

**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**JUNE 30, 2015**

**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**JUNE 30, 2015**

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**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**YEAR ENDED JUNE 30, 2015**

**OFFICIAL DIRECTORY**  
(Unaudited)

**School Board Members and Officers:**

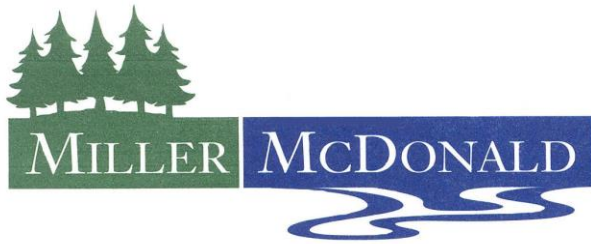
<b>Chairperson</b>	<b>William Dunshee</b>
<b>Secretary</b>	<b>Amanda Willis</b>
<b>Treasurer</b>	<b>Troy Johnson</b>

**Board Members:**

**Rebecca Kummet**  
**Julie Gordon**  
**Cecelia Donnell**

**Administration:**

<b>Executive Director</b>	<b>Julie Johnson-Willborg</b>
<b>Administrative Assistant/Secretary</b>	<b>Jean Fjelsta</b>
<b>Business Manager</b>	<b>Rita Poulton</b>



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## **INDEPENDENT AUDITOR'S REPORT**

**The Board of Education  
Voyageurs Expeditionary School  
Minnesota Charter School No. 4107  
Bemidji, Minnesota**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Voyageurs Expeditionary School, Minnesota Charter School No. 4107, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Voyageurs Expeditionary School, Minnesota Charter School No. 4107's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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, each major fund, and the aggregate remaining fund information of Voyageurs Expeditionary School, Minnesota Charter School No. 4107, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in fiscal year ended June 30, 2015, the School adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

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, Schedule of the School's and Non-Employer Proportionate Share of the Net Pension Liability and the Schedule of School's Contributions on pages 5 through 15 and 41 through 44 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 an opinion on the financial statements that collectively comprise Voyageurs Expeditionary School, Minnesota Charter School No. 4107's basic financial statements. The Official Directory and Fiscal Compliance Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Fiscal Compliance report is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Official Directory 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 a report dated October 7, 2015, on our consideration of the Voyageurs Expeditionary School, Minnesota Charter School No. 4107's internal control over financial reporting and 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 the 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 Voyageurs Expeditionary School, Minnesota Charter School No. 4107's internal control over financial reporting and compliance.

*Miller McDonald, Inc.*

October 7, 2015  
Bemidji, Minnesota

**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2015**

This section of Voyageurs Expeditionary School, Minnesota Charter School No. 4107's, annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the School's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the year ended June 30, 2015 include the following:

- School-wide revenues were \$1,428,367 and overall expenses were \$1,368,143.
- Governmental activities reported an excess of revenues over expenses of \$60,224 thereby increasing net position to (\$141,875).
- Governmental fund balances totaled \$314,460 at June 30, 2015, which was an increase of \$42,662 from June 30, 2014.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

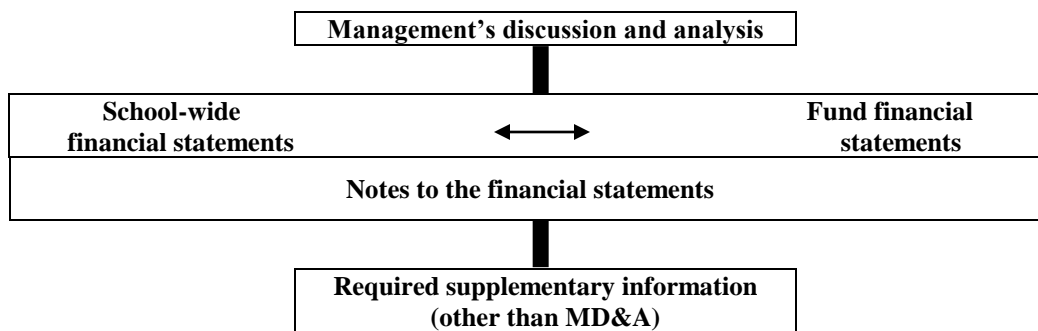
The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information, which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include 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 on the School's operations in more detail than the school-wide statements.
- The *governmental funds statements* report how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2015**

**OVERVIEW OF THE FINANCIAL STATEMENTS - Continued**

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School's general fund budget for the year. The following diagram explains how the various parts of this annual report are arranged and related to one another.



The major features of the School's financial statements, including the portion of the School's activities they cover and the types of information they contain, are summarized below. The remainder of the overview section of the MD&A highlights the structure and content of each of the statements.

	School-wide Statements	Fund Financial Statements Governmental Funds
Scope	Entire School except fiduciary funds	The activities of the School that are not proprietary or fiduciary type activities, such as instructional education and building maintenance.
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of assets/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable



**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2015**

**OVERVIEW OF THE FINANCIAL STATEMENTS - Continued**

**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 deferred outflows of resources, liabilities and deferred inflows 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 school-wide statements report the School's net position and how it changed. Net position – the difference between the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources – are one way to measure the School's financial health or position.

- Over time, increases or decreases in the School's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the School, you need to consider additional non-financial factors such as student enrollment, and the ability to lease adequate building space at an affordable cost.

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

- **Governmental Activities** – The majority of the School's basic services are included within these activities, such as, regular and special education, administration, and food services. State aids finance the majority 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. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law.
- The School establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (e.g., federal grants).

The School has one type of fund:

**Governmental Funds** – The School's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information following the governmental fund statements that explains the relationships (or differences) between them.

**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2015**

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**  
**(SCHOOL-WIDE FINANCIAL STATEMENTS)**

**Net Position**

The School's combined net position was (\$141,875) at June 30, 2015 (see the following table). At June 30, 2014 the net position was (\$202,099), with an increase of \$60,224 from operating activities for the year ended June 30, 2015.

	2015	2014	Net Changes	
			Amount	Percent
Current and other assets	\$ 384,412	\$ 340,528	\$ 43,884	12.89%
Capital assets, net of depreciation	94,085	80,904	13,181	16.29%
<b>Total assets</b>	<b>478,497</b>	<b>421,432</b>	<b>57,065</b>	<b>13.54%</b>
Deferred Outflows of Resources	149,452	38,768	110,684	285.50%
Current liabilities	69,952	68,730	1,222	1.78%
Long-term liabilities:				
Net Pension Liability	537,207	593,569	(56,362)	-9.50%
<b>Total liabilities</b>	<b>607,159</b>	<b>662,299</b>	<b>(55,140)</b>	<b>-8.33%</b>
Deferred Inflows of Resources	162,665	-	162,665	100.00%
<b>Net position:</b>				
Net Investment in Capital Assets	94,085	80,904	13,181	16.29%
Restricted	1,337	944	393	41.63%
Unrestricted	(237,297)	(283,947)	46,650	16.43%
<b>Total net position</b>	<b>\$ (141,875)</b>	<b>\$ (202,099)</b>	<b>\$ 60,224</b>	<b>29.80%</b>

Net position increased less than 30% from the prior year. The change was primarily the result of excess revenues over expenditures from operations in the governmental funds.

**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2015**

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**  
**(SCHOOL-WIDE FINANCIAL STATEMENTS) (Continued)**

**Change in Net Position**

The increase in net position occurs as a result of the School's revenues being more than its expenses for the year ended June 30, 2015. A summary of the School's revenues and expenses, along with the percentages for each category follows:

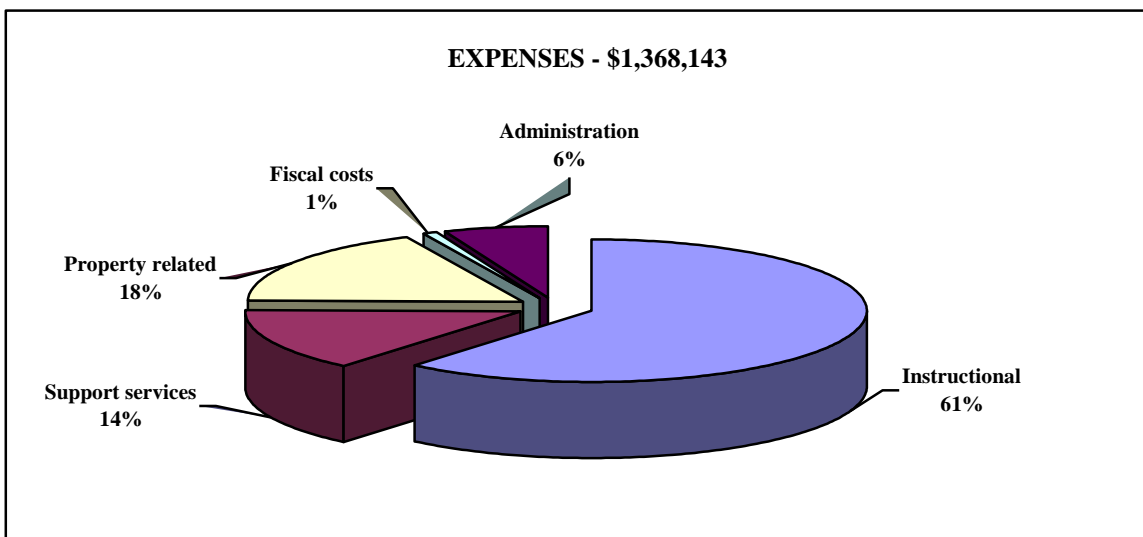
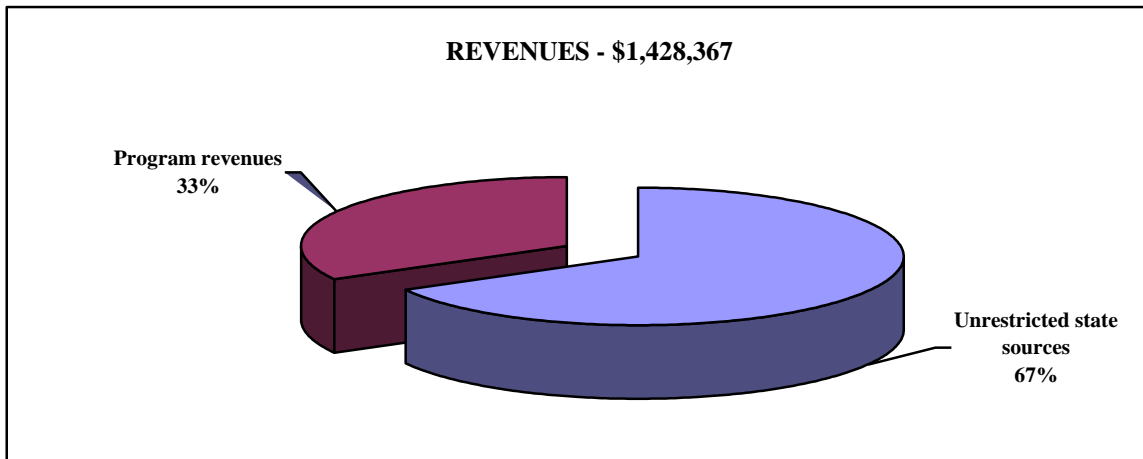
	2015		2014		Net Changes	
	Amounts	Percent	Amounts	Percent	Amounts	Percent
<b><u>Revenues:</u></b>						
Program Revenues:						
Charges for Services	\$ 16,017	1.12%	\$ 15,174	1.26%	\$ 843	5.56%
Operating Grants and Contributions	451,962	31.64%	373,149	31.08%	78,813	21.12%
Total Program Revenues	467,979	32.76%	388,323	32.35%	79,656	20.51%
General Revenues:						
Aids and Payments from State Sources	939,902	65.80%	801,828	66.78%	138,074	17.22%
Other Sources	20,486	1.43%	10,335	0.86%	10,151	98.22%
Total General Revenues	960,388	67.24%	812,163	67.65%	148,225	18.25%
Total Revenues	1,428,367	100.00%	1,200,486	100.00%	227,881	18.98%
<b><u>Expenses:</u></b>						
<b><u>Instructional Services:</u></b>						
Regular Instruction	610,089	44.59%	526,874	44.01%	83,215	15.79%
Special Education Instruction	226,191	16.53%	198,438	16.57%	27,753	13.99%
Total Instructional Services	836,280	61.13%	725,312	60.58%	110,968	15.30%
<b><u>Support Services:</u></b>						
District Support Services	127,601	9.33%	125,379	10.47%	2,222	1.77%
Instructional Support Services	12,554	0.92%	13,008	1.09%	(454)	-3.49%
Pupil Support Services	54,401	3.98%	57,940	4.85%	(3,539)	-6.11%
Total Support Services	194,556	14.22%	196,327	16.40%	(1,771)	-0.90%
Administration	84,821	6.20%	77,713	6.49%	7,108	9.15%
Site, Buildings and Equipment	241,346	17.64%	185,933	15.53%	55,413	29.80%
Fiscal and Other Fixed Costs	11,140	0.81%	12,032	1.00%	(892)	-7.41%
Total Expenses	1,368,143	100.00%	1,197,317	100.00%	170,826	14.27%
Changes in Net Position	\$ 60,224		\$ 3,169		\$ 57,055	

**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2015**

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**  
**(SCHOOL-WIDE FINANCIAL STATEMENTS) (Continued)**

The School's total revenues consisted of program revenues of \$467,979, unrestricted payments from state sources of \$939,902, and miscellaneous revenues of \$20,486. Expenses totaling \$1,368,143 consisted of instructional costs of \$836,280; support services of \$194,556; site, buildings and equipment related costs of \$241,346; fiscal and fixed-cost programs of \$11,140; and administrative costs of \$84,821.

The following charts express revenues and expenses for the year in broad categories:



**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2015**

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**  
**(SCHOOL-WIDE FINANCIAL STATEMENTS) (Continued)**

The net cost of governmental activities is the total costs less program revenues applicable to each category. Total and net costs for the year ended June 30, 2015 and 2014 are as follows:

	<u>Cost of Services - 2015</u>		<u>Cost of Services - 2014</u>	
	<u>Total</u>	<u>Net</u>	<u>Total</u>	<u>Net</u>
<b>Expenses:</b>				
Administration	\$ 84,821	\$ 72,458	\$ 77,713	\$ 66,452
District Support Services	127,601	127,601	125,379	125,379
Regular Instruction	610,089	562,677	526,874	510,196
Special Education Instruction	226,191	5,924	198,438	3,452
Instructional Support Services	12,554	12,554	13,008	13,008
Pupil Support Services	54,401	15,399	57,940	18,520
Site, Buildings and Equipment	241,346	92,411	185,933	59,955
Fiscal and Other Fixed Costs	11,140	11,140	12,032	12,032
<b>Total Expenses</b>	<b><u><u>\$ 1,368,143</u></u></b>	<b><u><u>\$ 900,164</u></u></b>	<b><u><u>\$ 1,197,317</u></u></b>	<b><u><u>\$ 808,994</u></u></b>

**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**  
**(FUND FINANCIAL STATEMENTS)**

**Fund Balances**

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 \$314,460. This was an increase of \$42,662 from \$271,798 at the end of the prior year. The increase was primarily the result of excess revenues over expenditures and other financing uses in the general fund of \$42,269. The food service fund reported an excess of revenues and other financing sources over expenditures of \$393.

**Revenues and Expenditures**

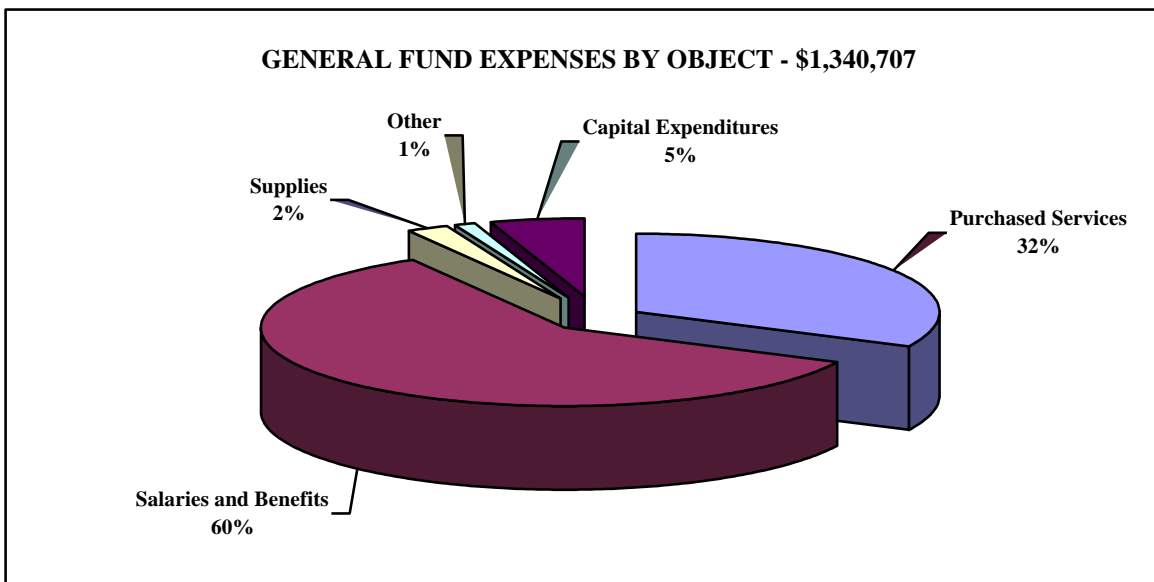
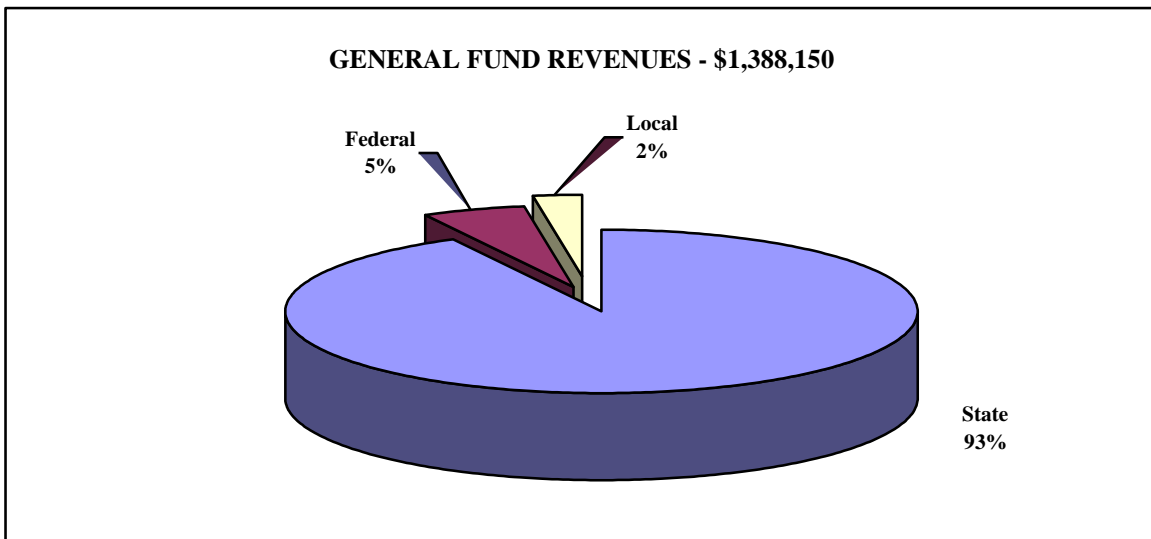
Revenues of the School's governmental funds totaled \$1,427,152 while total expenditures were \$1,384,490. A summary of the revenues and expenditures reported on the governmental fund financial statements are as follows:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Fund Balance Increase (Decrease)</u>
General Fund	\$ 1,388,150	\$ 1,340,707	\$ (5,174)	\$ 42,269
Food Service Fund	39,002	43,783	5,174	393
<b>Totals</b>	<b><u><u>\$ 1,427,152</u></u></b>	<b><u><u>\$ 1,384,490</u></u></b>	<b><u><u>\$ -</u></u></b>	<b><u><u>\$ 42,662</u></u></b>

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**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2015**

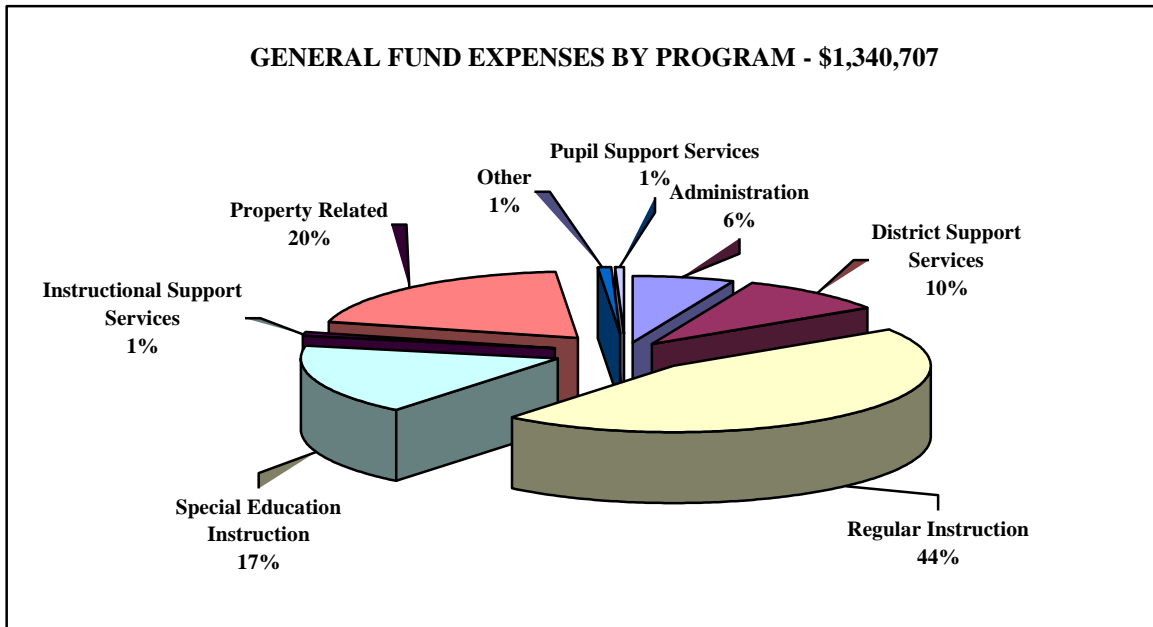
**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**  
**(FUND FINANCIAL STATEMENTS) (Continued)**

The following graphs are presented for the general fund revenues and expenditures:



**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2015**

**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**  
**(FUND FINANCIAL STATEMENTS) (Continued)**



**General Fund Budgetary Highlights**

During the year ended June 30, 2015, the School made a revision to its general fund operating budget. In accordance with Minnesota Statutes, an expenditure budget must be in place prior to the beginning of the fiscal year in order to spend funds. Prior to July 1, the school board approves the budget for the next year.

The School's general fund budget anticipated that revenues would exceed expenditures by \$16,685. The actual results for the year reported revenues exceeded expenditures in the amount of \$47,443. Actual total revenues were under the budgeted amounts by \$3,210. This was mostly due to revenues from local sources being under budget by 2,398. Actual total expenditures were under the budget by \$33,968 mostly due to regular instruction expenditures which were under the budget by \$40,222.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

Voyageurs Expeditionary School has maintained a capital asset inventory since inception. Additions during the year ended June 30, 2015 totaled \$49,669, consisting of equipment and construction costs. There were disposals of equipment that totaled \$18,594 during the year ended June 30, 2015. The depreciation expense for the year was \$36,488.

**VOYAGEURS EXPEDITIONARY SCHOOL**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2015**

**Operating Lease and Long-Term Commitments**

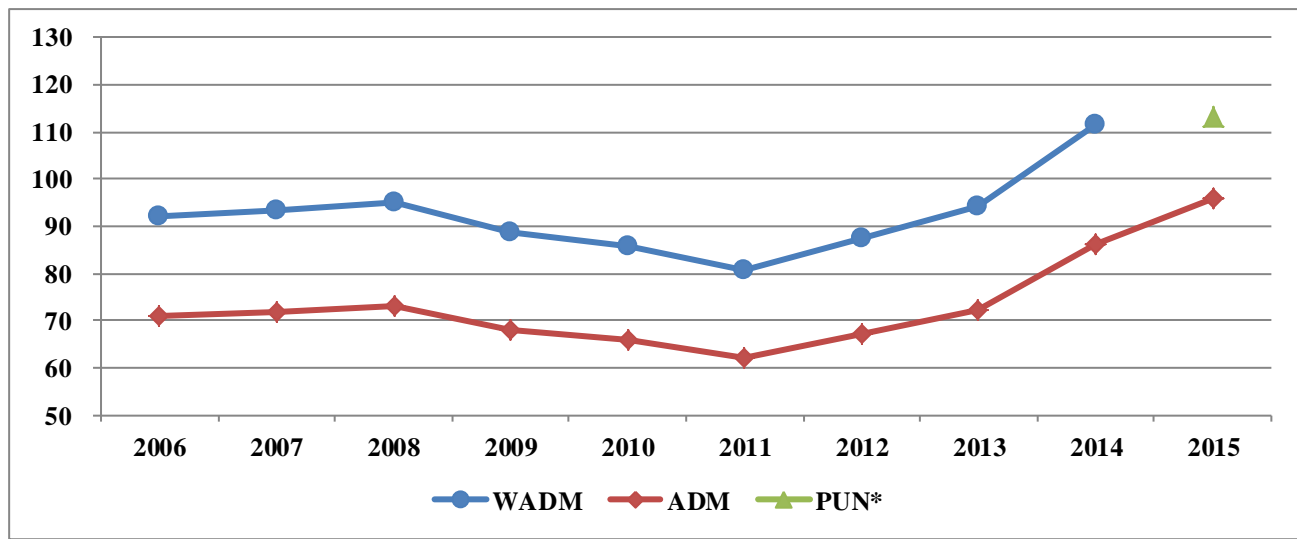
In May of 2010, the School entered into a five year lease agreement with JC Properties of Bemidji, LLC for facilities located at 3724 Bemidji Avenue North in Bemidji, Minnesota. The termination of the lease was effective on August 31, 2014.

In April of 2014, the School entered into an eight year lease agreement with JC Properties of Bemidji, LLC for facilities located at 3724 Bemidji Avenue North in Bemidji, Minnesota commencing on September 1, 2014 and continues through August 31, 2022. For the year ended June 30, 2015 lease payments totaled \$177,644.

**FACTORS BEARING ON THE SCHOOL'S FUTURE**

**Student Enrollment**

Attendance at all Minnesota school districts, including charter schools, is based upon Average Daily Membership (ADM), however, the School received general education aid based upon a Pupil Unit Weightings (PUN); prior to the year ending June 30, 2015, Weighted Average Daily Membership (WADM) was used. The following chart summarizes ADM and PUN/WADM over the past 10 years:



\* The State of Minnesota changed to Pupil Unit Weightings (PUN) from Weighted Average Daily Membership (WADM) in the year ended June 30, 2015 to calculate general education aid.

The School began operation in the 2003-2004 School year with only 9<sup>th</sup> and 10<sup>th</sup> graders. In, 2004-2005 the School added 11<sup>th</sup> grade and in 2005-2006 the School added the 12<sup>th</sup> grade. In the 2014 school year the School added the 6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> grades.



**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2015**

**Political Environment**

The political environment at the State level will have a significant effect on future finances. The state legislature sets the amount of revenue from aids and levies that Minnesota school districts will receive. Currently the general education basic allowance, from which the School receives the single largest state aid, is set at \$5,831 per pupil unit and will increase to \$5,948 in fiscal year 2016.

**Labor Force**

Voyageurs Expeditionary School negotiates contracts on an annual basis. Salaries and benefits accounted for 60% of the School's general fund expenditures for fiscal year 2015.

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the School's citizens, customers, 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 any questions about this report or would like additional information, contact Rita Poulton, Business Manager, at the School's office at 3724 Bemidji Avenue North, Bemidji, Minnesota 56601.

**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

**ASSETS**

Cash and Investments	\$ 245,688
Due from Other Governmental Units	116,295
Other Accounts Receivable	1,205
Prepaid Expenditures	21,224
Capital Assets:	
Equipment	\$ 196,775
Less Accumulated Depreciation	<u>(102,690)</u>
Total Capital Assets, Net of Depreciation	<u>94,085</u>
 Total Assets	 <u>478,497</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows of Resources Related to Pensions	<u>149,452</u>
--	----------------

**LIABILITIES**

Salaries Payable	38,898
Accounts Payable	10,228
Payroll Deductions and Employer Contributions	20,826
Long-Term Liabilities:	
Net Pension Liability	<u>537,207</u>
 Total Liabilities	 <u>607,159</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows of Resources Related to Pensions	<u>162,665</u>
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**NET POSITION**

Net Investment in Capital Assets	94,085
Restricted for State Mandated Purposes	1,337
Unrestricted	<u>(237,297)</u>
 Total Net Position	 <u>\$ (141,875)</u>

See Accompanying Notes to Financial Statements.

**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2015**

<b><u>Functions/Programs</u></b>	<b><u>Expenses</u></b>	<b><u>Program Revenues</u></b>		<b><u>Net (Expense) Revenue and Changes in Net Position</u></b>
		<b><u>Charges for Services</u></b>	<b><u>Operating Grants and Contributions</u></b>	
<b>Governmental Activities</b>				
District and School Administration	\$ 84,821	\$ 12,363	\$ -	\$ (72,458)
District Support Services	127,601	-	-	(127,601)
Regular Instruction	610,089	-	47,412	(562,677)
Special Education Instruction	226,191	-	220,267	(5,924)
Instructional Support Services	12,554	-	-	(12,554)
Pupil Support Services	54,401	3,654	35,348	(15,399)
Site, Buildings and Equipment	241,346	-	148,935	(92,411)
Fiscal and Other Fixed Costs	11,140	-	-	(11,140)
<b>Total Governmental Activities</b>	<b>\$ 1,368,143</b>	<b>\$ 16,017</b>	<b>\$ 451,962</b>	<b>(900,164)</b>
<b><u>General Revenues:</u></b>				
				939,902
				20,486
				<b>960,388</b>
				<b>60,224</b>
				<b>(202,099)</b>
				<b>\$ (141,875)</b>

See Accompanying Notes to Financial Statements.

**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	<b>General</b>	<b>Other</b>	
	<b>Fund</b>	<b>Governmental</b>	
	<b>Fund</b>	<b>Fund</b>	<b>Totals</b>
<b><u>ASSETS</u></b>			
Cash and Investments	\$ 245,688	\$ -	\$ 245,688
Due from Other Funds	6,183	-	6,183
Due from Other Governmental Units	109,980	6,315	116,295
Other Accounts Receivable	-	1,205	1,205
Prepaid Expenditures	21,224	-	21,224
	<hr/>	<hr/>	<hr/>
<b><u>Total Assets</u></b>	<b><u>\$ 383,075</u></b>	<b><u>\$ 7,520</u></b>	<b><u>\$ 390,595</u></b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
<b><u>Liabilities</u></b>			
Salaries Payable	38,898	-	38,898
Accounts Payable	10,228	-	10,228
Due to Other Funds	-	6,183	6,183
Payroll Deductions and Employer Contributions	20,826	-	20,826
Total Liabilities	69,952	6,183	76,135
	<hr/>	<hr/>	<hr/>
<b><u>Fund Equity</u></b>			
Nonspendable for Prepaid Expenditures	21,224	-	21,224
Restricted for Food Service	-	1,337	1,337
Unassigned	291,899	-	291,899
Total Fund Equity	313,123	1,337	314,460
	<hr/>	<hr/>	<hr/>
<b><u>Total Liabilities and Fund Equity</u></b>	<b><u>\$ 383,075</u></b>	<b><u>\$ 7,520</u></b>	<b><u>\$ 390,595</u></b>

See Accompanying Notes to Financial Statements.

**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**RECONCILIATION OF THE BALANCE SHEET -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

**Total Fund Balances - Governmental Funds** **\$ 314,460**

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

Cost	\$ 196,775	
Accumulated Depreciation	<u>(102,690)</u>	
Net Depreciated Value of Capital Assets		94,085

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Net Pension Liability		(537,207)
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Deferred outflows and inflows of resources related to pension are applicable to future periods and, therefore, are not reported in the funds.

Deferred Outflows of Resources	149,452	
Deferred Inflows of Resources	<u>(162,665)</u>	<u>(13,213)</u>

**Total Net Position - Governmental Activities** **\$ (141,875)**

**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2015**

	General Fund	Other Governmental Fund	Totals
<b><u>Revenues</u></b>			
Revenues from Local Sources	\$ 32,849	\$ -	\$ 32,849
Revenues from State Sources	1,279,492	2,802	1,282,294
Revenues from Federal Sources	75,809	32,546	108,355
Sales and Other Conversions of Assets	-	3,654	3,654
<b>Total Revenues</b>	<b>1,388,150</b>	<b>39,002</b>	<b>1,427,152</b>
<b><u>Expenditures</u></b>			
District and School Administration	84,344	-	84,344
District Support Services	127,909	-	127,909
Regular Instruction	603,818	-	603,818
Special Education Instruction	228,696	-	228,696
Instructional Support Services	12,554	-	12,554
Pupil Support Services	9,028	43,783	52,811
Site, Buildings, and Equipment	263,218	-	263,218
Fiscal and Other Fixed Costs	11,140	-	11,140
<b>Total Expenditures</b>	<b>1,340,707</b>	<b>43,783</b>	<b>1,384,490</b>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<b>47,443</b>	<b>(4,781)</b>	<b>42,662</b>
<b><u>Other Financing Sources (Uses)</u></b>			
Operating Transfers In	-	5,174	5,174
Operating Transfers Out	(5,174)	-	(5,174)
<b>Total Other Financing Sources (Uses)</b>	<b>(5,174)</b>	<b>5,174</b>	<b>-</b>
<b><u>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)</u></b>	<b>42,269</b>	<b>393</b>	<b>42,662</b>
<b><u>Fund Balances, Beginning of Year</u></b>	<b>270,854</b>	<b>944</b>	<b>271,798</b>
<b><u>Fund Balances, End of Year</u></b>	<b>\$ 313,123</b>	<b>\$ 1,337</b>	<b>\$ 314,460</b>

See Accompanying Notes to Financial Statements.

**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances - Total Governmental Funds \$ 42,662

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlay	\$ 49,669	
Depreciation	(36,488)	
Excess Capital Outlay Over Depreciation Expense		13,181

Governmental funds report School pension contributions as expenditures. In the statement of activities, however, the cost of pension benefits earned net of employee contributions is reported as pension expense.

School pension contribution	46,747	
Cost of benefits earned net of employee contributions	(42,366)	
		4,381

Change in Net Position of Government Activities \$ 60,224

**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**NOTE 1 – Summary of Significant Accounting Policies**

The financial statements of Voyageurs Expeditionary School, Minnesota Charter School No. 4107 (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 GASB has issued codification of governmental accounting and financial reporting standards dated June 30, 2015. This codification and subsequent GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local government.

**A. Organization**

Voyageurs Expeditionary School is organized for the specific purpose of establishing and operating a results-oriented Charter School pursuant to Minnesota Statutes Chapter 124D.10. On June 23, 2003 the Commissioner of Education, declared Voyageurs Expeditionary School as charter school No. 4107, effective July 1, 2003. The Audubon Center of the North Woods, Sandstone, Minnesota, is the approved authorizer for the Voyageurs Expeditionary School in Bemidji, Minnesota and the two parties have signed an authorization agreement through June 30, 2019.

Voyageurs Expeditionary School was organized on January 27, 2003, as a non-profit corporation under Minnesota Statutes, Chapter 317A and on September 4, 2003 was determined to be tax exempt under Internal Revenue Code 501(c)(3).

**B. Reporting Entity**

The School (primary government) through its contract with its authorizer, the Audubon Center of the North Woods, has the financial accountability and control over all activities related to education of students attending the School. It does not have the same authority as public schools in Minnesota because it does not have authority to levy taxes and is limited to the number of students it may enroll. However, by the contract, the management, care, and control of the School are vested in a Board of Directors, known as the Board of Education (Board). The School receives funding from state, and federal government sources and must comply with the concomitant requirements of these funding source entities. The School is not included in any other organization's "reporting entity" as defined by GASB Statement 14 since Board members are to be elected by the teachers, parents and students and have decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. The School Board does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities. However, in accordance with Minnesota Statutes, the School Board has elected to control and exercise oversight responsibility with respect to the underlying student activities.



**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**NOTE 1 – Summary of Significant Accounting Policies – Continued**

**C. Financial Statement Presentation**

The school-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting entity as a whole. These statements include all the financial activities of the School.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The School does not allocate indirect expenses. Program revenues, include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or capital requirements of a particular function or segment. Operating grants include operating-specific and discretionary grants while capital grants include only capital-specific grants. Other items not properly included among program revenues are reported instead as general revenues.

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function.

Except for operating transfers between funds, as a general rule the School does not engage in inter-fund activities. However, in the school-wide financial statements operating transfers between governmental funds are eliminated.

Separate fund financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the school-wide financial statements. All individual governmental funds are reported in separate columns in the fund financial statements.

Proprietary funds are used to report business-type activities carried on by a school district. No activities of the School were determined to be of this nature, so no proprietary funds are present in the financial statements.

**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The school-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The modified accrual basis of accounting recognizes expenses when incurred, except principal and interest on general long-term debt which is recognized when due, and revenue under the following principle:

**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**NOTE 1 – Summary of Significant Accounting Policies – Continued**

- State and federal grants and aids are recorded as revenue in the fiscal year for which the aids are designated by statute or contract.

Other revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

**Description of Funds**

The existence of the various School funds has been established by the Minnesota Department of Education, and is accounted for as an independent entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise it assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures.

GASB Statement No. 34 specifies that the accounts and activities of each of the School’s most significant governmental funds (termed “major funds”) be reported in separate columns on the fund financial statements. Other non-major funds can be reported in total.

Descriptions of the funds in this report are as follows:

**Governmental Funds**

**General Fund** – Accounts for all financial resources and transactions relating to the administration, instruction, pupil transportation, and maintenance of the School, which are not accounted for in other school funds.

Additionally, the School reports the following non-major fund:

**Special Revenue Fund** – Accounts for the proceeds of specific revenue sources (other than expendable trust and major capital projects) that are legally restricted to expenditures for specified purposes. The School’s special revenue fund and its purpose are as follows:

**Food Service Fund** – Accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches or snacks in connection with school activities.

**E. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balances**

**Cash and Cash Equivalents** – Cash balances for all funds are maintained on a combined basis and invested, to the extent possible, in allowable investments.

**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**NOTE 1 – Summary of Significant Accounting Policies – Continued**

**Due From Other Governmental Units** – Amounts due from other governmental units consist of amounts primarily due from the other Minnesota school districts, the Minnesota Department of Education and from the federal government through the Minnesota Department of Education for state and federal aids and grants under various specific programs. The receivable accounts are reported at estimated amounts based on available information at the date of the report. Adjustments and proration's may be made by the applicable agencies based on the amount of funds available for distribution and may result in differing amounts actually being received. The differences between the receivable recorded and the actual amount received will be recognized as a revenue adjustment in the subsequent year.

**Prepaid Expenditures** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures. Prepaid expenditures are recorded as expenditures at the time of consumption.

**Capital Assets** – Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at estimated fair market value at the date of donation. The School maintains a threshold level of \$500 or more for capitalizing capital assets.

Capital assets are recorded in the school-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the School, no salvage value is taken into consideration for depreciation purposes. Useful lives are 5 years for leasehold improvements and 5 to 15 years for equipment.

Capital assets not being depreciated include land and construction in progress, if any.

**Deferred Outflows of Resources** – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future periods and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The School has only one item that qualifies for reporting in this category. It is the deferred resources related to pension reported in the government-wide Statement of Net Position.

**Deferred Inflows of Resources** – In addition to liabilities, statements of financial position and balance sheets 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 will not be recognized as an inflow of resources (revenue) until that time. The School has one type that qualifies for reporting in this category. It is the deferred resources related to pension reported in the government-wide Statement of Net Position.

VOYAGEURS EXPEDITIONARY SCHOOL  
MINNESOTA CHARTER SCHOOL NO. 4107  
BEMIDJI, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

**NOTE 1 – Summary of Significant Accounting Policies – Continued**

**Deferred Outflows and Inflows Related to Pensions** – For purposes of measuring the net position liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) and additions to/deduction from PERA’s and TRA’s fiduciary net position have been determined on the same basis as they are reported by PERA and TRA.

**Net Position** – Net position represents the difference between assets, deferred outflows of resources, liabilities, and 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 imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**Fund Equity** – The School classifies fund balances in the governmental funds as follows:

- **Nonspendable fund balance** — amounts that are not in spendable form (such as inventory or prepaid items) or are required to be maintained intact.
- **Restricted fund balance** — amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed fund balance** — amounts constrained to specific purposes by the School itself, using its highest level of decision making authority (i.e. School Board). To be reported as committed, amounts cannot be used for any purpose unless the School takes the same highest level action to remove or change the constraints.
- **Assigned fund balance** — amounts the School intends to use for a specific purpose. Intent can be expressed by the School Board or by an official or body to which the School Board delegates the authority.
- **Unassigned fund balance** — amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Committed, assigned and restricted funds are used first when an expense is incurred for purposes for which committed, assigned or restricted and unrestricted funds are available. As of June 30, 2015 the School has no committed or assigned fund balances.

In the general fund, the School strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 25% of the actual GAAP basis expenditures and other financing sources and uses. At June 30, 2015 the School’s unassigned fund balance was at 21.8% of current year general fund expenditures.

**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**NOTE 1 – Summary of Significant Accounting Policies – Continued**

**F. Compensated Absences**

Employees are allowed eight days of paid leave per year, and administrative employees are allowed twelve days of personal time-off per year. Employees are paid for the amount of leave days remaining at year-end. All employees received payment for unused leave before June 30, 2015.

**G. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**H. Change in Accounting Principle**

During the year ended June 30, 2015, the School implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement No. 68 recognizes the School's portion of net pension liability and related deferrals associated with their defined benefit pension plans. GASB Statement No. 71 recognizes a beginning deferred inflow of resources in the year GASB No. 68 is implemented.

**NOTE 2 – Deposits and Investments**

The School's total cash and investments are as follows:

<b>Governmental Activities:</b>	
Checking Account	\$ 120,688
Certificates of Deposit	125,000
Totals	<u>\$ 245,688</u>

**A. Deposits**

**Authority** – In accordance with Minnesota Statutes, the School maintains deposits at those depository banks authorized by the Board. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all School 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 bonds. Authorized collateral includes treasury bills, notes and bonds; issues of U.S. Government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**NOTE 2 – Deposits and Investments – Continued**

**Custodial Credit Risk** – The custodial credit risk for deposits is the risk that in the event of a bank failure, the School’s deposits may not be recovered. The School’s policy for custodial credit risk is to maintain compliance with Minnesota Statutes that require all the School’s deposits to be protected by insurance, surety bond, or pledged collateral. The School has no custodial credit risk at June 30, 2015.

**B. Investments**

**Authority** - Minnesota Statutes authorize the School to invest in the following types of investments:

1. securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minnesota Statutes;
2. mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
3. general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
4. bankers’ acceptances of United States banks;
5. commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
6. with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

The School has not adopted a formal investment policy. The School’s investments on the financial statements at June 30, 2015 consist of short and long-term certificates of deposit. Certificates are considered deposits for custodial risk and are listed previously in Note 2.

**VOYAGEURS EXPEDITIONARY SCHOOL**  
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**NOTE 3 – Due From Other Governmental Units**

Amounts due from other governmental units at June 30, 2015 are as follows:

	<u>General Fund</u>	<u>Other Governmental Fund</u>	<u>Totals</u>
Minnesota Department of Education:			
State Aids and Grants	\$ 108,693	\$ 6,315	\$ 115,008
Federal Aids and Grants	1,287	-	1,287
Total	<u>\$ 109,980</u>	<u>\$ 6,315</u>	<u>\$ 116,295</u>

**NOTE 4 – Capital Assets**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Sales and Retirements</u>	<u>Ending Balance</u>
Equipment	\$ 125,780	\$ 49,669	\$ 18,594	\$ 156,855
Leasehold Improvements	39,920	-	-	39,920
Total Capital Assets	165,700	49,669	18,594	196,775
Less: Accumulated Depreciation	84,796	36,488	18,594	102,690
Capital Assets, Net of Depreciation	<u>\$ 80,904</u>	<u>\$ 13,181</u>	<u>\$ -</u>	<u>\$ 94,085</u>

Depreciation expense was charged to the following program services:

Administration	\$ 805
Regular Instruction	11,291
Special Education Instruction	969
Pupil Support Services	1,590
Sites, Buildings and Equipment	21,833
Total Depreciation Expense	<u>\$ 36,488</u>

**NOTE 5 – Inter-fund Receivables and Payables**

Inter-fund receivables and payables are used when a fund has a cash deficit. Inter-fund receivable consists of a balance of \$6,183 in the General Fund and a payable in the Food Service Fund of \$6,183.

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**NOTE 6 – Pension Plans**

**A. Teachers Retirement Association**

**Plan Description**

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

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

**Benefits Provided**

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

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

**Tier I:**

<b><u>Step Rate Formula</u></b>	<b><u>Coordinated</u></b>	<b><u>Basic</u></b>
1st ten years up to July 1, 2006	1.2 percent per year	2.2 percent per year
1st ten years on or after July 1, 2006	1.4 percent per year	2.2 percent per year
All other years up to July 1, 2006	1.7 percent per year	2.7 percent per year
All other years on or after July 1, 2006	1.9 percent per year	2.7 percent per year

**With these provisions:**

- a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- b) 3 percent per year early retirement reduction factors for all years under normal retirement age.
- c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or



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**NOTE 6 – Pension Plans - Continued**

**Tier II:**

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

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

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

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

**Contribution Rate**

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

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

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

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**NOTE 6 – Pension Plans - Continued**

Employer contributions reported in TRA’s CAFR Statement of Changes in Fiduciary Net Position	\$299,299,837
Deduct employer contributions not related to future contribution efforts	(398,798)
Deduct TRA’s contributions not included in allocation	<u>(370,701)</u>
Employer contributions reported in schedule of employer and non-employer pension allocations	<u>\$298,530,338</u>

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

**Actuarial Assumptions**

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

**Key Methods and Assumptions Used in Valuation of Total Pension Liability**

**Actuarial Information**

Measurement Date	June 30, 2014
Valuation Date	July 1, 2014
Experience Study	October 30, 2009
Actuarial Cost Method	Entry Age Normal
<b>Actuarial Assumptions:</b>	
Investment Rate of Return	8.25%
Wage Inflation	3.0%
Projected Salary increase	3.5-12%, based on years of service
Cost of living adjustment	2.0% until year 2034; 2.5% thereafter

**Mortality Assumption**

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

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**NOTE 6 – Pension Plans – Continued**

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

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

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

**Discount Rate**

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

**Net Pension Liability**

On June 30, 2015, the School reported a liability of \$396,282 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's contribution to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. School proportionate share was 0.0086% at the end of the measurement period and 0.0075% for the beginning of the year.

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**NOTE 6 – Pension Plans – Continued**

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

School's proportionate share of net pension liability	\$ 396,282
State's proportionate share of the net pension liability associated with the School	27,863

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

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

For the year ended June 30, 2015, the School recognized pension expense of \$32,084. It also recognized \$1,215 as an increase to pension expense for the support provided by direct aid.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 33,814	\$ -
Net difference between projected and actual earnings on plan investments	-	(124,587)
Changes in proportion	52,204	-
Contributions paid to TRA subsequent to the measurement date	35,491	-
<b>Total</b>	<b><u>\$ 121,509</u></b>	<b><u>\$ (124,587)</u></b>

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**NOTE 6 – Pension Plans – Continued**

\$35,491 reported as deferred outflows of resources related to pensions resulting from School contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and (inflows of resources) related to TRA pensions will be recognized in pension expense as follows:

2016	\$ (13,188)
2017	(13,188)
2018	(13,188)
2019	(13,190)
2020	14,185

**Pension Liability Sensitivity**

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

School proportionate share of NPL		
1 percent decrease	Current	1 percent increase
<u>(7.25%)</u>	<u>(8.25%)</u>	<u>(9.25%)</u>
\$654,918	\$396,282	\$180,669

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

**Pension Plan Fiduciary Net Position**

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained as [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org), by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000; or by calling (651-296-2409 or 800-657-3669).

**B. Public Employees Retirement Association**

**Plan Description**

The School participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

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**NOTE 6 – Pension Plans - Continued**

**General Employees Retirement Plan (GERF)**

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

**Benefits Provided**

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

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

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

**GERF Benefits**

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

**Contributions**

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

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**NOTE 6 – Pension Plans - Continued**

**GERF Contributions**

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5% of pay in 2015. In calendar year 2014, the School was required to contribute 11.78% of pay for Basic Plan members and 7.25% for Coordinated Plan members. In 2015, employer rates increased to 7.5% in the Coordinated Plan. The School's contributions to the GERF for the plan's fiscal year ended June 30, 2014, were \$11,158. The School's contributions were equal to the required contributions for each year as set by state statute.

**Pension Costs**

**GERF Pension Costs**

At June 30, 2015, the School reported a liability of \$140,925 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2014, the School's proportion was 0.0030%.

For the year ended June 30, 2015, the School recognized pension expense of \$10,462 for its proportionate share of GERF's pension expense.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<hr/>	<hr/>
Differences between expected and actual experience	\$ 2,163	\$ -
Changes in Actuarial Assumptions	14,524	-
Net difference between projected and actual earnings on plan investments	-	(38,078)
Contributions paid to PERA subsequent to the measurement date	11,256	-
Total	<hr/> <b>\$ 27,943</b> <hr/>	<hr/> <b>\$ (38,078)</b> <hr/>

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**NOTE 6 – Pension Plans - Continued**

\$11,256 reported as deferred outflows of resources related to pensions resulting from School contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2016	\$	(3,958)
2017		(3,958)
2018		(3,957)
2019		(9,518)

**Actuarial Assumptions**

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

Inflation	2.75% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.90%

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

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2014:

- **GERF and MERF:** As of July 1, 2013, the postretirement benefit increase rate was assumed to increase from 1.0% to 2.5% on January 1, 2046. As of July 1, 2014, the postretirement benefit increase rate was assumed to increase from 1.0% to 2.5% on January 1, 2031.
- **PECF:** The single discount rate was changed from 7.43% to 7.90%

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



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**NOTE 6 – Pension Plans - Continued**

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

**Discount Rate**

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

**Pension Liability Sensitivity**

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

	<u>1% Decrease in Discount Rate (6.9%)</u>	<u>Discount Rate (7.9%)</u>	<u>1% Increase in Discount Rate (8.9%)</u>
School's proportionate share of the GEF net pension liability:	\$227,177	\$140,925	\$69,960

**Pension Plan Fiduciary Net Position**

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

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**NOTE 7 – Operating Lease**

In May of 2010, the School entered into a five year operating lease agreement with JC Properties of Bemidji, LLC for facilities located at 3724 Bemidji Avenue North in Bemidji, Minnesota, commencing on September 1, 2010. A “Lease Termination Agreement”, dated April 9, 2014, was signed by the School and JC Properties of Bemidji, LLC. The termination was effective on August 31, 2014.

On April 9, 2014, the School entered into a new operating lease agreement with JC Properties of Bemidji, LLC as a lessee for facilities located at 3724 Bemidji Avenue North in Bemidji, Minnesota, commencing on September 1, 2014. The lease is for eight years beginning September 1, 2014 and ending August 31, 2022.

Actual lease expenditures for the JC Properties of Bemidji, LLC lease for the year ended June 30, 2015 were \$177,644. The annual lease payments for the operating lease agreement will be as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 198,108
2016	198,108
2017	198,108
2018	198,108
2019	198,108
2020-2022	396,216
<b>Total</b>	<b>\$ 1,386,756</b>

**NOTE 8 – Long-Term Liabilities**

A summary of changes in long-term liabilities is as follows:

	<u>Beginning</u>		<u>Payments and</u>		<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>		<u>Balance</u>
Net Pension Liability	\$ 593,569	\$ -	\$ 56,362		\$ 537,207

**NOTE 9 – Inter-fund Transfer**

The School transferred \$5,174 from the General Fund to the Food Service Fund to eliminate a deficit fund balance.

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**NOTE 10 - Risk Management**

The School is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; and natural disaster. The School carries various commercial insurance policies covering workers compensation, personal property, commercial liability and automobile liability. There was no significant reduction in insurance from the previous year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

**NOTE 11 - Commitments and Contingencies**

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2015 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**NOTE 12 – Restatement of Net Position**

Effective July 1, 2014, the School implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result of this implementation, the School has restated previously reported net position in the governmental activities decreasing it \$554,801 from \$352,702 to (\$202,099).

**VOYAGEURS EXPEDITIONARY SCHOOL**  
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**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Revenues from Local Sources	\$ 26,698	\$ 35,247	\$ 32,849	\$ (2,398)
Revenues from State Sources	1,271,885	1,279,308	1,279,492	184
Revenues from Federal Sources	80,069	76,805	75,809	(996)
<b><u>Total Revenues</u></b>	<b><u>1,378,652</u></b>	<b><u>1,391,360</u></b>	<b><u>1,388,150</u></b>	<b><u>(3,210)</u></b>
<b><u>Expenditures</u></b>				
District and School Administration	85,422	85,222	84,344	878
District Support Services	116,805	119,245	127,909	(8,664)
Regular Instruction	646,457	644,040	603,818	40,222
Special Education Instruction	218,501	228,695	228,696	(1)
Instructional Support Services	17,047	17,601	12,554	5,047
Pupil Support Services	9,000	8,750	9,028	(278)
Site, Buildings and Equipment	249,125	258,172	263,218	(5,046)
Fiscal and Other Fixed Costs	12,950	12,950	11,140	1,810
<b><u>Total Expenditures</u></b>	<b><u>1,355,307</u></b>	<b><u>1,374,675</u></b>	<b><u>1,340,707</u></b>	<b><u>33,968</u></b>
<b><u>Excess of Revenues Over</u></b> <b><u>(Under) Expenditures</u></b>	<b>23,345</b>	<b>16,685</b>	<b>47,443</b>	<b>30,758</b>
<b><u>Other Financing Uses</u></b>				
Operating Transfers Out	-	(6,282)	(5,174)	1,108
<b><u>Excess of Revenues Over</u></b> <b><u>(Under) Expenditures and</u></b> <b><u>Other Financing Uses</u></b>	<b>23,345</b>	<b>10,403</b>	<b>42,269</b>	<b>31,866</b>
<b><u>Fund Balances, Beginning of Year</u></b>	<b><u>270,854</u></b>	<b><u>270,854</u></b>	<b><u>270,854</u></b>	<b><u>-</u></b>
<b><u>Fund Balances, End of Year</u></b>	<b><u>\$ 294,199</u></b>	<b><u>\$ 281,257</u></b>	<b><u>\$ 313,123</u></b>	<b><u>\$ 31,866</u></b>

See Accompanying Notes to the Required Supplementary Information.

**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE SCHOOL'S AND NON-EMPLOYER PROPORTIONATE SHARE LIABILITY**  
**OF THE NET PENSION**  
**JUNE 30, 2015**

Last 10 Fiscal Years\*

	School's Proportion of the Net Pension Liability (Asset)	School's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	Total	School's Covered- Employee Payroll	School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of it's Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<b>PERA</b>							
2014	0.0030%	\$ 140,925	\$ -	\$ 140,925	\$ 155,315	90.73%	78.7%
<b>TRA</b>							
2014	0.0086%	396,282	27,863	424,145	392,967	100.65%	81.5%

\* - Schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

See Accompanying Notes to the Required Supplementary Information.

**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL'S CONTRIBUTIONS**  
**JUNE 30, 2015**

Last 10 Fiscal Years\*

	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>School's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
<b>PERA</b>					
2015	\$ 11,256	11,256	\$ -	\$ 167,497	6.72%
<b>TRA</b>					
2015	35,491	35,491	-	469,446	7.56%

\* - Schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

See Accompanying Notes to the Required Supplementary Information.

**VOYAGEURS EXPEDITIONARY SCHOOL**  
**MINNESOTA CHARTER SCHOOL NO. 4107**  
**BEMIDJI, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2015**

**NOTE 1 – Budgetary Data**

Budgets are prepared for School funds on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts in accordance with accounting principles generally accepted in the United States of America. Formal budgetary integration is employed as a management control device during the year for the General Fund and Food Service Special Revenue Fund.

**Legal Compliance – Budgets**

- The Executive Director submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for all funds of the School. However, the general and special revenue funds are the only funds that are legally adopted through the budgetary process.
- The budget is legally enacted through passage of a School Board resolution by July 1.
- The School Board may authorize transfer of budgeted amounts between funds.
- Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
- General and special revenue funds expenditures may not legally exceed budgeted appropriations at the total fund level without School Board approval. Monitoring of budgets is maintained at the expenditure category level.

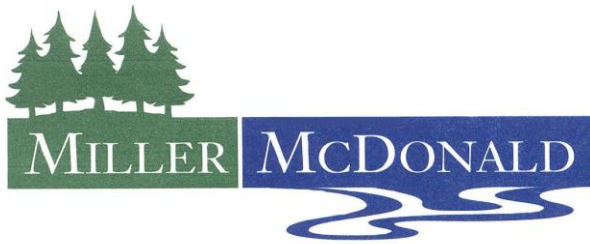
**NOTE 2 – Pensions**

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

FISCAL COMPLIANCE REPORT - 6/30/2015  
 District: VOYAGEURS EXPEDITIONARY (4107-07)

	<u>Audit</u>	<u>UFARS</u>	<u>Audit-UFARS</u>		<u>Audit</u>	<u>UFARS</u>	<u>Audit-UFARS</u>
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenue	\$1,388,150	\$1,388,149	\$1	Total Revenue	\$0	\$0	\$0
Total Expenditures	\$1,340,707	\$1,340,705	\$2	Total Expenditures	\$0	\$0	\$0
Non Spendable:				Non Spendable			
4.60 Non Spendable Fund Balance	\$21,224	\$21,224	\$0	4.60 Non Spendable Fund Balance	\$0	\$0	\$0
Restricted/Reserved:				Restricted/Reserved:			
4.03 Staff Development	\$0	\$0	\$0	4.07 Capital Projects Levy	\$0	\$0	\$0
4.05 Deferred Maintenance	\$0	\$0	\$0	4.09 Alternative Facility Program	\$0	\$0	\$0
4.06 Health and Safety	\$0	\$0	\$0	4.13 Projects Funded by COP	\$0	\$0	\$0
4.07 Capital Projects Levy	\$0	\$0	\$0	Restricted:			
4.08 Cooperative Revenue	\$0	\$0	\$0	4.64 Restricted Fund Balance	\$0	\$0	\$0
4.09 Alternative Facility Program	\$0	\$0	\$0	Unassigned:			
4.13 Project Funded by COP	\$0	\$0	\$0	4.63 Unassigned Fund Balance	\$0	\$0	\$0
4.14 Operating Debt	\$0	\$0	\$0				
4.16 Levy Reduction	\$0	\$0	\$0	<b>07 DEBT SERVICE</b>			
4.17 Taconite Building Maint	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
4.23 Certain Teacher Programs	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
4.24 Operating Capital	\$0	\$0	\$0	Non Spendable			
4.26 \$25 Taconite	\$0	\$0	\$0	4.60 Non Spendable Fund Balance	\$0	\$0	\$0
4.27 Disabled Accessibility	\$0	\$0	\$0	Restricted/Reserved:			
4.28 Learning & Development	\$0	\$0	\$0	4.25 Bond Refundings	\$0	\$0	\$0
4.34 Area Learning Center	\$0	\$0	\$0	4.51 QZAB Payments	\$0	\$0	\$0
4.35 Contracted Alt. Programs	\$0	\$0	\$0	Restricted:			
4.36 State Approved Alt. Program	\$0	\$0	\$0	4.64 Restricted Fund Balance	\$0	\$0	\$0
4.38 Gifted & Talented	\$0	\$0	\$0	Unassigned:			
4.40 Teacher Development and Evaluation	\$0	\$0	\$0	4.63 Unassigned Fund Balance	\$0	\$0	\$0
4.41 Basic Skills Program	\$0	\$0	\$0				
4.45 Career Tech Programs	\$0	\$0	\$0	<b>08 TRUST</b>			
4.48 Achievement and Integration	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
4.49 Safe School Crime - Crime Levy	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
4.50 Pre-Kindergarten	\$0	\$0	\$0	4.22 Unassigned Fund Balance	\$0	\$0	\$0
4.51 QZAB Payments	\$0	\$0	\$0				
4.52 OPEB Liab Not In Trust	\$0	\$0	\$0	<b>20 INTERNAL SERVICE</b>			
4.53 Unfunded Sev & Retirement Levy	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
Restricted:				Total Expenditures	\$0	\$0	\$0
4.64 Restricted Fund Balance	\$0	\$0	\$0	4.22 Unassigned Fund Balance	\$0	\$0	\$0
Committed:							
4.18 Committed for Separation	\$0	\$0	\$0	<b>25 OPEB REVOCABLE TRUST</b>			
4.61 Committed Fund Balance	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
Assigned:				Total Expenditures	\$0	\$0	\$0
4.62 Assigned Fund Balance	\$0	\$0	\$0	4.22 Unassigned Fund Balance	\$0	\$0	\$0
Unassigned:							
4.22 Unassigned Fund Balance	\$291,899	\$291,899	\$0	<b>45 OPEB IRREVOCABLE TRUST</b>			
				Total Revenue	\$0	\$0	\$0
<b>02 FOOD SERVICE</b>				Total Expenditures	\$0	\$0	\$0
Total Revenue	\$39,002	\$39,003	(\$1)	4.22 Unassigned Fund Balance	\$0	\$0	\$0
Total Expenditures	\$43,783	\$43,784	(\$1)				
Non Spendable:				<b>47 OPEB DEBT SERVICE</b>			
4.60 Non Spendable Fund Balance	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
Restricted/Reserved:				Total Expenditures	\$0	\$0	\$0
4.52 OPEB Liab Not In Trust	\$0	\$0	\$0	Non Spendable:			
Restricted:				4.60 Non Spendable Fund Balance	\$0	\$0	\$0
4.64 Restricted Fund Balance	\$1,337	\$1,337	\$0	Restricted:			
Unassigned:				4.25 Bond Refundings	\$0	\$0	\$0
4.63 Unassigned Fund Balance	\$0	\$0	\$0	4.64 Restricted Fund Balance	\$0	\$0	\$0
				Unassigned:			
				4.63 Unassigned Fund Balance	\$0	\$0	\$0
<b>04 COMMUNITY SERVICE</b>							
Total Revenue	\$0	\$0	\$0				
Total Expenditures	\$0	\$0	\$0				
Non Spendable:							
4.60 Non Spendable Fund Balance	\$0	\$0	\$0				
Restricted/Reserve:							
4.26 \$25 Taconite	\$0	\$0	\$0				
4.31 Community Education	\$0	\$0	\$0				
4.32 E.C.F.E.	\$0	\$0	\$0				
4.40 Teacher Development and Evaluation	\$0	\$0	\$0				
4.44 School Readiness	\$0	\$0	\$0				
4.47 Adult Basic Education	\$0	\$0	\$0				
4.52 OPEB Liab Not In Trust	\$0	\$0	\$0				
Restricted:							
4.64 Restricted Fund Balance	\$0	\$0	\$0				
Unassigned:							
4.63 Unassigned Fund Balance	\$0	\$0	\$0				





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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON  
 AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN  
 ACCORDANCE WITH THE MINNESOTA LEGAL COMPLIANCE AUDIT  
 GUIDE FOR POLITICAL SUBDIVISIONS**

**The Board of Education  
 Voyageurs Expeditionary School  
 Minnesota Charter School No. 4107  
 Bemidji, 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, each major fund and the remaining fund information of Voyageurs Expeditionary School, Minnesota Charter School No. 4107 as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated October 7, 2015.

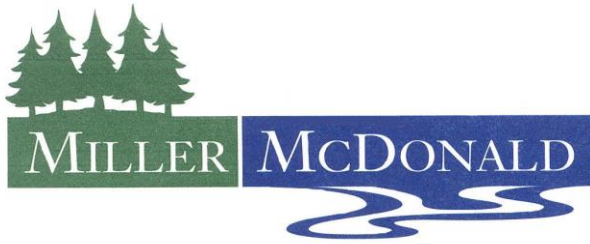
The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute 6.65, contains two categories of compliance to be tested in audits of charter schools: uniform financial accounting and reporting standards, and charter schools.

In connection with our audit, nothing came to our attention that caused us to believe that Voyageurs Expeditionary School, Minnesota Charter School No. 4107 failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the School's noncompliance with the above referenced provisions.

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

*Miller McDonald, Inc.*

October 7, 2015  
 Bemidji, Minnesota



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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**

**The Board of Education  
 Voyageurs Expeditionary School  
 Minnesota Charter School No. 4107  
 Bemidji, 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, each major fund and the remaining fund information of Voyageurs Expeditionary School, Minnesota Charter School No. 4107, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Voyageurs Expeditionary School, Minnesota Charter School No. 4107's basic financial statements, and have issued our report thereon dated October 7, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Voyageurs Expeditionary School, Minnesota Charter School No. 4107's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Voyageurs Expeditionary School, Minnesota Charter School No. 4107's internal control. Accordingly, we do not express an opinion on the effectiveness of Voyageurs Expeditionary School, Minnesota Charter School No. 4107'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 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 the internal control over financial reporting 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 over 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 Voyageurs Expeditionary School, Minnesota Charter School No. 4107's financial statements are free of 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.

*Miller McDonald, Inc.*

October 7, 2015  
Bemidji, Minnesota