental funds were $4,351,212 of which total expenditures were $4,190,590.

GENERAL FUND

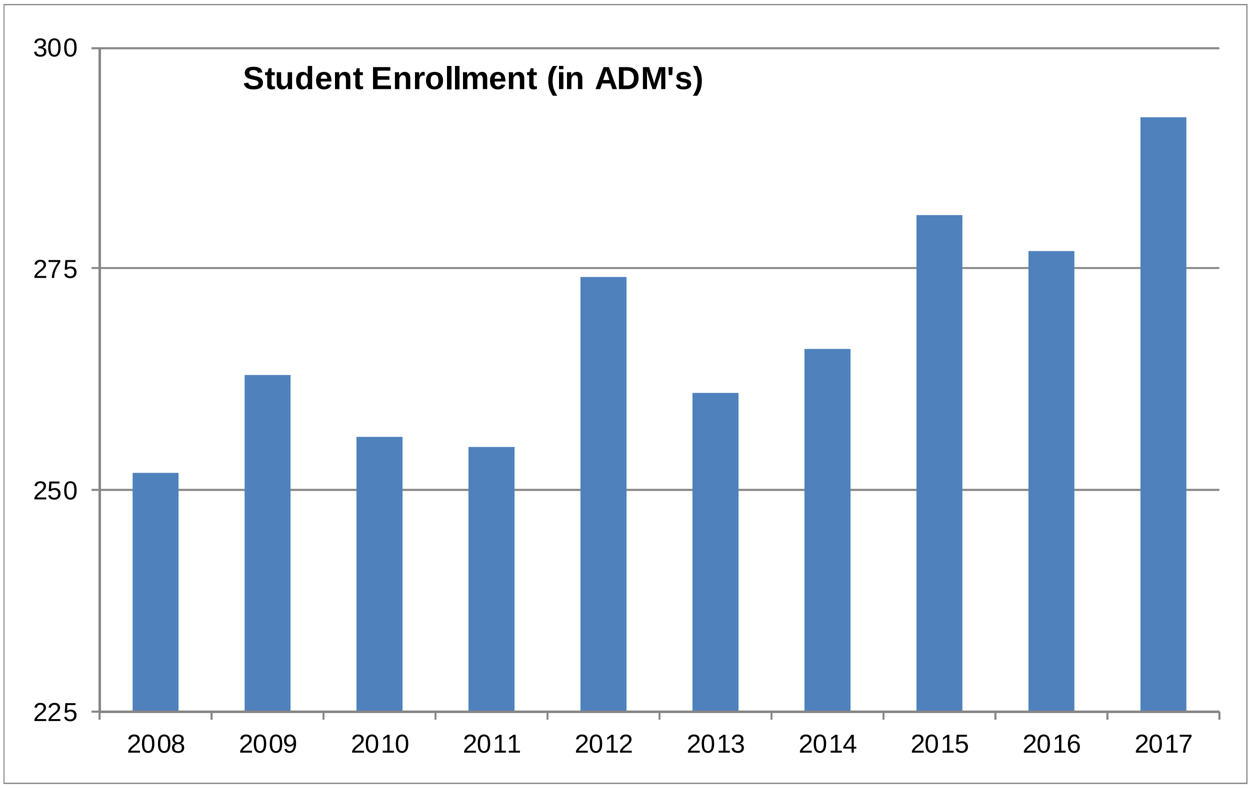
The General Fund includes the primary operations of the School in providing educational services to students from kindergarten through grade 6, including pupil transportation activities.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

ENROLLMENT

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



Enrollment increased from 277 ADMs (average daily membership) at the end of the 2015-2016 school year to 292 in school year 2016-2017. The change in student enrollment reflects a increase of 15 ADM. The School will continue to increase this number over the next few years by reaching out to a broader community for 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, 2017	Year Ended June 30, 2016	Change Increase (Decrease)	Change Percent
Local sources	$3,349	$3,655	($306)	(8.37%)
State sources	3,894,704	3,597,691	297,013	8.26%
Federal sources	173,741	179,609	(5,868)	(3.27%)
Total general fund revenue	$4,071,794	$3,780,955	$290,839	7.69%

During the current fiscal year the General Fund revenues increased by $290,839 from the previous year. The difference primarily results from an increase in State funding.

The following schedule presents a summary of General Fund expenditures.

General Fund Expenditures

	Year Ended June 30, 2017	Year Ended June 30, 2016	Change Increase (Decrease)	Change Percent
Salaries	$1,772,362	$1,724,544	$47,818	2.77%
Employee benefits	439,585	429,495	10,090	2.35%
Purchased services	1,529,998	1,425,595	104,403	7.32%
Supplies and materials	114,184	115,932	(1,748)	(1.51%)
Capital expenditures	27,073	70,040	(42,967)	(61.35%)
Other expenditures	31,203	25,590	5,613	21.93%
Total expenditures	$3,914,405	$3,791,196	$123,209	3.25%

Total General Fund expenditures increased $123,209 from the previous year. In the 2016-2017 school-year Urban Academy continued to increase its investment in instructional salaries and benefits. The School's vision is to provide high quality staffing which ultimately enriches student learning and achievement. Urban Academy completed a relocation program in recent years which resulted in a significant reduction of capital expenditures in FY17.

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 $3,884,915 and were revised to $4,083,406 at mid-year due to enrollment numbers and revised spending requirements. Certain State and Federal programs are based on actual student services provided which are calculated on a reimbursement basis. By the end of the fiscal year, the actual amount was at $4,071,791, which is $11,612 less than the revised budgeted amount.

Actual expenditures were $24,429 more than budgeted due to information not available during budgeting.

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

Revenues exceeded expenditures in the Food Service Fund by $3,233 compared to budgeted revenues equaling expenditures. The School monitors its food purchases and meal distribution closely.

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 2017, the School had invested $387,247 in equipment. Total depreciation expense for the year was $38,971.

	2017	2016
Capital assets, being depreciated:		
Computers and office equipment	$64,057	$80,048
Furniture and fixtures	202,241	187,950
Vehicles	56,870	56,870
Leasehold improvements	64,079	90,777
Total capital assets, being depreciated	387,247	415,645
Less accumulated depreciation for:		
Computers and office equipment	42,097	57,333
Furniture and fixtures	136,634	124,187
Vehicles	32,546	21,762
Leasehold improvements	12,133	29,605
Total accumulated depreciation	223,410	232,887
Total capital assets being depreciated - net	$163,837	$182,758

FACTORS BEARING ON THE SCHOOL'S FUTURE

The School is dependent on the State of Minnesota for the 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 additional grants to create and support innovative programs.

Urban Academy commits to maintain and strive for academic excellence and educational opportunities 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, 2017
With Comparative Totals For June 30, 2016

	Governmental Activities	
	2017	2016
Assets:		
Cash and cash equivalents	$543,007	$507,095
Restricted cash	250,000	350,000
Due from other governments	622,746	382,115
Other receivables	26,224	26,224
Prepaid items	7,912	1,951
Capital assets (net of accumulated depreciation)	163,837	182,758
Total assets	1,613,726	1,450,143
Deferred outflows of resources related to pensions	3,656,698	501,977
Total assets and deferred outflows of resources	$5,270,424	$1,952,120
Liabilities:		
Accounts payable	$72,575	$44,818
Salaries and taxes payable	163,825	169,700
Net pension liability, due in more than 1 year	5,796,593	1,743,916
Total liabilities	6,032,993	1,958,434
Deferred inflows of resources related to:		
Lease incentive	208,370	224,399
Pensions	134,865	296,459
Total deferred inflows of resources	343,235	520,858
Net position:		
Net investment in capital assets	163,837	182,758
Restricted for food service	17,562	14,329
Restricted for letter of credit collateral	250,000	350,000
Unrestricted	(1,537,203)	(1,074,259)
Total net position	(1,105,804)	(527,172)
Total liabilities, deferred inflows and net position	$5,270,424	$1,952,120

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, 2017
With Comparative Totals For The Year Ended June 30, 2016

		Program Revenues		Net (Expense) Revenue and Changes in Net Position	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	2017	2016
Governmental activities:					
Administration	$411,746	$ -	$327	($411,419)	($266,122)
District support services	343,539	-	-	(343,539)	(355,131)
Regular instruction	2,045,537	-	188,916	(1,856,621)	(1,304,125)
Special education instruction	563,871	-	482,850	(81,021)	35,755
Instructional support services	109,985	-	-	(109,985)	(135,084)
Pupil support services	451,827	-	-	(451,827)	(409,866)
Site, building and equipment	748,155	-	383,635	(364,520)	(381,757)
Fiscal and other fixed costs	52,238	-	-	(52,238)	(56,462)
Food service	276,185	-	279,418	3,233	14,329
Total governmental activities	$5,003,083	$0	$1,335,146	(3,667,937)	(2,858,463)
General revenues:					
Local sources				3,349	3,655
State sources				3,085,956	2,876,356
Total general revenues				3,089,305	2,880,011
Change in net position				(578,632)	21,548
Net position - beginning				(527,172)	(548,720)
Net position - ending				($1,105,804)	($527,172)

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, 2017
With Comparative Totals For June 30, 2016

	General	Food Service Fund	Total 2017	Total 2016
Assets				
Cash and cash equivalents	$533,295	$9,712	$543,007	$507,095
Restricted cash	250,000	-	250,000	350,000
Due from Minnesota Department of Education	518,584	331	518,915	332,287
Due from Federal Government through Minnesota Department of Education	88,531	12,512	101,043	48,763
Due from other governments	2,788	-	2,788	1,065
Other receivables	26,224	-	26,224	26,224
Prepaid items	7,912	-	7,912	1,951
Total assets	$1,427,334	$22,555	$1,449,889	$1,267,385
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$68,066	$4,509	$72,575	$44,818
Salaries and taxes payable	163,341	484	163,825	169,700
Total liabilities	231,407	4,993	236,400	214,518
Fund balance:				
Nonspendable - prepaid items	7,912	-	7,912	1,951
Restricted for food service	-	17,562	17,562	14,329
Restricted for letter of credit collateral	250,000	-	250,000	350,000
Unassigned	938,015	-	938,015	686,587
Total fund balance	1,195,927	17,562	1,213,489	1,052,867
Total liabilities and fund balance	$1,427,334	$22,555	$1,449,889	$1,267,385

	2017	2016
Amounts reported for governmental activities in the statement of net position are different because:		
Fund balance reported above	$1,213,489	$1,052,867
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds	163,837	182,758
Deferred outflows of resources related to pensions	3,656,698	501,977
Net pension liability is not due and payable in the current period, and therefore, is not reported in the funds	(5,796,593)	(1,743,916)
Deferred inflows of resources related to pensions	(134,865)	(296,459)
Deferred inflows of resources related to lease incentive	(208,370)	(224,399)
Net position of governmental activities (Statement 1)	($1,105,804)	($527,172)

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, 2017
With Comparative Totals For The Year Ended June 30, 2016

	General	Food Service Fund	Total 2017	Total 2016
Revenues:				
Local sources	$3,349	$ -	$3,349	$3,655
State sources	3,894,704	6,360	3,901,064	3,603,810
Federal sources	173,741	273,058	446,799	445,051
Total revenues	4,071,794	279,418	4,351,212	4,052,516
Expenditures:				
Current:				
Administration	277,904	-	277,904	266,122
District support services	343,539	-	343,539	347,614
Regular instruction	1,485,074	-	1,485,074	1,400,367
Special education instruction	467,330	-	467,330	392,207
Instructional support services	90,367	-	90,367	129,493
Pupil support services	425,942	-	425,942	397,094
Site, building and equipment	744,938	-	744,938	731,287
Fiscal and other fixed costs	52,238	-	52,238	56,462
Food service	-	276,185	276,185	257,232
Capital outlay	27,073	-	27,073	70,040
Debt service	-	-	-	510
Total expenditures	3,914,405	276,185	4,190,590	4,048,428
Revenues over (under) expenditures	157,389	3,233	160,622	4,088
Fund balance - beginning	1,038,538	14,329	1,052,867	1,048,779
Fund balance - ending	$1,195,927	$17,562	$1,213,489	$1,052,867

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

	2017	2016
Revenues over expenditures reported above	$160,622	$4,088
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	(38,971)	(31,377)
Capital outlay	27,073	70,040
Capital outlay not capitalized	-	(21,011)
Loss on disposal of capital assets	(7,023)	-
Governmental funds report pension contributions as expenditures, however, pension expense is reported in the statement of activities	(736,362)	(16,221)
Amortization of deferred lease incentive	16,029	16,029
Change in net position of governmental activities (Statement 2)	($578,632)	$21,548

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

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Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Urban Academy (the School) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies.

A. FINANCIAL REPORTING ENTITY

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

The financial statements of the reporting entity include those of the School (the primary government) and its component units. Generally, component units are legally separate organizations for which the primary government is financially accountable. The School does not have any component units.

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

B. SCHOOL-WIDE FINANCIAL STATEMENTS

The school-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School. Amounts are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. *Governmental activities* generally are financed through intergovernmental revenues, and other non-exchange transactions. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

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

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

C. FUND FINANCIAL STATEMENTS

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, as applicable, 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.

The emphasis of fund financial statements is on major funds, each displayed in a separate column. The School reports the following major funds:

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

D. INCOME TAXES

The School is classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and comparable sections of the Minnesota income tax statutes.

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

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

Expenditures of the General Fund and the Food Service Special Revenue Fund exceeded budgeted appropriations by $24,429 and $37,491, respectively, during the year ended June 30, 2017.

F. STUDENT ACTIVITIES

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

G. CASH AND INVESTMENTS

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

H. RESTRICTED CASH

The School purchased certificates of deposit to be used as collateral to secure its letter of credit (see Note 4). The amount of collateral required to be held at June 30, 2017 was $250,000.

I. RECEIVABLES

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

J. PREPAID ITEMS

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

K. CAPITAL ASSETS

Capital assets, which include property, plant and equipment are reported in the school-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than $500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Computers and office equipment	3 - 10 years
Furniture and fixtures	5 - 20 years
Vehicles	5 years
Leasehold improvements	10 years

L. ACCRUED EMPLOYEE BENEFITS

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

M. DEFINED BENEFIT PENSION PLANS

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, the City of Minneapolis, and the Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association in 2015. PERA also has a special funding situation created by direct aid contributions made by the State of Minnesota.

N. DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

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

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 represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

O. FUND BALANCE

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

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

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the School's policy to first use restricted resources, then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the School's policy to use resources in the following order; 1) committed 2) assigned and 3) unassigned.

P. MINIMUM FUND BALANCE POLICY

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

At June 30, 2017, the targeted minimum fund balance for the General Fund was $857,045. Actual fund balance in the General Fund was $938,015. In addition, $250,000 of fund balance is 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 of resources and liabilities plus deferred inflows of resources in the school-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the school-wide financial statements when there are limitations on its use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

R. COMPARATIVE DATA / RECLASSIFICATIONS

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. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

S. USE OF ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

T. RISK MANAGEMENT

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

U. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The School does not have any significant fair value measurements as of June 30, 2017.

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

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

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

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

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

At June 30, 2017, all of the School’s deposits were covered by insurance or collateral.

B. INVESTMENTS

Minnesota Statutes outline authorized investments for charter schools. During 2017, the School did not have any such investments.

Note 3 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Computers and office equipment	$80,048	$8,577	($24,568)	$64,057
Furniture and fixtures	187,950	14,291	-	202,241
Vehicles	56,870	-	-	56,870
Leasehold improvements	90,777	4,205	(30,903)	64,079
Total capital assets, being depreciated	415,645	27,073	(55,471)	387,247
Less accumulated depreciation for:				
Computers and office equipment	57,333	9,332	(24,568)	42,097
Furniture and fixtures	124,187	12,447	-	136,634
Vehicles	21,762	10,784	-	32,546
Leasehold improvements	29,605	6,408	(23,880)	12,133
Total accumulated depreciation	232,887	38,971	(48,448)	223,410
Total capital assets being depreciated - net	$182,758	($11,898)	($7,023)	$163,837

Depreciation expense was charged to functions/programs as follows:

Regular instruction	$13,183
Special education instruction	414
Instructional support services	4,251
Pupil support services	11,076
Site, building and equipment	10,047
Total depreciation expense - governmental activities	$38,971

Note 4 SHORT-TERM DEBT

LINE OF CREDIT AGREEMENT

The School has a line of credit to assist with the timing of cash flows. The line has a maximum amount of $450,000 with a variable interest rate equal to the prime rate plus 1.75% and a maturity date of October 31, 2017. The line is secured by substantially all School assets. At June 30, 2017, the outstanding balance was $0 and the interest rate was 6.00%. There was no activity on the line of credit during the year ended June 30, 2017.

LETTER OF CREDIT AGREEMENT

The School has an irrevocable letter of credit in the amount of $250,000 with a variable interest rate equal to the prime rate plus 5.00% with no maturity date. 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 certificates of deposit that the School purchased, as described in Note 1H. At June 30, 2017, the outstanding balance was $0 and the interest rate was 9.25%. There was no activity on the letter of credit during the year ended June 30, 2017.

Note 5 DEFINED BENEFIT PENSION PLANS

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

A. PLAN DESCRIPTIONS

TRA administers a 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.

PERA administers the General Employees Retirement Fund (GERF) in accordance with Minnesota Statutes, Chapters 353 and 356. All full-time and certain part-time employees of the School, other than teachers, are covered by the GERF. GERF members belong to either the Basic Plan (without Social Security coverage) or the Coordinated Plan (with Social Security coverage). The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

B. BENEFITS PROVIDED

TRA

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

Tier 1 Benefits – for Basic Plan members, a step rate formula of 2.2% per year for the first ten years of service and 2.7% per year thereafter is applied. For Coordinated Plan members with service years up to July 1, 2006, a step rate formula of 1.2% per year for the first ten years of service and 1.7% per year thereafter is applied. For Coordinated Plan members with service years beginning July 1, 2006, a step rate formula of 1.4% per year for the first ten years of service and 1.9% per year thereafter is applied.

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

Members first employed before July 1, 1989 receive the greater of the Tier I or Tier II benefits as described. Members first employed after June 30, 1989 receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

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

PERA

PERA provides retirement, disability, and death benefits. Benefit provisions are established by Minnesota Statute and can only be modified by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5%

increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

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

GERF benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits 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.

C. CONTRIBUTIONS

Employee and employer contribution rates are established by Minnesota Statutes. Rates for the years ended June 30, 2017 and 2016 were as follows:

	Employee	Employer
TRA - Basic Plan	11.0%	11.5%
TRA - Coordinated Plan	7.5%	7.5%
PERA - Basic Plan	9.1%	11.78%
PERA - Coordinated Plan	6.5%	7.5%

The School's contributions to TRA for the years ended June 30, 2017 and 2016 were $85,486 and $81,867, respectively. The School's contributions to PERA for the years ended June 30, 2017 and 2016 were $46,616 and $45,219, respectively. The School's contributions were equal to the required contributions as set by state statute.

D. NET PENSION LIABILITY AND PENSION EXPENSE

The net pension liability reported at June 30, 2017 was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the measurement date. The School's proportionate share of the net pension liability was based on contributions received by each respective plan during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016, relative to the total contributions to the plan, which included direct aid from the State of Minnesota, the City of Minneapolis and the Minneapolis School District. The School has no pension-related assets.

The School's net pension liability, its proportionate share of the plan's net pension liability, and pension expense as of and for the year ended June 30, 2017 are as follows:

	TRA	PERA	Total
Net pension liability	$5,009,001	$787,592	$5,796,593
Proportionate share of net pension liability:			
Measurement date	0.0214%	0.0097%	
Prior measurement date	0.0204%	0.0093%	
Pension expense	$839,774	$101,929	$941,703

The pension expense related to TRA and PERA includes recognition of $70,180 and $3,059, respectively, as an increase to pension expense (and grant revenue) for the support provided by direct aid.

The net pension liability related to TRA reflected a reduction due to direct aid in the amount of $35,587,410 provided to TRA. The amount recognized by the School as its proportionate share of the net pension liability, the State's proportionate share of the net pension liability, and the total portion of the net pension liability that was associated with the School were $5,009,001, $502,602 and $5,511,603, respectively.

The net pension liability related to PERA reflected a reduction due to direct aid in the amount of $6,000,000 provided to PERA. The amount recognized by the School as its proportionate share of the net pension liability, the State's proportionate share of the net pension liability, and the total portion of the net pension liability that was associated with the School were $787,592, $10,258 and $797,850, respectively.

E. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

At June 30, 2017, the School reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience:		
TRA	$50,465	$ -
PERA	2,331	63,981
Difference between projected and actual investment earnings:		
TRA	216,693	-
PERA	87,930	-
Changes in actuarial assumptions:		
TRA	2,852,470	-
PERA	169,865	-
Changes in proportion:		
TRA	130,517	59,140
PERA	14,325	11,744
Contributions paid subsequent to the measurement date:		
TRA	85,486	-
PERA	46,616	-
Total	$3,656,698	$134,865

Amounts reported as deferred outflows of resources resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense during the following years:

	Pension Expense		
Year	TRA	PERA	Total
2018	$644,594	$53,715	$698,309
2019	644,594	35,731	680,325
2020	720,650	80,830	801,480
2021	624,608	28,450	653,058
2022	556,559	-	556,559
Thereafter	-	-	-

F. ACTUARIAL ASSUMPTIONS

TRA

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Measurement date	June 30, 2016
Valuation date	July 1, 2016
Experience study	June 5, 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	4.66%, from the Single Equivalent Interest Rate calculation
Price inflation	2.75%
Wage growth rate	3.5%
Projected salary increase	3.5 - 9.5%
Cost of living adjustment	2.0%
Mortality Assumptions:	
Pre-retirement	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

For TRA, 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 remain level at 2.0% annually. While in the previous measurement the COLA increased to 2.5% in 2034.

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

PERA

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1% per year for all future years.

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

The following changes in actuarial assumptions occurred in 2016:

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

TRA and PERA

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

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

G. DISCOUNT RATE

TRA

The discount rate used to measure the total pension liability was 4.66%. This is a decrease from the discount rate at the prior measurement date of 8.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2017 contribution rate, contributions from schools will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2052 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return was applied to periods before 2052 and the Municipal Bond Index Rate of 3.01% was applied to periods on and after 2052, resulting in a SEIR of 4.66%. Based on Fiduciary Net Position at prior year measurement date, the discount rate of 8.00% was used and it was not necessary to calculate the SEIR.

PERA

The discount rate used to measure the total pension liability in 2016 was 7.50%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. PENSION LIABILITY SENSITIVITY

The following presents the School's proportionate share of the net pension liability calculated using the discount rate for each plan, as well as the liability measured using one percent lower (3.66% for TRA; 6.50% for PERA) and one percent higher (5.66% for TRA; 8.50% for PERA).

	1% Decrease	Current	1% Increase
TRA	$6,452,845	$5,009,001	$3,833,037
PERA	$1,118,614	$787,592	$514,920

I. PENSION PLAN FIDUCIARY NET POSITION

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

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

Note 6 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) or audits by the grantor agency.

B. OPERATING LEASE COMMITMENTS AND TERMS

Effective July 1, 2015, the School entered into a 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. Base lease expense was $517,391 for 2017. Future estimated lease payments based on these terms are as follows:

Year Ending June 30,	Minimum Lease Payments
2018	$525,391
2019	533,391
2020	541,391
2021	549,391
2022	503,000
2023-2027	2,635,000
2028-2030	1,677,000
Total	$6,964,564

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 2017, the School qualified for estimated lease aid of $383,635 based on a statutory cap equal to $1,314 times the pupil units served.

Note 7 DEFERRED LEASE INCENTIVE

As part of the lease agreement for classroom and office space, as summarized in Note 6, the School's landlord provided the School a tenant allowance upon executing the lease. The School used $240,428 of this allowance. Accounting standards require the School to recognize the allowance used as a reduction to rental expense on the Statement of Activities over the lease term. The amount to be recognized in future periods is recorded as a deferred lease incentive on the Statement of Net Position.

During fiscal year 2017, the School recorded $16,029 as a reduction to rental expense, leaving $208,370 to be recognized in future periods as summarized below:

Year Ending June 30,	Amount
2018	$16,029
2019	16,029
2020	16,029
2021	16,029
2022	16,029
2023-2027	80,145
2028-2030	48,080
Total	$208,370

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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, 2017
With Comparative Actual Amounts For the Year Ended June 30, 2016

	2017				
	Budgeted Amounts		Actual	Variance with Final Budget -	2016 Actual
	Original	Final	Amounts	Over (Under)	Amounts
Revenues:					
Local sources	$12,522	$7,750	$3,349	($4,401)	$3,655
State sources	3,692,018	3,892,075	3,894,704	2,629	3,597,691
Federal sources	180,375	183,581	173,741	(9,840)	179,609
Total revenues	3,884,915	4,083,406	4,071,794	(11,612)	3,780,955
Expenditures:					
Administration:					
Current:					
Salaries	177,276	180,700	181,820	1,120	175,200
Employee benefits	30,957	31,740	34,491	2,751	34,698
Purchased services	23,125	29,500	31,420	1,920	24,164
Supplies and materials	500	700	567	(133)	336
Other expenditures	32,982	25,500	29,606	4,106	31,724
Total administration	264,840	268,140	277,904	9,764	266,122
District support services:					
Current:					
Salaries	149,237	154,292	146,803	(7,489)	148,731
Employee benefits	36,374	37,931	37,202	(729)	38,569
Purchased services	143,749	156,425	143,311	(13,114)	147,804
Supplies and materials	12,950	18,000	14,679	(3,321)	11,074
Other expenditures	1,550	1,550	1,544	(6)	1,436
Total district support services	343,860	368,198	343,539	(24,659)	347,614
Regular instruction:					
Current:					
Salaries	1,051,524	1,081,386	1,087,908	6,522	1,016,876
Employee benefits	292,937	296,165	285,984	(10,181)	265,118
Purchased services	65,511	33,323	39,860	6,537	61,583
Supplies and materials	56,655	80,200	71,269	(8,931)	56,490
Other expenditures	300	50	53	3	300
Capital outlay	16,500	5,900	8,577	2,677	759
Total regular instruction	1,483,427	1,497,024	1,493,651	(3,373)	1,401,126
Special education instruction:					
Current:					
Salaries	194,058	200,617	207,750	7,133	186,435
Employee benefits	48,103	44,416	51,221	6,805	50,855
Purchased services	151,492	199,653	205,854	6,201	152,994
Supplies and materials	2,261	2,683	2,505	(178)	1,923
Total special education instruction	395,914	447,369	467,330	19,961	392,207

URBAN ACADEMY
CHARTER SCHOOL NO. 4088 **Statement 5**
REQUIRED SUPPLEMENTARY INFORMATION **Page 2 of 2**
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended June 30, 2017
With Comparative Actual Amounts For the Year Ended June 30, 2016

	2017				
	Budgeted Amounts		Actual	Variance with Final Budget -	2016 Actual
	Original	Final	Amounts	Over (Under)	Amounts
Expenditures: (continued)					
Instructional support services:					
Current:					
Salaries	$89,495	$68,250	$68,250	$ -	$85,657
Employee benefits	17,536	14,433	15,187	754	18,974
Purchased services	10,000	5,245	1,592	(3,653)	4,890
Supplies and materials	4,600	6,675	5,338	(1,337)	19,972
Capital outlay	28,500	-	-	-	3,834
Total instructional support services	150,131	94,603	90,367	(4,236)	133,327
Pupil support services:					
Current:					
Salaries	73,792	55,773	55,384	(389)	73,690
Employee benefits	8,823	6,148	7,513	1,365	10,811
Purchased services	292,814	326,750	354,159	27,409	310,522
Supplies and materials	9,100	8,600	8,886	286	2,071
Capital outlay	30,107	-	-	-	30,107
Total pupil support services	414,636	397,271	425,942	28,671	427,201
Site, building and equipment:					
Current:					
Salaries	32,640	24,970	24,447	(523)	30,880
Employee benefits	8,877	7,710	7,987	277	9,165
Purchased services	704,490	696,191	701,564	5,373	667,176
Supplies and materials	13,000	13,000	10,940	(2,060)	24,066
Capital outlay	10,100	18,500	18,496	(4)	35,340
Total site, building and equipment	769,107	760,371	763,434	3,063	766,627
Fiscal and other fixed costs:					
Current:					
Purchased services	52,000	57,000	52,238	(4,762)	56,462
Debt service	1,000	-	-	-	510
Total fiscal and other fixed costs	53,000	57,000	52,238	(4,762)	56,972
Total expenditures	3,874,915	3,889,976	3,914,405	24,429	3,791,196
Revenues over (under) expenditures	$10,000	$193,430	157,389	($36,041)	(10,241)
Fund balance - beginning			1,038,538		1,048,779
Fund balance - ending			$1,195,927		$1,038,538

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, 2017
With Comparative Actual Amounts For the Year Ended June 30, 2016

	2017				
	Budgeted Amounts			Variance with Final Budget -	2016 Actual
	Original	Final	Actual Amounts	Over (Under)	Amounts
Revenues:					
Local sources	$10	$10	$ -	($10)	$ -
State sources	5,960	5,960	6,360	400	6,119
Federal sources	219,089	232,724	273,058	40,334	265,442
Total revenues	225,059	238,694	279,418	40,724	271,561
Expenditures:					
Food service					
Current:					
Salaries	8,798	19,374	22,692	3,318	7,075
Employee benefits	1,251	3,120	3,976	856	1,305
Purchased services	10	1,200	1,445	245	-
Supplies and materials	215,000	215,000	248,072	33,072	248,852
Total expenditures	225,059	238,694	276,185	37,491	257,232
Revenues over (under) expenditures	$0	$0	3,233	$3,233	14,329
Fund balance - beginning			14,329		-
Fund balance - ending			$17,562		$14,329

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
For The Year Ended June 30, 2017

Measurement Date	School Fiscal Year Ending	School's Proportion (Percentage) of the Net Pension Liability	School's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the School (b)	Total Proportionate Share of the Net Pension Liability (a+b)	Covered Payroll (c)	School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Teacher's Retirement Association								
June 30, 2014	June 30, 2015	0.0233%	$1,073,647	$75,411	$1,149,058	$1,096,576	104.79%	81.5%
June 30, 2015	June 30, 2016	0.0204%	1,261,942	154,774	1,416,716	1,037,627	136.53%	76.8%
June 30, 2016	June 30, 2017	0.0210%	5,009,001	502,602	5,511,603	1,091,554	504.93%	44.9%
PERA - General Employees Retirement Fund								
June 30, 2014	June 30, 2015	0.0098%	$460,355	$ -	$460,355	$513,308	89.68%	78.8%
June 30, 2015	June 30, 2016	0.0093%	481,974	-	481,974	547,590	88.02%	78.2%
June 30, 2016	June 30, 2017	0.0097%	787,592	10,258	797,850	602,889	132.34%	68.9%

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

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
For The Year Ended June 30, 2017

School Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
Teacher's Retirement Association					
June 30, 2015	$77,822	$77,822	$ -	$1,037,627	7.50%
June 30, 2016	81,867	81,867	-	1,091,554	7.50%
June 30, 2017	85,486	85,486	-	1,093,907	7.81%
PERA - General Employees Retirement Fund					
June 30, 2015	$40,328	$40,328	$ -	$547,590	7.36%
June 30, 2016	45,219	45,219	-	602,889	7.50%
June 30, 2017	46,616	46,616	-	600,027	7.77%

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
NOTES TO RSI
June 30, 2017

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

2016 Changes
Changes of benefit terms (TRA) – the Duluth Teacher's Retirement Fund Association was merged into TRA on June 30, 2015.

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

There were no changes of benefit terms or assumptions for PERA.

2017 Changes
TRA – Teachers Retirement Association:
Changes in actuarial assumptions for the July 1, 2016 valuation include:

- The assumed investment rate of return and discount rate was reduced from 8.00% to 4.66%.
- Post-retirement benefit adjustments are now assumed to remain level at 2.0% annually. In the previous measurement, benefit adjustments increased to 2.5% in 2034.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The general wage growth and payroll growth assumptions were reduced from 3.75% to 3.50%.
- Projected salary increases of 3.5% – 12.0% were changed to 3.5% – 9.5%.
- Mortality assumptions changed as a result of using updated mortality tables.

PERA – General Employees Retirement Fund:
Changes in Actuarial Assumptions:

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

Additional 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, 2017
With Comparative Totals For June 30, 2016

Assets	2017	2016
Cash and cash equivalents	$533,295	$488,204
Restricted cash	250,000	350,000
Due from Minnesota Department of Education	518,584	331,935
Due from Federal Government through Minnesota Department of Education	88,531	35,599
Due from other governments	2,788	1,065
Other receivables	26,224	26,224
Prepaid items	7,912	1,951
Total assets	$1,427,334	$1,234,978
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	$68,066	$26,740
Salaries and taxes payable	163,341	169,700
Total liabilities	231,407	196,440
Fund balance:		
Nonspendable - prepaid items	7,912	1,951
Restricted for letter of credit collateral	250,000	350,000
Unassigned	938,015	686,587
Total fund balance	1,195,927	1,038,538
Total liabilities and fund balance	$1,427,334	$1,234,978

URBAN ACADEMY
CHARTER SCHOOL NO. 4088 **Statement 8**
BALANCE SHEET - FOOD SERVICE SPECIAL REVENUE FUND
June 30, 2017
With Comparative Totals For June 30, 2016

Assets	2017	2016
Cash and cash equivalents	$9,712	$18,891
Due from Minnesota Department of Education	331	352
Due from Federal Government through Minnesota Department of Education	12,512	13,164
Total assets	$22,555	$32,407
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	$4,509	$18,078
Salaries and taxes payable	484	-
Total liabilities	4,993	18,078
Fund balance:		
Restricted for food service	17,562	14,329
Total liabilities and fund balance	$22,555	$32,407

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SUPPLEMENTAL INFORMATION

URBAN ACADEMY
CHARTER SCHOOL NO. 4088 **Schedule 1**
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
June 30, 2017

	Audit	UFARS	Variance
01 GENERAL FUND			
Total Revenue	$4,071,794	$4,071,796	($2)
Total Expenditures	3,914,405	3,914,407	(2)
Non-Spendable:			
4.60 Non Spendable Fund Balance	7,912	7,912	-
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	250,000	250,000	-
Committed:			
4.18 Committed For Separation	-	-	-
4.61 Committed Fund Balance	-	-	-
Assigned:			
4.62 Assigned Fund Balance	-	-	-
Unassigned:			
4.22 Unassigned Fund Balance	938,015	938,016	(1)
02 FOOD SERVICE			
Total Revenue	$279,418	$279,419	($1)
Total Expenditures	276,185	276,185	-
Non-Spendable:			
4.60 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
4.52 OPEB Liab Not In Trust	-	-	-
Restricted:			
4.64 Restricted Fund Balance	17,562	17,563	(1)
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, 2017, and the related notes to the financial statements, which collectively comprise Urban Academy's basic financial statements, and have issued our report thereon dated October 31, 2017.

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 31, 2017

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, 2017, 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 31, 2017.

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

In connection with our audit, nothing came to our attention that caused us to believe that Urban Academy failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Charter Schools.* However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding 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 31, 2017

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