

**INDEPENDENT SCHOOL DISTRICT NO. 4026  
EVERY CHILD HAS OPPORTUNITIES  
(ECHO) CHARTER SCHOOL  
ECHO, MINNESOTA**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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## INTRODUCTORY SECTION

**INDEPENDENT SCHOOL DISTRICT NO. 4026  
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL  
ECHO, MINNESOTA  
SCHEDULE OF SCHOOL BOARD MEMBERS AND OFFICIALS  
JUNE 30, 2017**

<b><u>SCHOOL BOARD MEMBERS</u></b>		<b><u>TERM EXPIRES</u></b>
Jeff Berthelsen	Chairperson	2018
Chris Berends	Clerk	2019
Kay Haneca	Treasurer	2017
Debbie Eakes	Director	2017
Melanie Kurtz	Director	2019
Judy Miller	Director	2019
Dana Johnson	Director	2018



PLLP

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## CERTIFIED PUBLIC ACCOUNTANTS

### INDEPENDENT AUDITOR'S REPORT

Members of the School Board  
Independent School District No. 4026  
Every Child Has Opportunities (ECHO) Charter School  
Echo, 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 Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

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

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

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

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## ***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 Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota's basic financial statements. The introductory section, other supplementary information, and the uniform financial accounting and reporting standards compliance table listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The uniform financial accounting and reporting standards compliance table is 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 uniform financial accounting and reporting standards compliance table is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and other supplementary information have 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 them.

### ***Report on Summarized Comparative Information***

We have previously audited the District's June 30, 2016 financial statements, and our report, dated November 30, 2016, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017, on our consideration of Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota's internal control over financial reporting and compliance.

*Hoffman & Brobst, PLLP*

Hoffman & Brobst, PLLP  
Certified Public Accountants  
Marshall, Minnesota

December 7, 2017



**REQUIRED SUPPLEMENTAL INFORMATION**

**INDEPENDENT SCHOOL DISTRICT NO. 4026  
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL  
ECHO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

As management of Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota, we offer readers of Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota's financial statements this narrative overview and analysis of the financial activities of Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota for the fiscal year ended June 30, 2017.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2016-2017 fiscal year include the following:

- Net position in the Statement of Net Position decreased \$536,137 from the prior year to (\$666,291). This decrease was primarily the result of operating deficits in all funds, depreciation expense, and a change in estimated discount rate used by Teacher Retirement Association relating to the calculation of the District's proportion of the State's Net Pension Liability. In the prior year, the discount rate was 8.00%. In the current year, the discount rate was 4.66%. The decrease in net position from pension expense of \$388,932 was partially offset by receiving state aid related to pension.
- The General Fund expenditures and other financing uses exceeded revenues by \$111,929, resulting in the total fund balance decreasing to \$252,800 as of June 30, 2017. After deducting fund balance policy assignments, the unassigned fund balance decreased \$78,704 to \$212,703 at June 30, 2017. The District is not meeting its minimum fund balance policy of four months of expenditures in the General Fund. At June 30, 2017, the unassigned fund balance would cover less than two months of expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts. They are:

- Independent Auditor's Report,
- Required Supplementary Information which includes the Management's Discussion and Analysis (this section),
- Basic financial statements, notes to financial statements, and
- Other supplementary information, and other required reports and information.

The basic financial statements include two kinds of statements that present different views of the District:

- The government-wide financial statements, including the Statement of Net Position and the Statement of Activities, provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending. The fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

**INDEPENDENT SCHOOL DISTRICT NO. 4026  
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ECHO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

**GOVERNMENT-WIDE STATEMENTS**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District'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 two government-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's average daily membership served.

In the government-wide financial statements the District's activities are shown in one category:

- **Governmental Activities** – Most of the District's basic services are included here, such as regular and special education, transportation, administration, and food service. State and federal aids finance most of these activities.

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's funds – focusing on its most significant or "major" funds – rather than the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District has two kinds of funds:

- **Governmental funds** – The District's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information (reconciliation schedules) follows the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.
- **Fiduciary funds** – The District is the trustee, or fiduciary, for a fund. The District is responsible for ensuring that the assets reported in this fund are used for their intended purpose. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**INDEPENDENT SCHOOL DISTRICT NO. 4026  
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL  
ECHO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (GOVERNMENT-WIDE STATEMENTS)  
NET POSITION**

The District's combined net position was (\$666,291) on June 30, 2017. This was a decrease of 411.9% from the previous year total of (\$130,154). A summary of the District's net position is as follows:

<b>Net Position – Governmental Activities</b>			
	<u><b>6/30/2017</b></u>	<u><b>6/30/2016</b></u>	<u><b>Percentage Change</b></u>
Current and Other Assets	\$ 386,637	\$ 499,491	
Capital Assets	411,668	478,332	
<b>Total Assets</b>	<u><b>798,305</b></u>	<u><b>977,823</b></u>	<b>(18.4%)</b>
Related to Pensions	1,937,080	169,920	
<b>Total Deferred Outflows of Resources</b>	<u><b>1,937,080</b></u>	<u><b>169,920</b></u>	<b>1,040.0%</b>
Current Liabilities	133,837	125,438	
Noncurrent Liabilities	3,123,123	923,872	
<b>Total Liabilities</b>	<u><b>3,256,960</b></u>	<u><b>1,049,310</b></u>	<b>210.4%</b>
Related to Pensions	144,716	228,587	
<b>Total Deferred Inflows of Resources</b>	<u><b>144,716</b></u>	<u><b>228,587</b></u>	<b>(36.7%)</b>
Net Investment in Capital Assets	411,668	478,332	
Restricted	-	9,324	
Unrestricted	(1,077,959)	(617,810)	
<b>Total Net Position</b>	<u><b>\$ (666,291)</b></u>	<u><b>\$ (130,154)</b></u>	<b>(411.9%)</b>

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ECHO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (GOVERNMENT-WIDE STATEMENTS)  
(Cont'd)**

**CHANGE IN NET POSITION**

The change in net position occurs as a result of expenses being greater than revenue for the year ended June 30, 2017 mainly due to the District incurring \$455,599 in pension expense. This pension expense (as required by GASB Statement No. 68) is allocated among all programs of the District. A summary of the District's revenues and expenses is as follows:

<b>Change in Net Position – Governmental Activities</b>			<b>Percentage</b>
	<b><u>6/30/2017</u></b>	<b><u>6/30/2016</u></b>	<b><u>Change</u></b>
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 35,109	\$ 44,470	(21.1%)
Operating Grants and Contributions	508,901	446,362	14.0%
General Revenues			
Unallocated Federal and State Aid	991,071	881,870	12.4%
Other	3,402	4,214	(19.3%)
Gain on Sale of Assets	-	1,193	(100.0%)
<b>Total Revenues</b>	<b><u>1,538,483</u></b>	<b><u>1,378,109</u></b>	<b>11.6%</b>
<b>Expenses</b>			
District and School Administration	87,111	58,908	47.9%
District Support Services	144,432	144,409	0.0%
Regular Instruction	1,048,411	710,641	47.5%
Vocation Instruction	-	664	(100.0%)
Exceptional Instruction	205,144	151,522	35.4%
Instructional Support Services	2,342	7,953	(70.6%)
Pupil Support Services	216,940	189,707	14.4%
Site, Buildings and Equipment	355,097	353,652	0.4%
Fiscal and Other Fixed Cost Programs	8,829	7,960	10.9%
Loss on Disposal of Assets	6,314	-	100.0%
<b>Total Expenses</b>	<b><u>2,074,620</u></b>	<b><u>1,625,416</u></b>	<b>27.6%</b>
<b>Increase (Decrease) in Net Position</b>	<b><u>(536,137)</u></b>	<b><u>(247,307)</u></b>	
<b>Beginning of Year Net Position,</b>			
<b>As Originally Stated</b>	<b>(130,154)</b>	<b>137,779</b>	
<b>Prior Period Adjustment (GASB 68)</b>	<b>-</b>	<b>(20,626)</b>	
<b>Beginning Net Position, As Restated</b>	<b><u>(130,154)</u></b>	<b><u>117,153</u></b>	
<b>End of Year Net Position</b>	<b><u>\$ (666,291)</u></b>	<b><u>\$ (130,154)</u></b>	<b>(411.9%)</b>

The District's total revenues consisted of program revenues of \$544,010, unallocated federal and state aids of \$991,071, and a small amount from various other sources. Expenses totaling \$2,074,620 consisted primarily of student instructional costs of \$1,253,555, student support services of \$219,282, administration costs of \$231,543, site, buildings and equipment costs of \$355,097, and minor other amounts.

The cost of all governmental activities this year was \$2,074,620.

- The users of the District's programs paid for 1.7%, or \$35,109, of the costs.
- The federal and state governments subsidized certain programs with grants and contributions. This totaled \$508,901 or 24.5% of the total costs.
- The balance of the District's net cost of services (\$1,530,610), were paid for by state taxpayers based on the statewide education aid formula and by District citizens.

**INDEPENDENT SCHOOL DISTRICT NO. 4026  
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ECHO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$252,800. This was a decrease of \$121,253 from the prior year. The decrease is mainly due to less than anticipated general education aid and special education aid, and an increase in salaries and bus repairs.

**REVENUES AND EXPENDITURES**

Revenues of the District's governmental funds totaled \$1,497,771. This was an increase of 10.0% from the previous year total of \$1,361,502, primarily due to an increase in general education aid, lease aid, and special education aid. Total expenditures were \$1,619,024. This was an increase of 3.1% from the previous year total of \$1,570,408, primarily due to increased salaries and bus repairs. A summary of the revenues, expenditures and other financing sources (uses) reported in the governmental financial statements is as follows:

**Revenues and Expenditures – Governmental Funds**

	<u>Revenue</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Fund Balance Increase (Decrease)</u>
General Fund	\$ 1,439,245	\$ 1,540,518	\$ (10,656)	\$ (111,929)
Food Service Fund	<u>58,526</u>	<u>78,506</u>	<u>10,656</u>	<u>(9,324)</u>
<b>Totals</b>	<b><u>\$ 1,497,771</u></b>	<b><u>\$ 1,619,024</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (121,253)</u></b>

**GENERAL FUND**

The General Fund is used by the District to record the primary operations of providing educational services to students from kindergarten through grade twelve. Pupil transportation activities, capital purchases and major maintenance projects are also included in the General Fund.

The following schedule presents a summary of General Fund revenues and other financing sources:

**Revenues – General Fund**

	<u>Year Ended 6/30/2017</u>	<u>Year Ended 6/30/2016</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Local Sources	\$ 25,725	\$ 32,727	\$ (7,002)	(21.4%)
State Sources	1,250,848	1,125,334	125,514	11.2%
Federal Sources	<u>162,672</u>	<u>135,621</u>	<u>27,051</u>	19.9%
<b>Total Revenues</b>	<b>1,439,245</b>	<b>1,293,682</b>	<b>145,563</b>	<b>11.3%</b>
Other Financing Sources				
Proceeds from Sale of Assets	<u>-</u>	<u>4,006</u>	<u>(4,006)</u>	(100.0%)
<b>Total Revenues and Other Financing Sources</b>	<b><u>\$ 1,439,245</u></b>	<b><u>\$ 1,297,688</u></b>	<b><u>\$ 141,557</u></b>	<b>10.9%</b>

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (FUND FINANCIAL STATEMENTS) (Cont'd)  
GENERAL FUND (Cont'd)**

The following schedule presents a summary of General Fund expenditures and other financing uses:

**Expenditures – General Fund**

	<b>Year Ended 6/30/2017</b>	<b>Year Ended 6/30/2016</b>	<b>Amount of Increase (Decrease)</b>	<b>Percent Increase (Decrease)</b>
Salaries and Wages	\$ 874,075	\$ 843,228	\$ 30,847	3.7%
Employee Benefits	148,631	148,494	137	0.1%
Purchased Services	405,243	392,840	12,403	3.2%
Supplies and Materials	90,696	95,702	(5,006)	(5.2%)
Capital Expenditures	3,600	7,940	(4,340)	(54.7%)
Other Expenditures	18,273	15,798	2,475	15.7%
<b>Total Expenditures</b>	<b>1,540,518</b>	<b>1,504,002</b>	<b>36,516</b>	<b>2.4%</b>
Other Financing Uses				
Transfer to Food Service Fund	<u>10,656</u>	<u>-</u>	<u>10,656</u>	<u>100.0%</u>
<b>Total Expenditures and Other Financing Uses</b>	<b>\$ <u>1,551,174</u></b>	<b>\$ <u>1,504,002</u></b>	<b>\$ <u>47,172</u></b>	<b>3.1%</b>

In summary, the 2016-2017 General Fund expenditures and other financing uses exceeded revenues by \$111,929. As a result, the total fund balance decreased to \$252,800 at June 30, 2017. The District closely monitors the General Fund unassigned fund balance throughout the year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the year ended June 30, 2017 the District revised its operating budget once. This revision was planned, and was necessary because when the initial budget was prepared and adopted (a budget must be in place prior to the beginning of the fiscal year on July 1) details of student enrollment numbers, salary details, staffing levels, and other significant information items were not yet known. This revision was approved in March.

While the District's final budget for the General Fund anticipated that expenditures and other financing uses would exceed revenues by \$40,524, the actual results for the year showed a deficit of \$111,929.

- Actual revenues were \$44,702, or 3.0 percent, less than budget, due primarily to recognizing less revenue for general education aid and special education aid, along with several other less significant variances. The budget variance is mainly due to generating the budget based on estimates of student count and special education need.
- Actual expenditures were \$16,047 or 1.1 percent, higher than budget. This overall unfavorable variance was mainly due to negative variances in district and school administration, district support services, regular instruction, pupil support services, and site, buildings, and equipment and a positive variance in exceptional instruction. Several other less significant areas contributed to this overall unfavorable variance. The budget variance is primarily due to spending more for regular education salaries, bus repairs, and utilities than expected.

**FOOD SERVICE FUND**

The Food Service Fund revenues and other financing Sources for 2016-2017 totaled \$69,182 and expenditures were \$78,506, resulting in a fund balance decrease of \$9,324. This decrease is mainly due to more salaries in the current year and federal funding withheld until a later date based on the FY2016 food service audit. The June 30, 2017 Food Service Fund fund balance is \$-0-.

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ECHO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

**TRUST FUND**

The Trust Fund additions exceeded deductions by \$21 in 2016-2017. The net position of \$7,690 at June 30, 2017 is available for scholarships.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

As of June 30, 2017, the District had net capital assets of \$411,668 including leasehold improvements, computer and audio-visual equipment, transportation equipment, and various other equipment for instructional, support and administrative purposes. Total depreciation expense for the year was \$60,350. Information about the District's capital assets is shown below. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

**Capital Assets – Governmental Activities**

	<u>6/30/2017</u>	<u>6/30/2016</u>	<b>Percentage Change</b>
Leasehold Improvements	\$ 457,259	\$ 457,259	0.0%
Equipment and Vehicles	671,713	684,340	(1.8%)
Less Accumulated Depreciation	<u>(717,304)</u>	<u>(663,267)</u>	8.1%
<b>Total Net Capital Assets</b>	<b><u>\$ 411,668</u></b>	<b><u>\$ 478,332</u></b>	<b>(13.9%)</b>

**DEBT ADMINISTRATION**

At June 30, 2017, the District had no outstanding debt. Other long-term liabilities are detailed in Note 5 to the financial statements.

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

The Legislature approved in the 2017 Legislative Session foundation formula increases of two percent for both the 2017-2018 and 2018-2019 fiscal years. Along with the increases for the previous two years, this will continue to have a very positive effect for school district operations and maintaining a balanced budget. Along with this, long-term facilities maintenance revenue that was approved in the 2015 Legislative Session began in 2016-2017, and will increase per pupil unit each year for three years.

Year-round employee work agreements are in effect for a one-year period beginning July 1, all other work agreements are in effect for a one-year period beginning the first day of teacher workshop. Labor costs account for approximately 66% of the District's General Fund operating expenditures.

The District was awarded a PACT 4 grant for the 21<sup>st</sup> Century after school and summer program for the 2014-2015 year and the next two to four years. These grants provide increased program opportunities for the District's students.

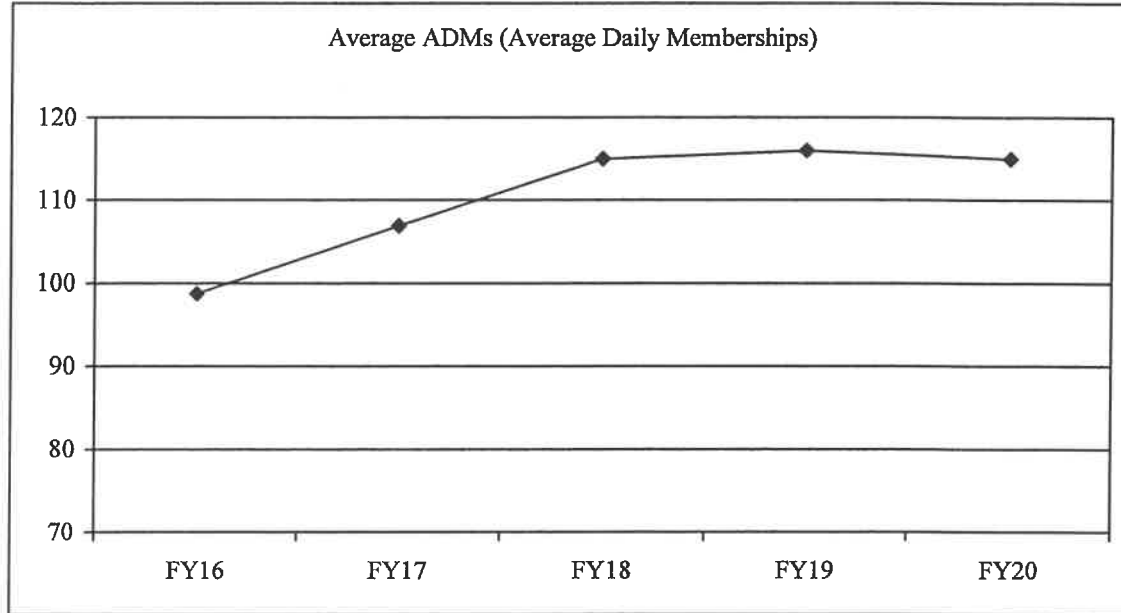
The District is in the process of applying for a daycare license and will be applying for funding for the preschool program. The District anticipates the daycare to open in the 2017-2018 fiscal year. The preschool program currently relies on donations. If approved, the preschool funding will start in the 2019-2020 fiscal year. The District is relying on these program revenues to further support the operations of the District and increase future student count by expanding services to the community.

The District's trend for enrollment shows an increase in enrollment for the 2017-2018 school year due to an increase in the number of middle school age students and leveling off for the next few years due to these students remaining in the District. This impacts the District's funding since enrollment is what actually determines most of a school's funding components. Hence, if there was an increase in enrollment the District could anticipate an increase in revenues even if there were no increases to the formulas. Increasing enrollment is a primary goal of the District.



**INDEPENDENT SCHOOL DISTRICT NO. 4026  
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL  
ECHO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

**FACTORS BEARING ON THE DISTRICT'S FUTURE (Cont'd)**



**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide District citizens, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If one has questions about this report or needs additional financial information, contact the Business Office, Independent School District 4026, Every Child Has Opportunities (ECHO) Charter School, 101 Rocket Ave, PO Box 158, Echo, MN 56237, visit the District website at [www.echo.charter.k12.mn.us](http://www.echo.charter.k12.mn.us) or call (507) 925-4143.

## **BASIC FINANCIAL STATEMENTS**

**INDEPENDENT SCHOOL DISTRICT NO. 4026**  
**EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL**  
**ECHO, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**  
**(with Partial Comparative Information as of June 30, 2016)**

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Investments	\$ 103,893	\$ 273,365
Accounts Receivable	2,055	8,695
Due From State of Minnesota	148,806	120,649
Due From Federal Government	11,966	10,540
Due From Other Minnesota School Districts	62,247	52,372
Interest Receivable	138	169
Inventory	2,823	3,867
Prepaid Expenses	9,471	9,154
Total Current Assets	<u>341,399</u>	<u>478,811</u>
<b>Noncurrent Assets:</b>		
Investments	45,238	20,680
Capital Assets:		
Other Capital Assets, Net of Depreciation	411,668	478,332
Total Noncurrent Assets	<u>456,906</u>	<u>499,012</u>
<b>TOTAL ASSETS</b>	<u>798,305</u>	<u>977,823</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to Pensions	<u>1,937,080</u>	<u>169,920</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 2,735,385</u>	<u>\$ 1,147,743</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Salaries Payable	\$ 73,690	\$ 75,624
Accounts Payable	20,130	10,080
Payroll Liabilities	40,017	39,734
Total Current Liabilities	<u>133,837</u>	<u>125,438</u>
<b>Noncurrent Liabilities:</b>		
Noncurrent Portion of Long-Term Liabilities	<u>3,123,123</u>	<u>923,872</u>
<b>TOTAL LIABILITIES</b>	<u>3,256,960</u>	<u>1,049,310</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to Pensions	<u>144,716</u>	<u>228,587</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	411,668	478,332
Restricted For:		
Food Service	-	9,324
Unrestricted	<u>(1,077,959)</u>	<u>(617,810)</u>
<b>TOTAL NET POSITION</b>	<u>(666,291)</u>	<u>(130,154)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 2,735,385</u>	<u>\$ 1,147,743</u>

The accompanying notes are an integral part of these statements.

INDEPENDENT SCHOOL DISTRICT NO. 4026  
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL  
ECHO, MINNESOTA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

(with Partial Comparative Information for the Year Ended June 30, 2016)

Functions/Programs	2017				2016	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
<b>Governmental Activities:</b>						
District and School Administration	\$ 87,111				\$ (87,111)	\$ (58,908)
District Support Services	144,432				(144,432)	(144,409)
Regular Instruction	1,048,411	\$ 14,465	174,745		(859,201)	(547,194)
Vocational Instruction	-	-	-		-	(664)
Exceptional Instruction	205,144	-	136,980		(68,164)	(38,154)
Instructional Support Services	2,342	-	-		(2,342)	(7,953)
Pupil Support Services	216,940	20,644	40,245		(156,051)	(119,061)
Site, Buildings and Equipment	355,097	-	156,931		(198,166)	(210,281)
Fiscal and Other Fixed Cost Programs	8,829	-	-		(8,829)	(7,960)
Loss on Disposal of Assets	6,314	-	-		(6,314)	-
<b>Total Governmental Activities</b>	<b>2,074,620</b>	<b>35,109</b>	<b>508,901</b>	<b>\$ -</b>	<b>(1,530,610)</b>	<b>(1,134,584)</b>
<b>General Revenues:</b>						
Federal and State Aid Not Restricted to Specific Purposes					991,071	881,870
Earnings on Investments					1,153	1,920
Gain on Sale of Assets					-	1,193
Miscellaneous Revenues					2,249	2,294
<b>Total General Revenues</b>					<b>994,473</b>	<b>887,277</b>
<b>Change in Net Position</b>					<b>(536,137)</b>	<b>(247,307)</b>
<b>Net Position - Beginning of Year, As Originally Stated</b>					<b>(130,154)</b>	<b>137,779</b>
<b>Prior Period Adjustment</b>					<b>-</b>	<b>(20,626)</b>
<b>Net Position, Beginning of Year, As Restated</b>					<b>(130,154)</b>	<b>117,153</b>
<b>Net Position - Ending</b>					<b>\$ (666,291)</b>	<b>\$ (130,154)</b>

The accompanying notes are an integral part of these statements.

INDEPENDENT SCHOOL DISTRICT NO. 4026  
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL  
ECHO, MINNESOTA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2017  
(with Partial Comparative Information as of June 30, 2016)

	Major Funds		Total Governmental Funds	
	General	Food Service	2017	2016
<b>ASSETS</b>				
Cash and Investments	\$ 145,820	\$ 3,311	\$ 149,131	\$ 294,045
Accounts Receivable	1,958	97	2,055	8,695
Due From State of Minnesota	148,806	-	148,806	120,649
Due From Federal Government	10,810	1,156	11,966	10,540
Due From Other Minnesota School Districts	62,247	-	62,247	52,372
Interest Receivable	138	-	138	169
Inventory	-	2,823	2,823	3,867
Prepaid Expenditures	9,471	-	9,471	9,154
<b>TOTAL ASSETS</b>	<b>\$ 379,250</b>	<b>\$ 7,387</b>	<b>\$ 386,637</b>	<b>\$ 499,491</b>
<b>LIABILITIES</b>				
Salaries Payable	\$ 69,937	\$ 3,753	\$ 73,690	\$ 75,624
Accounts Payable	16,496	3,634	20,130	10,080
Payroll Liabilities	40,017	-	40,017	39,734
<b>TOTAL LIABILITIES</b>	<b>126,450</b>	<b>7,387</b>	<b>133,837</b>	<b>125,438</b>
<b>FUND BALANCES</b>				
Nonspendable Fund Balances	9,471	2,823	12,294	13,021
Restricted Fund Balances	-	-	-	5,457
Assigned Fund Balances	30,626	-	30,626	64,168
Unassigned Fund Balances	212,703	(2,823)	209,880	291,407
<b>TOTAL FUND BALANCES</b>	<b>252,800</b>	<b>-</b>	<b>252,800</b>	<b>374,053</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 379,250</b>	<b>\$ 7,387</b>	<b>\$ 386,637</b>	<b>\$ 499,491</b>

The accompanying notes are an integral part of these statements.

**INDEPENDENT SCHOOL DISTRICT NO. 4026  
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL  
ECHO, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017  
(with Partial Comparative Information as of June 30, 2016)**

	<u>2017</u>	<u>2016</u>
<b>Total Fund Balances for Governmental Funds</b>	<b>\$ 252,800</b>	<b>\$ 374,053</b>
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 governmental funds. Those assets consist of:		
Other Capital Assets, Net of \$717,304 of		
Accumulated Depreciation	411,668	478,332
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pensions	1,937,080	169,920
Deferred Inflows of Resources Related to Pensions	(144,716)	(228,587)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Pension Benefits Payable	<u>(3,123,123)</u>	<u>(923,872)</u>
<b>Total Net Position of Governmental Activities</b>	<b>\$ <u>(666,291)</u></b>	<b>\$ <u>(130,154)</u></b>

The accompanying notes are an integral part of these statements.

**INDEPENDENT SCHOOL DISTRICT NO. 4026**  
**EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL**  
**ECHO, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**(with Partial Comparative Information for the Year Ended June 30, 2016)**

	<b>Major Funds</b>		<b>Total Governmental Funds</b>	
	<b>General</b>	<b>Food Service</b>	<b>2017</b>	<b>2016</b>
<b>REVENUES</b>				
Other Local and County Revenues	\$ 18,897	\$ -	\$ 18,897	\$ 20,026
Revenue From State Sources	1,250,848	3,968	1,254,816	1,129,166
Revenue From Federal Sources	162,672	36,277	198,949	176,600
Sales and Other Conversion of Assets	6,828	18,281	25,109	35,710
<b>TOTAL REVENUES</b>	<b>1,439,245</b>	<b>58,526</b>	<b>1,497,771</b>	<b>1,361,502</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
District and School Administration	63,886	-	63,886	60,004
District Support Services	137,150	-	137,150	142,334
Regular Instruction	725,824	-	725,824	704,056
Vocational Instruction	-	-	-	664
Exceptional Instruction	156,448	-	156,448	152,527
Instructional Support Services	601	-	601	2,315
Pupil Support Services	114,255	77,745	192,000	163,974
Site, Buildings and Equipment	329,925	-	329,925	328,634
Fiscal and Other Fixed Cost Programs	8,829	-	8,829	7,960
<b>Capital Outlay:</b>	<b>3,600</b>	<b>761</b>	<b>4,361</b>	<b>7,940</b>
<b>TOTAL EXPENDITURES</b>	<b>1,540,518</b>	<b>78,506</b>	<b>1,619,024</b>	<b>1,570,408</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(101,273)</b>	<b>(19,980)</b>	<b>(121,253)</b>	<b>(208,906)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Property and Equipment	-	-	-	4,006
Transfer To/From Other Funds	(10,656)	10,656	-	-
	<b>(10,656)</b>	<b>10,656</b>	<b>-</b>	<b>4,006</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(111,929)</b>	<b>(9,324)</b>	<b>(121,253)</b>	<b>(204,900)</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>364,729</b>	<b>9,324</b>	<b>374,053</b>	<b>578,953</b>
<b>FUND BALANCE END OF YEAR</b>	<b>\$ 252,800</b>	<b>\$ -</b>	<b>\$ 252,800</b>	<b>\$ 374,053</b>

The accompanying notes are an integral part of these statements.

**INDEPENDENT SCHOOL DISTRICT NO. 4026**  
**EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL**  
**ECHO, MINNESOTA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**(with Partial Comparative Information for the Year Ended June 30, 2016)**

	<u>2017</u>	<u>2016</u>
<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (121,253)</b>	<b>\$ (204,900)</b>
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount of depreciation expense in the period.		
Depreciation Expense	(60,350)	(69,470)
Proceeds from the sale of capital assets are reported in governmental funds as other financing sources without regard to any cost basis adjustment. However, for governmental activities those proceeds are adjusted for any remaining cost basis of the assets that were disposed.		
	(6,314)	(2,813)
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the statement of activities factors in items related to pensions on a full accrual perspective.		
State Aid Related to Pension Expense	40,712	15,414
Pension Expense	<u>(388,932)</u>	<u>14,462</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>(536,137)</u></b>	<b>\$ <u>(247,307)</u></b>

The accompanying notes are an integral part of these statements.



**INDEPENDENT SCHOOL DISTRICT NO. 4026**  
**EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL**  
**ECHO, MINNESOTA**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**JUNE 30, 2017**  
**(with Partial Comparative Information as of June 30, 2016)**

	Private-Purpose Trust Fund	
	2017	2016
<b>ASSETS</b>		
Cash and Investments	\$ 7,684	\$ 7,664
Interest Receivable	6	5
<b>TOTAL ASSETS</b>	<b>7,690</b>	<b>7,669</b>
<b>LIABILITIES</b>		
None	-	-
<b>NET POSITION HELD IN TRUST FOR SCHOLARSHIPS</b>	<b>\$ 7,690</b>	<b>\$ 7,669</b>

The accompanying notes are an integral part of these statements.

**INDEPENDENT SCHOOL DISTRICT NO. 4026**  
**EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL**  
**ECHO, MINNESOTA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**(with Partial Comparative Information for the Year Ended June 30, 2016)**

	Private-Purpose Trust Fund	
	2017	2016
<b>ADDITIONS:</b>		
Investment Income:		
Interest	\$ 21	\$ 20
<b>TOTAL ADDITIONS</b>	<b>21</b>	<b>20</b>
<b>DEDUCTIONS:</b>		
None	-	-
<b>TOTAL DEDUCTIONS</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE</b>	<b>21</b>	<b>20</b>
<b>NET POSITION BEGINNING OF YEAR</b>	<b>7,669</b>	<b>7,649</b>
<b>NET POSITION END OF YEAR</b>	<b>\$ 7,690</b>	<b>\$ 7,669</b>

The accompanying notes are an integral part of these statements.

**INDEPENDENT SCHOOL DISTRICT NO. 4026  
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL  
ECHO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The financial statements of Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota 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 pronouncements are recognized as U.S. generally accepted accounting principles for state and local governments.

**B. FINANCIAL REPORTING ENTITY**

Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The governing body consists of school board members elected by parents and District staff to serve staggered terms.

U.S. Generally Accepted Accounting Principles (GAAP) require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units – entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds of the District. There are no other entities for which the District is financially accountable.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside 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. The District currently has no student activities accounts not reflected in these financial statements.

**C. BASIC FINANCIAL STATEMENT PRESENTATION**

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

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

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

**INDEPENDENT SCHOOL DISTRICT NO. 4026  
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL  
ECHO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**C. BASIC FINANCIAL STATEMENT PRESENTATION (Cont'd)**

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Since the resources in the fiduciary fund cannot be used for District operations, they are not included in the government-wide statements. Major individual governmental funds are reported as 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 District 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 government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota Statutes and U.S. generally accepted accounting principles. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales and other miscellaneous revenue (except investment earnings) are generally recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.
2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used.

Fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the period in which they are incurred and become measurable.

**Description of Funds**

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report is as follows:

**Governmental Funds**

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, and equipment purchases.

Food Service Fund – The Food Service Fund is used to account for food service revenues and expenditures.

**INDEPENDENT SCHOOL DISTRICT NO. 4026  
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL  
ECHO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**  
**D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd)**

**Description of Funds (Cont'd)**

**Fiduciary Fund**

Trust Fund – The Private-Purpose Trust Fund is used to account for assets held by the District in a fiduciary capacity. Major sources of additions include gifts, donations, and interest income. Deductions are allowed for any purpose for which the original trust was created.

GASB Statement No. 34 specifies that the accounts and activities of each of the District'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. Although only the General Fund is a major fund by definition, the District has elected to report all funds as major funds and therefore presents all funds in separate columns on the fund financial statements – an option permitted by GASB Statement No. 34.

**E. BUDGETING**

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

Procedurally, in establishing the budgetary data, the School Board Treasurer submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board.

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

Unencumbered expenditure appropriations lapse at year-end. Encumbrances are generally not recorded.

**F. CASH AND INVESTMENTS**

Cash and investments include amounts invested to the extent available in various securities as authorized by state law. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances. Investments are reported at fair value.

Cash and investments at June 30, 2017 are comprised of demand deposit accounts and negotiable certificates of deposit.

The District has formal policies in place as of June 30, 2017 to address custodial credit risk for deposits. The District does not have formal policies in place to address credit risk, concentration of credit risk and interest rate risk for investments since the District does not have any applicable investments.

**INDEPENDENT SCHOOL DISTRICT NO. 4026  
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL  
ECHO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**G. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts receivable from individuals and others for goods and services furnished by the District. Amounts due from the State of Minnesota and from other governmental units for general education aids and reimbursements under various specific programs are reported at the estimated amounts to be received based on available information at the date of this report. In some instances adjustments and proration by these agencies, which are dependent upon the amount of funds available for distribution, may result in differing amounts actually being received. Any such differences will be absorbed into operations of the subsequent period. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

**H. INVENTORIES**

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture.

**I. PREPAYMENTS**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

**J. CAPITAL ASSETS**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$1,000 for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statement, 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 District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 5 to 15 years for equipment.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property which is being leased from Echo Community Corporation.

**K. DEFINED BENEFIT PENSION PLANS**

**Teachers Retirement Association**

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

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

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**K. DEFINED BENEFIT PENSION PLANS (Cont'd)**

**Public Employees Retirement Association**

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

**L. VACATION AND SICK PAY**

Employees of the District earn sick leave at various rates to a maximum accumulation of 60 days. Vacation leave is earned by 12-month employees at various rates. Unused vacation pay does not accumulate. The expenditures for sick leave and vacation pay are recognized during the periods that payment is actually made and accumulated leaves are forfeited by the employee upon termination of employment.

**M. DEFERRED OUTFLOWS OF RESOURCES**

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

**N. DEFERRED INFLOWS OF RESOURCES**

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

**O. RISK MANAGEMENT**

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

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

**P. FUND BALANCE**

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

*Nonspendable* – consists of amounts that cannot be spent because it is not in spendable form, such as prepaid and inventory items.

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

*Committed* – consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**P. FUND BALANCE (Cont'd)**

*Assigned* – consists of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School Board itself or by an official to which the School Board delegates the authority. Pursuant to School Board resolution, the Finance Committee is authorized to establish assignments of fund balance.

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

If resources from more than one fund balance classification could be spent, the District will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned as determined by the School Board.

The District has formally adopted a fund balance policy for the General Fund. The District's policy is to maintain a minimum of four months operating expenditures in the General Fund.

**Q. NET POSITION**

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the government-wide financial statements. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws or regulations of other governments. All other net position items that do not meet the definition of "net investment in capital assets" or "restricted" are reported as unrestricted.

**R. 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.

**S. RECLASSIFICATIONS**

Certain amounts in the prior year data have been reclassified in order to be consistent with the current year's presentation. The total amount of the District's prior year fund balance did not change due to the reclassifications.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. DEFICIT FUND BALANCES**

For the year ended June 30, 2017, the District did not have any negative fund balances.

**3. DEPOSITS AND INVESTMENTS**

**A. DEPOSITS**

In accordance with Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board, which are members of the Federal Reserve System.

Minnesota Statutes require that all District deposits be secured by a bank guaranty bond or 110% of collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC).



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**3. DEPOSITS AND INVESTMENTS (Cont'd)**

**A. DEPOSITS (Cont'd)**

**Custodial Credit Risk:** For deposits, is the risk that, in the event of failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2017, the District's bank balance was not exposed to custodial credit risk because it was insured and properly collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

**B. INVESTMENTS**

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investments were not exposed to interest rate risk at June 30, 2017.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investments were not exposed to credit risk at June 30, 2017.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District has no formal investment policy that places limits on the amount the District may invest in any one issuer.

**Custodial Credit Risk:** For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments were not exposed to custodial credit risk at June 30, 2017.

The following table presents the District's cash and investment balances at June 30, 2017:

<u>Cash/Investment Type</u>	<u>Credit Rating</u>	<u>Average Maturities</u>	<u>Percentage of Total</u>	<u>Fair Value</u>
<b>Cash and Investments:</b>				
Certificates of Deposit	N/A	12.81 months	103.6%	\$ 154,468
Savings	N/A	N/A	0.0%	10
Checking Accounts	N/A	N/A	(3.7%)	(5,447)
Petty Cash	N/A	N/A	0.1%	100
<b>Total Cash and Investments</b>			<b>100.0%</b>	<b><u>\$ 149,131</u></b>

Cash and Investments are presented in the June 30, 2017 basic financial statements as follows:

**Statement of Net Position:**

**Current Assets:**

Cash and Investments \$ 103,893

**Noncurrent Assets:**

Investments 45,238

**Total** **\$ 149,131**

**C. FAIR VALUE MEASUREMENT**

The District's cash and investments consist of a checking account, certificates of deposit, a savings account, and petty cash, none of which are subject to fair value measurement under GASB Statement No. 72.

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**4. CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Being Depreciated				
Leasehold Improvements	\$ 457,259	\$ -	\$ -	\$ 457,259
Equipment and Transportation Vehicles	<u>684,340</u>	<u>-</u>	<u>12,627</u>	<u>671,713</u>
Total Capital Assets, Being Depreciated	<u>1,141,599</u>	<u>-</u>	<u>12,627</u>	<u>1,128,972</u>
Accumulated Depreciation for:				
Leasehold Improvements	137,360	18,491	-	155,851
Equipment and Transportation Vehicles	<u>525,907</u>	<u>41,859</u>	<u>6,313</u>	<u>561,453</u>
Total Accumulated Depreciation	<u>663,267</u>	<u>60,350</u>	<u>6,313</u>	<u>717,304</u>
Total Capital Assets, Being Depreciated, Net	<u>478,332</u>	<u>(60,350)</u>	<u>6,314</u>	<u>411,668</u>
Governmental Activities Capital Assets, Net	<u>\$ 478,332</u>	<u>\$ (60,350)</u>	<u>\$ 6,314</u>	<u>\$ 411,668</u>

Depreciation expense was charged to functions of the District as follows:

Governmental Activities	
District Support Services	\$ 167
Regular Instruction	18,457
Exceptional Instruction	202
Pupil Support Services	19,493
Site, Buildings and Equipment	<u>22,031</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 60,350</u>

**5. GENERAL LONG-TERM LIABILITIES**

**A. CHANGES IN LONG-TERM LIABILITIES**

Long-term liability balances and activity for the year ended June 30, 2017 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities					
Pension Benefits Payable	<u>\$ 923,872</u>	<u>\$ 2,303,252</u>	<u>\$ 104,001</u>	<u>\$ 3,123,123</u>	<u>\$ -</u>

**6. OTHER POST EMPLOYMENT BENEFITS**

Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions* requires Districts that provide health insurance benefits for retired employees to record a liability for the District's net OPEB obligation. Since the District does not offer health insurance to its employees, this Standard is not applicable to the District, and no liability is recorded.

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**7. FUND BALANCE CLASSIFICATION**

At June 30, 2017, a summary of the governmental fund balance classifications is as follows:

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
<b>Nonspendable:</b>			
Prepaid Expenditures	\$ 9,471	\$ -	\$ 9,471
Inventory	<u>-</u>	<u>2,823</u>	<u>2,823</u>
	<u>9,471</u>	<u>2,823</u>	<u>12,294</u>
<b>Assigned for:</b>			
Equipment and Program Supplies	16,095	-	16,095
Field Trips	<u>14,531</u>	<u>-</u>	<u>14,531</u>
	<u>30,626</u>	<u>-</u>	<u>30,626</u>
<b>Unassigned:</b>	<u>212,703</u>	<u>(2,823)</u>	<u>209,880</u>
<b>Total Fund Balance:</b>	<u>\$ 252,800</u>	<u>\$ -</u>	<u>\$ 252,800</u>

**8. PENSION PLANS**

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

**A. TEACHERS RETIREMENT ASSOCIATION**

**1. Plan Description**

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

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

**2. Benefits Provided**

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

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

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**8. PENSION PLANS (Cont'd)**

**A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)**

**2. Benefits Provided (Cont'd)**

<b>Tier I:</b>	<b><u>Step Rate Formula</u></b>	<b><u>Percentage</u></b>
<b>Basic</b>	1 <sup>st</sup> ten years of service	2.20% per year
	All years after	2.70% per year
<b>Coordinated</b>	1 <sup>st</sup> ten years if service years are up to July 1, 2006	1.20% per year
	1 <sup>st</sup> ten years if service years are July 1, 2006 or after	1.40% per year
	All other years of service if service years are up to July 1, 2006	1.70% per year
	All other years of service if service years are July 1, 2006 or after	1.90% 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

**Tier II:** For years of service prior to July 1, 2006, a level formula of 1.70% per year for coordinated members and 2.70% per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.90% per year for Coordinated members and 2.70% per year for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death 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 eligible for a refund of their employee contributions plus interest.

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

**3. Contribution Rate**

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2016, and June 30, 2017 were:

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**8. PENSION PLANS (Cont'd)**

**A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)**

**3. Contribution Rate (Cont'd)**

	<b>Employee</b>	<b>Employer</b>
<b>Basic</b>	11.00%	11.50%
<b>Coordinated</b>	7.50%	7.50%

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

Employer contributions reported in TRA's CAFR, Statement of Changes in Fiduciary Net Position	\$ 354,961,140
Add employer contributions not related to future contribution efforts	26,356
Deduct TRA's contributions not included in allocation	<u>(442,978)</u>
Total employer contributions	<b>354,544,518</b>
Total non-employer contributions	<u>35,587,410</u>
<b>Total contributions reported in <i>Schedule of Employer and Non-Employer Allocations</i></b>	<b><u>\$ 390,131,928</u></b>

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

**4. Actuarial Assumptions**

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

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

**Actuarial Information**

Valuation Date	July 1, 2016
Experience Study	June 5, 2015
Actuarial Cost Method	Entry Age Normal
<b>Actuarial Assumptions:</b>	
Investment Rate of Return	4.66%, from the Single Equivalent Interest Rate calculation
Price Inflation	2.75%
Wage Growth Rate	3.50%
Projected Salary increase	3.50 – 9.50%
Cost of living adjustment	2.00%

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**8. PENSION PLANS (Cont'd)**

**A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)**

**4. Actuarial Assumptions (Cont'd)**

**Mortality Assumptions**

Pre-retirement	RP – 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP – 2015 scale.
Post-retirement	RP – 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP – 2015 scale.
Post-disability	RP – 2014 disabled retiree mortality table, without adjustment.

The 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Stocks	45.00%	5.50%
International Stocks	15.00%	6.00
Bonds	18.00%	1.45
Alternative Assets	20.00%	6.40
Unallocated Cash	2.00%	0.50
<b>Total</b>	<b><u>100.00%</u></b>	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is 6 years. The “Difference Between Expected and Actual Experience,” “Changes of Assumptions,” and “Changes in Proportion” use the amortization period of 6 years in the schedule presented. The amortization period for “Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments” is over a period of 5 years as required by GASB 68.

**5. Discount Rate**

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

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**8. PENSION PLANS (Cont'd)**

**A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)**

**6. Net Pension Liability**

On June 30, 2017, the District reported a liability of \$2,814,582 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.0118% at the end of the measurement period and 0.0115% for the beginning of the year.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the District 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 District were as follows:

District's proportionate share of net pension liability	\$ 2,814,582
State's proportionate share of the net pension liability associated with the District	\$ 282,850

There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date. Post-retirement benefit adjustments are now assumed to remain level at 2.00% annually. While in the previous measurement the COLA increased to 2.50% in 2034.

For the year ended June 30, 2017, the District recognized pension expense of \$421,000. It also recognized \$39,495 as an increase to pension expense for the support provided by direct aid.

On June 30, 2017, the District had deferred resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 26,880	\$ 78
Changes in actuarial assumptions	1,603,857	-
Difference between projected and actual investment earnings	122,553	-
Changes in proportion	15,465	104,685
Contributions paid to TRA subsequent to the measurement date	<u>46,333</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 1,815,088</u></b>	<b><u>\$ 104,763</u></b>

\$46,333 reported as deferred outflows of resources related to pensions resulting from District 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

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**8. PENSION PLANS (Cont'd)**

**A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)**

**6. Net Pension Liability (Cont'd)**

Year ended June 30	Pension Expense Amount
2018	\$ 314,778
2019	\$ 314,778
2020	\$ 360,924
2021	\$ 358,285
2022	\$ 315,227
Thereafter	\$ -

**7. Pension Liability Sensitivity**

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.66% as well as the liability measured using one percentage point lower and one percentage point higher than the current discount rate:

District proportionate share of NPL		
1 percent decrease (3.66%)	Current (4.66%)	1 percent increase (5.66%)
\$3,625,885	\$2,814,582	\$2,153,802

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

**8. Pension Plan Fiduciary Net Position**

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org), or 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**

**1. Plan Description**

The District participates in the following cost-sharing multiple-employer defined benefit pension plan 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.

General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))

All full-time and certain part-time employees of the District, other than teachers, are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**2. 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 2.50% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1.00% increases.



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**8. PENSION PLANS (Cont'd)**

**B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)**

**2. Benefits Provided (Cont'd)**

The benefit provisions stated in the following paragraph 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.

General Employees Plan Benefits

General Employees Plan 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 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 Coordinated Plan member is 1.20% of average salary for each of the first ten years and 1.70% for each remaining year. Under Method 2, the annuity accrual rate is 1.70% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

**3. Contributions**

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2017; the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2017, were \$20,334. The District's contributions were equal to the required contributions as set by State Statute.

**4. Pension Costs**

General Employees Fund Pension Costs

At June 30, 2017, the District reported a liability of \$308,541 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$4,082. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the District's proportionate share was 0.0038%, which was a decrease of 0.0003% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$34,599 for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional \$1,217 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

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**8. PENSION PLANS (Cont'd)**

**B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)**

**4. Pension Costs (Cont'd)**

At June 30, 2017, the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 986	\$ 25,587
Changes in actuarial assumptions	67,027	-
Difference between projected and actual investment earnings	33,645	-
Changes in proportion	-	14,366
Contributions paid to PERA subsequent to the measurement date	<u>20,334</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 121,992</u></b>	<b><u>\$ 39,953</u></b>

\$20,334 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	Pension Expense Amount
2018	\$ 15,944
2019	\$ 8,343
2020	\$ 26,273
2021	\$ 11,145
2022	\$ -
Thereafter	\$ -

**5. Actuarial Assumptions**

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

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for the General Employees Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1.00% per year for all future years for the General Employees Plan.

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**8. PENSION PLANS (Cont'd)**

**B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)**

**5. Actuarial Assumptions (Cont'd)**

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

The following changes in actuarial assumptions occurred in 2016.

General Employees Fund

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	45.00%	5.50%
International Stocks	15.00%	6.00%
Bonds	18.00%	1.45%
Alternative Assets	20.00%	6.40%
Cash	2.00%	0.50%
<b>Total</b>	<b><u>100.00%</u></b>	

**6. Discount Rate**

The discount rate used to measure the total pension liability in 2016 was 7.50%, a reduction from the 7.90% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**7. Pension Liability Sensitivity**

The following presents the District's proportionate share of the net pension liability for the General Employees Fund, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

District proportionate share of General Employees Fund NPL		
1 percent decrease (6.50%)	Current (7.50%)	1 percent increase (8.50%)
\$438,220	\$308,541	\$201,721

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**8. PENSION PLANS (Cont'd)**

**B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)**

**8. Pension Plan Fiduciary Net Position**

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

**9. OPERATING LEASE AGREEMENTS**

**Building Lease**

The District entered into an operating lease effective July 1, 2006 with the Echo Community Corporation for the building located in Echo, Minnesota. The lease is on a monthly basis and must be renewed annually. The lease agreement in effect for July 1, 2016 through June 30, 2017 requires monthly payments of \$16,500. The Echo Community Corporation is responsible for all building insurance costs, health and safety expenditures, ADA expenditures, and other facilities costs which may arise. Echo Community Corporation obtains an annual independent audit, and will furnish this information to the District upon request.

Lease expenditures for the year ended June 30, 2017 were \$198,000.

**Equipment Leases**

The District has entered into operating lease agreements for various pieces of office equipment. These leases call for monthly payments ranging from \$19 to \$568 and end on various dates through January 19, 2022. Expenditures under these leases were \$10,467 for the year ended June 30, 2017.

Future minimum lease obligations under these agreements are as follows:

2018	\$ 11,613
2019	10,302
2020	6,818
2021	6,818
2022	3,977

**10. AUTHORIZER AGREEMENT**

The District entered into a contract with Innovative Quality Schools to act as its Authorizer on July 1, 2016. This contract is effective from the date of its issuance and shall remain in full force and effect for a period of three academic years through June 30, 2019, unless revoked or terminated. In exchange for an annual fee, Innovative Quality Schools confers certain rights, privileges, and obligations of a charter school and confirms the status of a charter school to the District. The District paid Innovative Quality Schools an authorizer fee of \$10,557 for the year ended June 30, 2017.

**11. TRANSFERS**

During 2017, the following authorized transfer was made:

<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Food Service Fund	To cover deficit operations	<u>\$ 10,656</u>

**12. SUBSEQUENT EVENTS**

In August 2017, the District received and accepted a donation of \$60,000 from the Upper Sioux Community. This donation is verbally agreed upon to be used for the following: upgrading the District's website, a new mower, an electronic sign for the front of the building, various items needed for the daycare, any needed coach and athletic director salaries, and a new stove for the kitchen. The District has since used some of the funds to purchase a sign for \$23,255, improvements/upgrades to the website for \$8,322, a kitchen stove for \$5,897, and various small daycare items.

The District also purchased a new special education van subsequent to year end for \$23,395.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**INDEPENDENT SCHOOL DISTRICT NO. 4026  
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REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF DISTRICT'S SHARE OF NET PENSION LIABILITY AND DISTRICT'S  
CONTRIBUTIONS  
FOR DEFINED BENEFIT PENSION PLANS  
JUNE 30, 2017**

**TEACHERS RETIREMENT ASSOCIATION**

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS\*\*)**

Fiscal Year Ending	District's Proportion (Percentage) of the Net Pension Liability (Asset)	District's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability (Asset) Associated with the District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the District (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a+b/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/17	0.0118%	\$ 2,814,582	\$ 282,850	\$ 3,097,432	\$ 615,156	503.5%	44.88%
6/30/16	0.0115	711,389	87,187	798,576	615,646	129.7	76.80
6/30/15	0.0120	552,951	38,766	591,717	593,895	99.6	81.50

\*\*Schedule is to be provided prospectively beginning with the employer's fiscal year ended June 30, 2015, or after.

**TEACHERS RETIREMENT ASSOCIATION**

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS\*)**

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
6/30/17	\$ 46,333	\$ 46,333	\$ -	\$ 615,156	7.5%
6/30/16	46,060	46,060	-	615,646	7.5
6/30/15	44,477	44,477	-	593,895	7.5

\* Option to provide RSI for ten years at transition or to provide RSI prospectively.

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**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (\*)  
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND  
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS\*\*)**

Fiscal Year Ending	District's Proportion (Percentage) of the Net Pension Liability (Asset)	District's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the District (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a+b/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/17	0.0038%	\$ 308,541	\$ 4,082	\$ 312,623	\$ 270,645	115.5%	68.9%
6/30/16	0.0041	212,483	-	212,483	233,708	90.9	78.2
6/30/15	0.0042	197,295	-	197,295	239,090	82.5	78.7

\* This schedule is for former MERF Division Employers to present their proportionate share of the State of Minnesota's contributions to the General Employees Fund on their behalf.

\*\*Schedule is to be provided prospectively beginning with the employer's fiscal year ended June 30, 2015, or after.

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND  
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS\*)**

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
6/30/17	\$ 20,334	\$ 20,334	\$ -	\$ 270,645	7.5%
6/30/16	17,513	17,513	-	233,708	7.5
6/30/15	17,709	17,709	-	239,090	7.4

\* Option to provide RSI for ten years at transition or to provide RSI prospectively.

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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017  
(with Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017 Budgeted Amounts		2017		2016
	Original	Final	Actual	Variance	Actual
<b>REVENUES</b>					
<b>Other Local and County Revenues:</b>					
Contributions	\$ 6,850	\$ 4,500	\$ 5,498	\$ 998	\$ 7,031
Admissions	2,050	2,458	4,368	1,910	2,483
Fees from Patrons	4,375	3,425	3,268	(157)	2,932
Earnings From Investments	2,500	2,000	1,153	(847)	1,920
Miscellaneous Revenues and Reimbursements	16,800	9,455	4,610	(4,845)	5,660
	<u>32,575</u>	<u>21,838</u>	<u>18,897</u>	<u>(2,941)</u>	<u>20,026</u>
<b>Revenues From State Sources:</b>					
Endowment Fund Apportionment	2,811	-	3,497	3,497	3,209
General Education Aid	862,316	954,422	939,260	(15,162)	859,880
Literacy Incentive Aid	3,182	-	3,822	3,822	3,367
Charter School Lease Aid	143,607	147,000	156,931	9,931	143,371
Special Education Aid	135,000	165,000	119,095	(45,905)	90,156
Alternative Teacher Compensation Aid	25,311	24,316	24,462	146	25,351
Long-Term Facilities Maintenance Aid	-	-	3,781	3,781	-
	<u>1,172,227</u>	<u>1,290,738</u>	<u>1,250,848</u>	<u>(39,890)</u>	<u>1,125,334</u>
<b>Revenues From Federal Sources:</b>					
Title I	28,990	33,616	33,718	102	24,174
Title II	7,577	6,482	5,141	(1,341)	6,744
REAP Grant	15,145	19,758	19,758	-	9,953
21st Century Grant	69,958	91,333	86,171	(5,162)	71,539
Special Education Through Other Districts	70,000	10,096	17,884	7,788	23,211
	<u>191,670</u>	<u>161,285</u>	<u>162,672</u>	<u>1,387</u>	<u>135,621</u>
<b>Sales and Other Conversion of Assets:</b>					
Sale of Materials	12,200	10,086	6,828	(3,258)	11,144
Insurance Recovery	-	-	-	-	1,557
	<u>12,200</u>	<u>10,086</u>	<u>6,828</u>	<u>(3,258)</u>	<u>12,701</u>
<b>TOTAL REVENUES</b>	<u>1,408,672</u>	<u>1,483,947</u>	<u>1,439,245</u>	<u>(44,702)</u>	<u>1,293,682</u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
<b>District and School Administration:</b>					
Salaries and Wages	18,000	36,341	38,290	(1,949)	36,692
Employee Benefits	2,727	5,506	5,801	(295)	5,559
Purchased Services	150	90	2,440	(2,350)	2,345
Supplies and Materials	-	25	25	-	20
Other Expenditures	12,000	15,443	17,330	(1,887)	15,388
	<u>32,877</u>	<u>57,405</u>	<u>63,886</u>	<u>(6,481)</u>	<u>60,004</u>
<b>District Support Services:</b>					
Salaries and Wages	72,436	72,000	73,620	(1,620)	76,968
Employee Benefits	10,974	10,908	11,153	(245)	11,661
Purchased Services	45,610	47,522	51,003	(3,481)	52,332
Supplies and Materials	800	1,139	1,031	108	1,063
Other Expenditures	150	400	343	57	310
	<u>129,970</u>	<u>131,969</u>	<u>137,150</u>	<u>(5,181)</u>	<u>142,334</u>
<b>Regular Instruction:</b>					
Salaries and Wages	527,856	539,663	549,697	(10,034)	528,214
Employee Benefits	93,974	94,093	99,783	(5,690)	101,176
Purchased Services	25,465	29,871	21,345	8,526	25,021
Supplies and Materials	30,960	48,752	54,999	(6,247)	49,645
	<u>678,255</u>	<u>712,379</u>	<u>725,824</u>	<u>(13,445)</u>	<u>704,056</u>



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BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017  
(with Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017 Budgeted Amounts		2017		2016
	Original	Final	Actual	Variance	Actual
<b>EXPENDITURES (Cont'd)</b>					
<b>Current (Cont'd):</b>					
<b>Vocational Instruction:</b>					
Purchased Services	\$ -	\$ -	\$ -	\$ -	\$ 664
<b>Exceptional Instruction:</b>					
Salaries and Wages	144,390	116,370	110,071	6,299	104,846
Employee Benefits	21,875	17,630	16,668	962	15,781
Purchased Services	20,000	35,490	27,887	7,603	22,160
Supplies and Materials	10,000	10,096	1,822	8,274	9,740
	<u>196,265</u>	<u>179,586</u>	<u>156,448</u>	<u>23,138</u>	<u>152,527</u>
<b>Instructional Support Services:</b>					
Purchased Services	<u>3,000</u>	<u>2,500</u>	<u>601</u>	<u>1,899</u>	<u>2,315</u>
<b>Pupil Support Services:</b>					
Salaries and Wages	41,394	55,000	54,095	905	50,854
Employee Benefits	6,271	8,333	8,065	268	7,601
Purchased Services	8,900	30,260	32,978	(2,718)	21,134
Supplies and Materials	11,650	16,250	19,117	(2,867)	17,979
	<u>68,215</u>	<u>109,843</u>	<u>114,255</u>	<u>(4,412)</u>	<u>97,568</u>
<b>Site, Buildings and Equipment:</b>					
Salaries and Wages	45,000	48,400	48,302	98	45,654
Employee Benefits	6,818	7,333	7,161	172	6,716
Purchased Services	255,600	247,150	260,160	(13,010)	258,909
Supplies and Materials	14,000	12,400	13,702	(1,302)	17,255
Other Expenditures	100	100	600	(500)	100
	<u>321,518</u>	<u>315,383</u>	<u>329,925</u>	<u>(14,542)</u>	<u>328,634</u>
<b>Fiscal and Other Fixed Cost Programs:</b>					
District Insurance	<u>12,500</u>	<u>12,500</u>	<u>8,829</u>	<u>3,671</u>	<u>7,960</u>
<b>Capital Outlay:</b>					
Regular Instruction	-	427	1,180	(753)	-
Instructional Support Services	800	1,800	1,741	59	5,638
Site, Buildings and Equipment	-	679	679	-	2,302
	<u>800</u>	<u>2,906</u>	<u>3,600</u>	<u>(694)</u>	<u>7,940</u>
<b>TOTAL EXPENDITURES</b>	<u>1,443,400</u>	<u>1,524,471</u>	<u>1,540,518</u>	<u>(16,047)</u>	<u>1,504,002</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(34,728)</u>	<u>(40,524)</u>	<u>(101,273)</u>	<u>(60,749)</u>	<u>(210,320)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of Property and Equipment	-	-	-	-	4,006
Transfer to Food Service Fund	-	-	(10,656)	(10,656)	-
	<u>-</u>	<u>-</u>	<u>(10,656)</u>	<u>(10,656)</u>	<u>4,006</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>(34,728)</u>	<u>(40,524)</u>	<u>(111,929)</u>	<u>(71,405)</u>	<u>(206,314)</u>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<u>364,729</u>	<u>364,729</u>	<u>364,729</u>	<u>-</u>	<u>571,043</u>
<b>FUND BALANCE END OF YEAR</b>	<u>\$ 330,001</u>	<u>\$ 324,205</u>	<u>\$ 252,800</u>	<u>\$ (71,405)</u>	<u>\$ 364,729</u>

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BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017  
(with Comparative Actual Amounts for the Year Ended June 30, 2016)

	<u>2017 Actual</u>	<u>2016 Actual</u>
<b>FUND BALANCE ANALYSIS</b>		
<b>NONSPENDABLE FUND BALANCE</b>		
Prepaid Expenditures	\$ 9,471	\$ 9,154
<b>ASSIGNED FUND BALANCES</b>		
Projected Budget Deficit	-	34,728
Equipment and Program Supplies	16,095	16,095
Field Trips	14,531	13,345
<b>TOTAL ASSIGNED FUND BALANCES</b>	<u>30,626</u>	<u>64,168</u>
<b>UNASSIGNED FUND BALANCE</b>	<u>212,703</u>	<u>291,407</u>
<b>TOTAL FUND BALANCE</b>	<u>\$ 252,800</u>	<u>\$ 364,729</u>

INDEPENDENT SCHOOL DISTRICT NO. 4026  
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL  
ECHO, MINNESOTA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - FOOD SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2017  
(with Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017 Budgeted Amounts		2017		2016
	Original	Final	Actual	Variance	Actual
<b>REVENUES</b>					
Other Local and County Revenues:					
Miscellaneous Revenues	\$ 200	\$ -	\$ -	\$ -	\$ -
<b>Revenues From State Sources:</b>					
School Lunch Aid	3,000	5,000	3,058	(1,942)	2,577
School Breakfast Program	1,500	3,000	910	(2,090)	1,255
	<u>4,500</u>	<u>8,000</u>	<u>3,968</u>	<u>(4,032)</u>	<u>3,832</u>
<b>Revenues From Federal Sources:</b>					
School Lunch Aid	5,000	8,000	4,273	(3,727)	5,550
Free/Reduced Lunch Aid	20,000	27,000	21,179	(5,821)	23,673
School Breakfast Program	6,000	10,000	6,037	(3,963)	9,796
Summer Food Service Program	-	-	1,171	1,171	1,514
USDA Commodities/Rebate	400	4,400	3,617	(783)	446
	<u>31,400</u>	<u>49,400</u>	<u>36,277</u>	<u>(13,123)</u>	<u>40,979</u>
<b>Sales And Other Conversion Of Assets:</b>					
Sale of Lunches	<u>23,500</u>	<u>26,000</u>	<u>18,281</u>	<u>(7,719)</u>	<u>23,009</u>
<b>TOTAL REVENUES</b>	<u>59,600</u>	<u>83,400</u>	<u>58,526</u>	<u>(24,874)</u>	<u>67,820</u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
<b>Pupil Support Services:</b>					
Salaries and Wages	28,187	31,432	32,615	(1,183)	20,957
Employee Benefits	4,270	4,762	4,941	(179)	3,175
Purchased Services	-	1,200	1,223	(23)	39
Supplies and Materials	27,050	32,142	33,225	(1,083)	40,901
USDA Commodities	-	400	3,502	(3,102)	223
Other Expenditures	600	1,499	2,239	(740)	1,111
	<u>60,107</u>	<u>71,435</u>	<u>77,745</u>	<u>(6,310)</u>	<u>66,406</u>
<b>Capital Outlay:</b>					
Pupil Support Services	-	761	761	-	-
<b>TOTAL EXPENDITURES</b>	<u>60,107</u>	<u>72,196</u>	<u>78,506</u>	<u>(6,310)</u>	<u>66,406</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(507)</u>	<u>11,204</u>	<u>(19,980)</u>	<u>(31,184)</u>	<u>1,414</u>
<b>OTHER FINANCING SOURCES</b>					
Transfer from General Fund	-	-	10,656	10,656	-
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES</b>	<u>(507)</u>	<u>11,204</u>	<u>(9,324)</u>	<u>(20,528)</u>	<u>1,414</u>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<u>9,324</u>	<u>9,324</u>	<u>9,324</u>	<u>-</u>	<u>7,910</u>
<b>FUND BALANCE END OF YEAR</b>	<u>\$ 8,817</u>	<u>\$ 20,528</u>	<u>\$ -</u>	<u>\$ (20,528)</u>	<u>\$ 9,324</u>
<b>FUND BALANCE ANALYSIS</b>					
<b>NONSPENDABLE FUND BALANCE</b>					
Inventory			\$ 2,823		\$ 3,867
<b>RESTRICTED FUND BALANCE</b>					
Food Service			-		5,457
<b>UNASSIGNED FUND BALANCES</b>			<u>(2,823)</u>		<u>-</u>
<b>TOTAL FUND BALANCE</b>			<u>\$ -</u>		<u>\$ 9,324</u>

**INDEPENDENT SCHOOL DISTRICT NO. 4026**  
**EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL**  
**ECHO, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2017**

**1. DEFINED BENEFIT PENSION PLANS**

**Teachers Retirement Association**

**Changes in Actuarial Assumptions:**

- The assumed post-retirement benefit adjustments are now assumed to remain level at 2.00% annually. While in the previous measurement the COLA increased to 2.50% in 2034.
- The assumed investment return was changed from 8.00% to 4.66%. The single discount rate was changed from 8.00% to 4.66%.
- Other assumptions were changed pursuant to the experience study dated June 5, 2015. Mortality, retirement, termination and optional forms of payment assumptions were updated. In addition, price inflation was lowered 0.25 % to 2.75%, general wage growth and payroll growth were lowered 0.25% to 3.50%, and total salary increases were changed from 3.50% - 12.00% to 3.50% - 9.50%.

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**Changes in Actuarial Assumptions:**

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. DEFICIT SPENDING**

For the year ended June 30, 2017, the final approved budget projected deficit spending in the following fund:

General Fund	\$ 40,524
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**B. EXPENDITURES EXCEEDING APPROPRIATIONS**

For the year ended June 30, 2017, the District had expenditures exceeding the latest amended budget in the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$1,524,471	\$1,540,518	\$ 16,047
Food Service Fund	\$ 72,196	\$ 78,506	\$ 6,310

Budget revisions were last approved in March of 2017. This excess was realized since that time and is approved by the School Board upon acceptance of this report.

**OTHER SUPPLEMENTARY INFORMATION,  
REQUIRED REPORTS AND SCHEDULES**

**INDEPENDENT SCHOOL DISTRICT NO. 4026  
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL  
GENERAL FUND - HISTORICAL ANALYSIS**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>REVENUES</b>										
Other Local and County Revenues	133,790	171,016	140,575	162,816	147,385	42,356	24,834	18,806	20,026	18,897
Revenue From State Sources	1,785,485	1,903,914	1,777,530	1,842,006	1,916,941	1,683,923	1,375,435	1,238,519	1,125,334	1,250,848
Revenue From Federal Sources	522,038	158,571	319,211	222,244	111,857	83,367	57,906	129,894	135,621	162,672
Sales and Other Conversions of Assets	9,453	14,433	13,174	19,730	(11,693)	16,857	8,395	1,029	16,707	6,828
<b>TOTAL REVENUES</b>	<b>2,450,766</b>	<b>2,247,934</b>	<b>2,250,490</b>	<b>2,246,796</b>	<b>2,164,490</b>	<b>1,826,503</b>	<b>1,466,570</b>	<b>1,388,248</b>	<b>1,297,688</b>	<b>1,439,245</b>
<b>EXPENDITURES - PROGRAMS</b>										
District and School Admin	51,823	54,432	56,567	61,483	48,360	65,929	39,730	62,613	60,004	63,886
District Support Services	154,445	141,712	152,488	151,261	143,762	143,063	94,967	115,822	142,334	137,150
Regular Instruction	903,892	1,027,384	1,141,230	1,030,237	1,097,118	860,909	720,780	709,306	704,056	727,004
Vocational Instruction	8,085	-	-	-	-	-	-	-	664	-
Exceptional Instruction	264,848	287,479	283,622	319,775	284,353	216,248	184,077	163,820	152,527	156,448
Instructional Support Services	9,161	11,221	36,560	65,705	14,655	6,949	8,205	12,121	7,953	2,342
Pupil Support Services	155,561	254,369	164,062	259,829	169,546	178,764	128,367	100,629	97,568	114,255
Site, Buildings, and Equipment	805,096	436,982	374,512	375,839	378,318	409,368	345,075	343,650	330,936	330,604
Fiscal and Other Fixed Cost Programs	5,375	5,792	5,096	8,707	6,696	7,328	5,692	7,398	7,960	8,829
Transfers Out	-	-	-	-	30,000	11,000	-	2,500	-	10,656
<b>TOTAL EXPENDITURES</b>	<b>2,358,286</b>	<b>2,219,371</b>	<b>2,214,137</b>	<b>2,272,836</b>	<b>2,172,808</b>	<b>1,899,558</b>	<b>1,526,893</b>	<b>1,517,859</b>	<b>1,504,002</b>	<b>1,551,174</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>92,480</b>	<b>28,563</b>	<b>36,353</b>	<b>(26,040)</b>	<b>(8,318)</b>	<b>(73,055)</b>	<b>(60,323)</b>	<b>(129,611)</b>	<b>(206,314)</b>	<b>(111,929)</b>
<b>FUND BALANCE-BEGINNING</b>	<b>710,994</b>	<b>803,474</b>	<b>832,037</b>	<b>868,390</b>	<b>842,350</b>	<b>834,032</b>	<b>760,977</b>	<b>700,654</b>	<b>571,043</b>	<b>364,729</b>
<b>FUND BALANCE-ENDING</b>	<b>803,474</b>	<b>832,037</b>	<b>868,390</b>	<b>842,350</b>	<b>834,032</b>	<b>760,977</b>	<b>700,654</b>	<b>571,043</b>	<b>364,729</b>	<b>252,800</b>
<b>ADJUSTED CASH BALANCE</b>	<b>513,916</b>	<b>615,631</b>	<b>361,048</b>	<b>455,480</b>	<b>330,622</b>	<b>651,608</b>	<b>748,991</b>	<b>482,362</b>	<b>290,850</b>	<b>145,820</b>
<b>EXPENDITURES - OBJECTS</b>										
Salaries and Wages	1,069,075	1,204,427	1,307,874	1,333,938	1,238,971	1,074,239	858,187	838,306	843,228	874,075
Employee Benefits	140,688	156,865	171,144	178,178	175,167	156,864	130,772	137,244	148,494	148,631
Purchased Services	874,971	611,891	501,401	523,378	514,104	480,725	434,079	434,173	392,840	405,243
Supplies and Materials	133,105	125,061	162,794	124,421	134,633	93,575	74,197	81,322	95,702	90,696
Equipment	131,282	106,380	50,269	103,770	47,535	58,385	11,401	16,365	7,940	3,600
Other Expenditures/Transfers	9,165	14,747	20,655	9,151	42,398	35,770	18,257	10,449	15,798	28,929
<b>TOTAL EXPENDITURES</b>	<b>2,358,286</b>	<b>2,219,371</b>	<b>2,214,137</b>	<b>2,272,836</b>	<b>2,172,808</b>	<b>1,899,558</b>	<b>1,526,893</b>	<b>1,517,859</b>	<b>1,504,002</b>	<b>1,551,174</b>

**INDEPENDENT SCHOOL DISTRICT NO. 4026  
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL  
ECHO, MINNESOTA  
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE  
FOR THE YEAR ENDED JUNE 30, 2017**

**INTERNAL CONTROL OVER FINANCIAL REPORTING  
PREVIOUSLY REPORTED ITEMS NOT RESOLVED**

**2016-001 AUDIT ADJUSTMENTS**

**Condition:** During our audit, we proposed audit adjustments that resulted in significant changes to the District's financial statements. This finding was also reported in the prior year audit. As in the prior year, the adjustments resulted primarily from the general ledger being maintained on the cash basis of accounting rather than the modified accrual basis. The District's corrective action plan for the prior year audit filed with the Minnesota Department of Education stated that the District would continue contracting with the SW/WC Service Cooperative for bookkeeping and yearend audit preparation services. This process was in place during the year; however, there were still required audit adjustments.

**Effect:** A control deficiency 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 misstatements of the financial statements on a timely basis. One control deficiency that typically is considered significant is identification by the auditor of a misstatement in the financial statement not initially identified by the entity's internal controls. This could affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

**Cause:** The District contracted with the SW/WC Service Cooperative during the current fiscal year to perform various bookkeeping responsibilities. The personnel at the Service Cooperative overlooked an account balance that required adjustment and did not receive timely and accurate information from District personnel for other adjustments prior to audit field work.

**Criteria:** The District's accounting staff, or contracted service provider, should prepare necessary journal entries during the year, or at a minimum, at year end to accurately reflect all account balances on a modified accrual basis. The external auditor's staff cannot be considered to be part of the District's internal control and should not be relied upon to propose a significant number of material audit adjustments.

**Recommendation:** We recommend that the District continue to contract with the SW/WC Service Cooperative and review the account balances for proper adjustment. If the District determines that this is not attainable, the plan should be amended to reflect an attainable goal.

**Views of Responsible Officials and Planned Corrective Actions:** The District agrees with the finding and the auditor's recommendations will be adopted.

**2016-002 LACK OF ADEQUATE CONTROL OVER FOOD SERVICE FINANCES**

**Condition:** During our audit, we noted instances of inadequate control over food service receivables and revenues. This finding was also reported in the prior year audit. Procedures were put into place toward mid-year to attempt to monitor and collect on overdue student lunch balances in a timely manner, but a material receivable remained at year end. Commodity rebates of approximately \$1,500 were lost in the current year due to requests not being filed in a timely manner. The District's MDE School Nutrition Administrative visit reported various findings and required compliance in those areas before funding is received for the next fiscal year. We noted an attempt by District personnel to correct this deficiency during the current year; however, the District did not completely follow the policies enacted to attempt to collect on past overdue lunch balances.

**Effect:** A control deficiency 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 receivable and revenue misstatements on a timely basis. This could affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

**Cause:** The policies were overlooked with the changes in management.

**INDEPENDENT SCHOOL DISTRICT NO. 4026  
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL  
ECHO, MINNESOTA  
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE  
FOR THE YEAR ENDED JUNE 30, 2017**

**INTERNAL CONTROL OVER FINANCIAL REPORTING (Cont'd)  
PREVIOUSLY REPORTED ITEMS NOT RESOLVED (Cont'd)**

**2016-002 LACK OF ADEQUATE CONTROL OVER FOOD SERVICE FINANCES (Cont'd)**

Criteria: The District should have a billing process in place for all overdue student lunch balances and should follow its overdue lunch policy.

Recommendation: We recommend that the District follow its overdue lunch balance policy. Statements should be sent to all families when the account becomes overdrawn and students should not be able to partake in a hot lunch until balances are up to date. If all steps have been followed and no collection of the overdue balance is made, accounts should be sent to collections if deemed appropriate.

Views of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and the auditor's recommendations will be adopted.

**2016-004 LACK OF ADEQUATE APPROVAL OF DISBURSEMENTS**

Condition: Two of 25 (8%) purchase orders were noted in the disbursements sample that were not approved by the appropriate personnel during the year. This finding was also reported in the prior year.

Effect: Checks could have been disbursed for improper amounts, payees, or purpose.

Cause: These checks were paid without appropriate approval by the Director.

Criteria: In order to ensure the disbursements are approved, the finance department must verify appropriate authorization has been obtained before the disbursement is issued.

Recommendation: We recommend that the District Finance Coordinator verify all disbursements are approved by the purchaser and the Director or other designated authorizer before checks are issued.

Views of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and the auditor's recommendations will be adopted.

**ITEMS ARISING IN CURRENT YEAR**

**2017-001 PAYMENT OF PURCHASE ORDERS FOR SPORTING EVENTS AND OFFICIALS**

Condition: During our audit, we noted one payment for a sporting event official that did not contain adequate supporting documentation.

Effect: A control deficiency 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 misstatements on a timely basis. This could affect the District's ability to initiate record, process and report financial data consistent with the assertion of management in the financial statements.

Cause: The purchase order was paid without verifying that the amount corresponded to an event workers and officials pay schedule.

Criteria: The District should have a review process in place for payments to sporting event workers and officials.

Recommendation: We recommend that the District implement a review process for all payments made to sporting event workers. The amounts paid should correspond to an approved event workers and officials pay schedule.

Views of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and the auditor's recommendations will be adopted.



**INDEPENDENT SCHOOL DISTRICT NO. 4026  
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL  
ECHO, MINNESOTA  
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE  
FOR THE YEAR ENDED JUNE 30, 2017**

**INTERNAL CONTROL OVER FINANCIAL REPORTING (Cont'd)  
ITEMS ARISING IN CURRENT YEAR (Cont'd)**

**2017-002 REIMBURSEMENTS FOR SALES TAX**

**Condition:** Sales tax was reimbursed to an employee for items purchased personally by that employee. The District would not have been taxed if these items were purchased directly by the District.

**Effect:** A control deficiency 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 misstatements on a timely basis. This could affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

**Cause:** The sales tax amount was overlooked and not deducted from the disbursement when it was reimbursed.

**Criteria:** The District should have a process in place for the payment of reimbursements that doesn't allow for sales tax to be reimbursed. The District is not obligated to pay sales tax if items are directly purchased by the District.

**Recommendation:** We recommend that the District update and follow its policies to include that reimbursements will not be made for sales tax since the District would not have the obligation to pay sales tax if purchased directly by the District.

**Views of Responsible Officials and Planned Corrective Actions:** The District agrees with the finding and the auditor's recommendations will be adopted.

**2017-003 CREDIT CARD POLICY**

**Condition:** The District reimbursed an employee for large technology and supply items purchased with the employee's personal credit card.

**Effect:** A control deficiency 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 misstatements on a timely basis. This could affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

**Cause:** The District allowed an employee to be reimbursed for large technology and supply items, and in effect, violated the District's credit card policy.

**Criteria:** The District should follow its credit card policy that requires staff to sign out the District's credit card for school purchases.

**Recommendation:** We recommend that the District follow its policy requiring staff to sign out the District's credit card and turn in original receipts. If the credit limit is exceeded, the District should appropriately structure purchases to align with cash flow and credit limits.

**Views of Responsible Officials and Planned Corrective Actions:** The District agrees with the finding and the auditor's recommendations will be adopted.

**INDEPENDENT SCHOOL DISTRICT NO. 4026  
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL  
ECHO, MINNESOTA  
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE  
FOR THE YEAR ENDED JUNE 30, 2017**

**MINNESOTA LEGAL COMPLIANCE  
ITEM ARISING IN CURRENT YEAR**

**2017-004 LATE PAYMENT OF INVOICES**

Condition: Finance charges were noted in the disbursement sample on one of the District's disbursements.

Effect: This is a violation of Minnesota Statute §471.425 Subd 2.

Cause: The District did not make timely payments on invoices resulting in the District being assessed finance charges for late payments.

Criteria: In order to avoid this violation, the District should ensure that there is adequate processing time to allow for payments to be made in a timely manner.

Recommendation: We recommend that the District comply with Minnesota Statutes and pay all invoices timely in order to eliminate finance charges.

Views of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and the auditor's recommendations will be adopted.

**PREVIOUSLY REPORTED ITEMS RESOLVED**

**Finding 2016-003: Legal Compliance - Statement of Just Claim**

The District's check stock used for the Student account did not include the required declaration.

**Resolution**

The District has been stamping the back of the Student account check stock with a statement of just claim stamp.

**INDEPENDENT SCHOOL DISTRICT NO. 4026  
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL  
ECHO, MINNESOTA  
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2017**

**2016-001 AUDIT ADJUSTMENTS**

**Auditor Recommendation**

We recommend that the District continue to contract with the SW/WC Service Cooperative and review the account balances for proper adjustment. If the District determines that this is not attainable, the plan should be amended to reflect an attainable goal.

**Corrective Action Plan (CAP)**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Action Planned in Response to Finding  
The District still intends to contract with SW/WC Service Cooperative for bookkeeping services and yearend audit preparation services.
3. Official Responsible for Insuring CAP  
The School Board is the official responsible for insuring corrective action of the deficiency.
4. Planned Completion Date for CAP  
This plan has been and will continue to be implemented for the June 30, 2018 audit.
5. Plan to Monitor Completion of CAP  
The School Board will be monitoring this corrective action plan.

**2016-002 LACK OF ADEQUATE CONTROL OVER FOOD SERVICE FINANCES**

**Auditor Recommendation**

We recommend that the District follow its overdue lunch balance policy. Statements should be sent to all families when the account becomes overdrawn and students should not be able to partake in a hot lunch until balances are up to date. If all steps have been followed and no collection of the overdue balance is made, accounts should be sent to collections if deemed appropriate.

**Corrective Action Plan (CAP)**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Action Planned in Response to Finding  
The Finance Coordinator and Food Service Director will monitor balances and attempt to collect overdue balances in a timely manner.
3. Official Responsible for Insuring CAP  
The School Board is the official responsible for insuring corrective action of the deficiency.
4. Planned Completion Date for CAP  
This plan will be implemented in during the 2017-2018 fiscal year.
5. Plan to Monitor Completion of CAP  
The School Board will be monitoring this plan.

**2016-004 LACK OF ADEQUATE APPROVAL OF DISBURSEMENTS**

**Auditor Recommendation**

We recommend that the District Finance Coordinator verify all disbursements are approved by the purchaser and the Director or other designated authorizer before checks are issued.

**INDEPENDENT SCHOOL DISTRICT NO. 4026  
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL  
ECHO, MINNESOTA  
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2017**

**2016-004 LACK OF ADEQUATE APPROVAL OF DISBURSEMENTS (Cont'd)**

**Corrective Action Plan (CAP)**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Action Planned in Response to Finding  
The Finance Coordinator will verify all checks issued are appropriately approved.
3. Official Responsible for Insuring CAP  
The School Board is the official responsible for insuring corrective action of the deficiency.
4. Planned Completion Date for CAP  
This plan will be implemented for the 2017-2018 fiscal year.
5. Plan to Monitor Completion of CAP  
The School Board will be monitoring this corrective action plan.

**2017-001 PAYMENT OF PURCHASE ORDERS FOR SPORTING EVENTS AND OFFICIALS**

**Auditor Recommendation**

We recommend that the District implement a review process for all payments made to sporting event workers. The amounts paid should correspond to an approved event workers and officials pay schedule.

**Corrective Action Plan (CAP)**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Action Planned in Response to Finding  
The Finance Coordinator will review purchase orders against an approved corresponding event workers and officials pay schedule for propriety.
3. Official Responsible for Insuring CAP  
The School Board is the official responsible for insuring corrective action of the deficiency.
4. Planned Completion Date for CAP  
This plan will be implemented for the 2017-2018 fiscal year.
5. Plan to Monitor Completion of CAP  
The School Board will be monitoring this plan.

**2017-002 DISBURSEMENTS FOR SALES TAX**

**Auditor Recommendation**

We recommend that the District update and follow its policies to include that reimbursements will not be made for sales tax since the District would not have the obligation to pay sales tax if purchased directly by the District.

**Corrective Action Plan (CAP)**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Action Planned in Response to Finding  
The District will update and follow its policies for reimbursements.
3. Official Responsible for Insuring CAP  
The School Board is the official responsible for insuring corrective action of the deficiency.

**INDEPENDENT SCHOOL DISTRICT NO. 4026  
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL  
ECHO, MINNESOTA  
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2017**

**2017-002 DISBURSEMENTS FOR SALES TAX (Cont'd)**

**Corrective Action Plan (CAP) (Cont'd)**

**4. Planned Completion Date for CAP**

This plan will be implemented for the 2017-2018 fiscal year.

**5. Plan to Monitor Completion of CAP**

The School Board will be monitoring this corrective action plan.

**2017-003 CREDIT CARD POLICY**

**Auditor Recommendation**

We recommend that the District follow its policy requiring staff to sign out the District's credit card and turn in original receipts. If the credit limit is exceeded, the District should appropriately structure purchases to align with cash flow and credit limits.

**Corrective Action Plan (CAP)**

**1. Explanation of Disagreement with Audit Finding**

There is no disagreement with the audit finding.

**2. Action Planned in Response to Finding**

The District will follow its policies for credit cards and reimbursement.

**3. Official Responsible for Insuring CAP**

The School Board is the official responsible for insuring corrective action of the deficiency.

**4. Planned Completion Date for CAP**

This plan will be implemented for the 2017-2018 fiscal year.

**5. Plan to Monitor Completion of CAP**

The School Board will be monitoring this corrective action plan.

**2017-004 LATE PAYMENT OF INVOICES**

**Auditor Recommendation**

We recommend that the District comply with Minnesota Statutes and pay all invoices timely in order to eliminate finance charges.

**Corrective Action Plan (CAP)**

**1. Explanation of Disagreement with Audit Finding**

There is no disagreement with the audit finding.

**2. Action Planned in Response to Finding**

The District will continue to monitor the various due dates to ensure they are paid in a timely manner.

**3. Official Responsible for Insuring CAP**

The School Board is responsible for insuring corrective action of this deficiency.

**4. Planned Completion Date for CAP**

This plan has been and will continue to be implemented during the 2017-2018 fiscal year.

**5. Plan to Monitor Completion of CAP**

The School Board will be monitoring this corrective action plan.



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## CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the School Board  
Independent School District No. 4026  
Every Child Has Opportunities (ECHO) Charter School  
Echo, 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 aggregate remaining fund information of Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota's basic financial statements and have issued our report thereon dated December 7, 2017.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings on Internal Control Structure and Compliance, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings on Internal Control Structure and Compliance as item 2016-001 to be a material weakness.

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings on Internal Control Structure and Compliance as items 2016-002, 2016-004, 2017-001, 2017-002, and 2017-003 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards; however, we noted a certain matter of noncompliance that is required to be reported under Minnesota Statutes. This item of noncompliance is described in the accompanying Schedule of Findings on Internal Control Structure and Compliance as item 2017-004.

### **Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota's Response to Findings**

Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota's response to the findings identified in our audit is described in the accompanying Schedule of Findings on Internal Control Structure and Compliance Corrective Action Plan. Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

*Hoffman + Brobst, PLLP*

Hoffman & Brobst, PLLP  
Certified Public Accountants  
Marshall, Minnesota

December 7, 2017



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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON  
MINNESOTA LEGAL COMPLIANCE**

Members of the School Board  
Independent School District No. 4026  
Every Child Has Opportunities (ECHO) Charter School  
Echo, 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 aggregate remaining fund information of Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota, as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated December 7, 2017.

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

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota, failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Charter Schools*, except as described in the accompanying Schedule of Findings on Internal Control Structure and Compliance as item 2017-004. 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 Independent School District No. 4026, Every Child Has Opportunities (ECHO), Echo, Minnesota'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.

*Hoffman + Brobst, PLLP*

Hoffman & Brobst, PLLP  
Certified Public Accountants  
Marshall, Minnesota

December 7, 2017

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**INDEPENDENT SCHOOL DISTRICT NO. 4026  
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL  
ECHO, MINNESOTA**

**STUDENT ACTIVITY ACCOUNT**

**FOR THE YEAR ENDED JUNE 30, 2017**



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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S COMMENT ON THE  
STUDENT ACTIVITY ACCOUNT**

Members of the School Board, Advisors, and Students  
Independent School District No. 4026  
Every Child Has Opportunities (ECHO) Charter School  
Echo, Minnesota

During the audit of the financial statements of Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota for the year ended June 30, 2017, it was noted that the District did not have a student activity account in place. Accordingly, all activity of the District is included in the District's financial statements.

*Hoffman & Brobst, PLLP*

Hoffman & Brobst, PLLP  
Certified Public Accountants  
Marshall, Minnesota

December 7, 2017

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## CERTIFIED PUBLIC ACCOUNTANTS

### MANAGEMENT LETTER

Members of the School Board  
Independent School District No. 4026  
Every Child Has Opportunities (ECHO) Charter School  
Echo, Minnesota

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota, for the year ended June 30, 2017, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of the following opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control and any related significant deficiencies and material weaknesses in our report dated December 7, 2017. This letter does not affect that report or our report dated December 7, 2017, on the financial statements of Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota.

### COMMENTS AND SUGGESTIONS

- Due to the limited number of office personnel within Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota, segregation of the accounting functions necessary to ensure adequate internal accounting control is not always possible. The District has responded to this deficiency by contracting with SW/WC Service Cooperative and implementing various oversight controls by the School Board and Management. These oversight controls help to mitigate the risk to the organization created by the lack of segregation of duties within the accounting function. However, the risks that are created by the lack of segregation of duties can never be completely eliminated. The School Board and Management should continue to be diligent in their review of financial transactions, and document these procedures by initialing invoices and approving expenditure reports.
- Student accounts need to be monitored closely. Student account checks were also noted to be issued out of sequence.
- Invoices should be marked as paid to prevent a paid invoice from being resubmitted.
- When a check signer resigns or is replaced on the School Board, bank signature cards should be promptly changed to reflect new check signers.

If you have any questions regarding these items, please contact us.

*Hoffman + Brobst, PLLP*

Hoffman & Brobst, PLLP  
Certified Public Accountants  
Marshall, Minnesota

December 7, 2017

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**DEPARTMENT  
OF EDUCATION**

**Fiscal Compliance**

**Fiscal Compliance Report - 6/30/2017**

**District: E.C.H.O. CHARTER SCHOOL (4026-7)**

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	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenue	\$1,439,245	<u>\$1,439,245</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$1,540,518	<u>\$1,540,518</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$9,471	<u>\$9,471</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.03 Staff Development	\$0	<u>\$0</u>	<u>\$0</u>	4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.06 Health and Safety	\$0	<u>\$0</u>	<u>\$0</u>	4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>	<b>07 DEBT SERVICE</b>			
4.24 Operating Capital	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>	<i>Non Spendable:</i>			
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>	4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.41 Basic Skills Programs	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.45 Career Tech Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>	<b>08 TRUST</b>			
4.49 Safe School Crime - Crime Levy	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$21	<u>\$21</u>	<u>\$0</u>
4.50 Pre-Kindergarten	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$7,690	<u>\$7,690</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>	<b>20 INTERNAL SERVICE</b>			
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.72 Medical Assistance	\$0	<u>\$0</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>				<b>25 OPEB REVOCABLE TRUST</b>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
<i>Committed:</i>				Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	<b>45 OPEB IRREVOCABLE TRUST</b>			
<i>Assigned:</i>				Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.62 Assigned Fund Balance	\$30,626	<u>\$30,626</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance	\$212,703	<u>\$212,703</u>	<u>\$0</u>				
<b>02 FOOD SERVICES</b>							
Total Revenue	\$58,526	<u>\$58,526</u>	<u>\$0</u>				
Total Expenditures	\$78,506	<u>\$78,505</u>	<u>\$1</u>				
<i>Non Spendable:</i>							

4.60 Non Spendable Fund Balance	\$2,823	<u>\$2,823</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	(\$2,823)	<u>(\$2,823)</u>	<u>\$0</u>

#### 04 COMMUNITY SERVICE

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	\$0	<u>\$0</u>	<u>\$0</u>
4.32 E.C.F.E	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	\$0	<u>\$0</u>	<u>\$0</u>
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

#### 47 OPEB DEBT SERVICE

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>