

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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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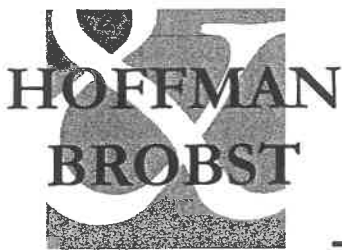
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INTRODUCTORY SECTION

**INDEPENDENT SCHOOL DISTRICT NO. 4026
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL
ECHO, MINNESOTA
SCHEDULE OF SCHOOL BOARD MEMBERS AND OFFICIALS
JUNE 30, 2011**

<u>SCHOOL BOARD MEMBERS</u>		<u>TERM EXPIRES</u>
Scott Parsons	Chairperson	2011
Matthew Gillund	Clerk	2011
Chuck Lee	Treasurer	2011
Kay Haneca	Director	2012
Greg Gluth	Director	2012
David Ose	Director	2012
Vera Weber	Director	2011



PLLP

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

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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the District's 2010 financial statements and, in our report dated November 5, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

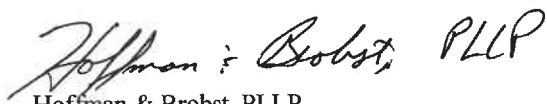
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2011, 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* and should be considered in assessing the results of our audit.

903 East College Drive
P.O. Box 548
Marshall, MN 56258
www.hoffmanbrobst.com
507 532 5735
FAX 537 0696

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 7 and pages 27 through 30 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.

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



Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 23, 2011

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, 2011**

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, 2011.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2010-2011 fiscal year include the following:

- Net Assets decreased from \$1,619,985 to \$1,608,246 during the year.
- Total expenses in the Statement of Activities were \$2,354,445 and exceeded revenues by \$11,739.
- The General Fund expenditures exceeded revenues and other financing sources by \$26,040 in the current year. Significant events during the year included contributions from the Booster Club and the acquisition of another bus.
- The District implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions during the current fiscal year. This statement required the School Board to establish various fund balance policies as they pertain to the District. The School Board approved the District's fund balance policy on June 20, 2011.

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 Assets 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
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL
ECHO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd)

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 Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net assets 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 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 Assets and a Statement of Changes in Fiduciary Net Assets. 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, 2011**

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

NET ASSETS

The District's combined net assets were \$1,608,246 on June 30, 2011. This was a decrease of 0.7% from the previous year total of \$1,619,985. A summary of the District's net assets is as follows:

Net Assets – Governmental Activities			
	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>Percentage Change</u>
Current and Other Assets	\$ 1,101,096	\$ 1,055,792	
Capital Assets	<u>765,551</u>	<u>746,888</u>	
Total Assets	<u>1,866,647</u>	<u>1,802,680</u>	3.5%
Current Liabilities	258,401	182,695	
Noncurrent Liabilities	<u>-</u>	<u>-</u>	
Total Liabilities	<u>258,401</u>	<u>182,695</u>	41.4%
Net Assets			
Invested in Capital Assets,			
Net of Related Debt	765,551	746,888	
Restricted	43,408	54,795	
Unrestricted	<u>799,287</u>	<u>818,302</u>	
Total Net Assets	<u>\$ 1,608,246</u>	<u>\$ 1,619,985</u>	(0.7)%

CHANGE IN NET ASSETS

The change in net assets occurs as a result of the District's expenses being greater than its revenues for the year ended June 30, 2011. A summary of the District's revenues and expenses is as follows:

Change in Net Assets – Governmental Activities			
	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>Percentage Change</u>
Revenues			
Program Revenues			
Charges for Services	\$ 110,144	\$ 81,684	34.8%
Operating Grants and Contributions	952,886	987,885	(3.5)%
Capital Grants and Contributions	16,723	26,757	(37.5)%
General Revenues			
Unallocated Federal and State Aid	1,228,436	1,222,922	0.5%
Other	<u>34,517</u>	<u>29,263</u>	18.0%
Total Revenues	<u>2,342,706</u>	<u>2,348,511</u>	(0.2)%
Expenses			
District and School Administration	61,483	56,567	9.5%
District Support Services	145,983	156,608	(6.8)%
Regular Instruction	1,055,573	1,134,153	(6.9)%
Exceptional Instruction	319,774	283,622	12.7%
Instructional Support Services	65,705	36,560	79.7%
Pupil Support Services	309,208	273,440	13.1%
Site, Buildings and Equipment	388,012	393,898	(1.5)%
Fiscal and Other Fixed Cost Programs	<u>8,707</u>	<u>1,482</u>	487.5%
Total Expenses	<u>2,354,445</u>	<u>2,336,330</u>	0.8%
Increase (Decrease) in Net Assets	<u>(11,739)</u>	<u>12,181</u>	
Beginning of Year Net Assets	<u>1,619,985</u>	<u>1,607,804</u>	
End of Year Net Assets	<u>\$ 1,608,246</u>	<u>\$ 1,619,985</u>	(0.7)%

**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, 2011**

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

CHANGE IN NET ASSETS (Cont'd)

The District's total revenues consisted of program revenues of \$1,079,753, unallocated federal and state aids of \$1,228,436, and a small amount from various other sources. Expenses totaling \$2,354,445 consisted primarily of student instructional costs of \$1,375,347, student support services of \$374,913, administration costs of \$207,466, site, buildings and equipment costs of \$388,012, and minor other amounts.

The cost of all governmental activities this year was \$2,354,445.

- The users of the District's programs paid for 4.7%, or \$110,144, of the costs.
- The federal and state governments subsidized certain programs with grants and contributions. This totaled \$969,609 or 41.2% of the total costs.
- The balance of the District's net cost of services (\$1,274,692), were paid for by state taxpayers based on the statewide education aid formula and by District citizens.

**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 \$842,695. This was a decrease of \$30,402 from the prior year.

REVENUES AND EXPENDITURES

Revenues of the District's governmental funds totaled \$2,342,356. This was a decrease of 0.3% from the previous year total of \$2,348,512. Total expenditures were \$2,373,910. This was an increase of 2.5% from the previous year total of \$2,316,579. A summary of the revenues and expenditures 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	\$ 2,245,644	\$ 2,272,836	\$ 1,152	\$ (26,040)
Food Service Fund	<u>96,712</u>	<u>101,074</u>	<u>-</u>	<u>(4,362)</u>
Totals	<u>\$ 2,342,356</u>	<u>\$ 2,373,910</u>	<u>\$ 1,152</u>	<u>\$ (30,402)</u>

**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, 2011**

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

	Year Ended 6/30/2011	Year Ended 6/30/2010	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources	\$ 181,394	\$ 153,749	\$ 27,645	18.0%
State Sources	1,842,006	1,777,530	64,476	3.6%
Federal Sources	<u>222,244</u>	<u>319,211</u>	<u>(96,967)</u>	(30.4)%
Total Revenues	2,245,644	2,250,490	(4,846)	(0.2)%
Other Financing Sources				
Sale of Property and Equipment	<u>1,152</u>	<u>-</u>	<u>1,152</u>	100.0%
Total Revenues and Other Financing Sources	\$ <u>2,246,796</u>	\$ <u>2,250,490</u>	\$ <u>(3,694)</u>	(0.2)%

The following schedule presents a summary of General Fund expenditures:

Expenditures – General Fund

	Year Ended 6/30/2011	Year Ended 6/30/2010	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries and Wages	\$ 1,333,938	\$ 1,307,874	\$ 26,064	2.0%
Employee Benefits	178,178	171,144	7,034	4.1%
Purchased Services	523,378	501,401	21,977	4.4%
Supplies and Materials	124,421	162,794	(38,373)	(23.6)%
Capital Expenditures	103,770	50,269	53,501	106.4%
Other Expenditures	<u>9,151</u>	<u>20,655</u>	<u>(11,504)</u>	(55.7)%
Total Expenditures	\$ <u>2,272,836</u>	\$ <u>2,214,137</u>	\$ <u>58,699</u>	2.7%

In summary, the 2010-2011 General Fund expenditures exceeded revenues and other financing sources by \$26,040. As a result, the total fund balance decreased to \$842,350 at June 30, 2011. The District closely monitors the General Fund unassigned fund balance throughout the year.

**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, 2011**

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

During the year ended June 30, 2011 the District revised its operating budget twice. These revisions were planned, and were 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. The first revision approved in February was for revisions to the revenues. The second revision approved in March was for revisions to the expenditures.

While the District's final budget for the General Fund anticipated that revenues and other financing sources would exceed expenditures by \$132,708 the actual results for the year showed a deficit of \$26,040.

- Actual revenues were \$53,125, or 2.3 percent, less than budget, due primarily to recognizing more contributions and less federal and state revenue than anticipated, along with several other less significant variances.
- Actual expenditures were \$106,775, or 4.9 percent, higher than budget. This overall unfavorable variance was due to a combination of positive variances in district support services, regular instruction, and site, buildings and equipment, and negative variances in exceptional instruction, instructional support services, and capital outlay. Several other less significant areas contributed to this overall unfavorable variance.

FOOD SERVICE FUND

The Food Service Fund revenue for 2010-2011 totaled \$96,712 and expenditures were \$101,074, resulting in a fund balance decrease of \$4,362. The June 30, 2011 Food Service Fund fund balance is \$345.

TRUST FUND

The Trust Fund deductions exceeded additions by \$160 in 2010-2011. The net asset balance of \$6,306 at June 30, 2011 is available for scholarships.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of June 30, 2011, the District had net capital assets of \$765,551 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 \$81,151. Detailed information about capital assets is as follows:

Capital Assets – Governmental Activities

	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>Percentage Change</u>
Leasehold Improvements	\$ 449,610	\$ 449,610	0.0%
Equipment and Vehicles	620,705	538,681	15.2%
Less Accumulated Depreciation	<u>(304,764)</u>	<u>(241,403)</u>	26.2%
Total Net Capital Assets	<u>\$ 765,551</u>	<u>\$ 746,888</u>	2.5%

DEBT ADMINISTRATION

As of June 30, 2011, the District did not have any long-term liabilities.

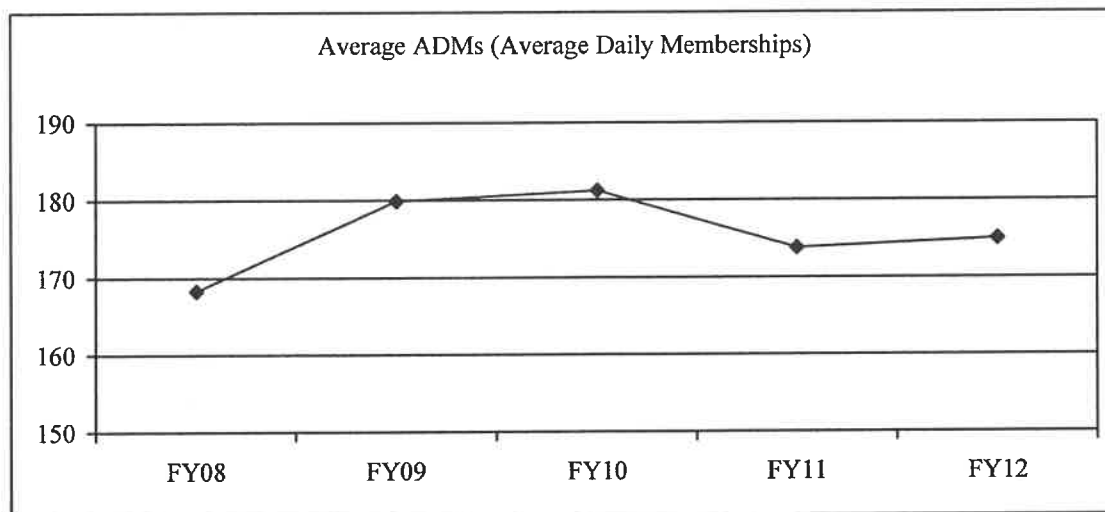
**INDEPENDENT SCHOOL DISTRICT NO. 4026
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL
ECHO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Legislature did not approve any funding increases for 2010-2011; however, the Legislature approved a \$50 per pupil unit increase for 2011-2012 and an additional \$50 per pupil unit increase for 2012-2013. The payment shift put forth by the Governor reducing the timing of funding received by school districts from 73% received by the end of the prior fiscal year to only 70% received by the end of the current fiscal year is a major concern for cash flow purposes. This payment shift is changing to 60% by the end of the 2011-2012 fiscal year. If this funding shift were to become a permanent reduction, it would be devastating to the District's fund balances. Permanent reductions in funding are a major concern or challenge for all school districts and the immediate forecasts for the State of Minnesota are not at all encouraging.

All labor contracts are in effect for a one-year period beginning September 1. Labor costs account for approximately 67% of the District's General Fund operating expenses. The District continues to participate in the Alternative Teacher Compensation (Q Comp) Program. For charter schools, this revenue source is funded 100% by state aid, calculated at a maximum of \$260 per prior year's enrollment.

The District's enrollment is expected to stay fairly consistent since most grades have reached the District's self imposed maximum pupil count.



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.echocharter.com 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 ASSETS
JUNE 30, 2011
(with Partial Comparative Information as of June 30, 2010)

	Governmental Activities	
	2011	2010
ASSETS		
Current Assets:		
Cash and Investments	\$ 447,186	\$ 350,477
Accounts Receivable	11,680	24,926
Due From State of Minnesota	559,318	480,902
Due From Federal Government	23,006	136,702
Due From Other Minnesota School Districts	41,791	49,496
Interest Receivable	3,450	3,969
Inventory	6,954	3,426
Prepaid Expenses	7,711	5,894
Total Current Assets	<u>1,101,096</u>	<u>1,055,792</u>
Noncurrent Assets:		
Capital Assets:		
Other Capital Assets, Net of Depreciation	765,551	746,888
Total Noncurrent Assets	<u>765,551</u>	<u>746,888</u>
TOTAL ASSETS	<u>1,866,647</u>	<u>1,802,680</u>
LIABILITIES		
Current Liabilities:		
Salaries Payable	116,227	114,373
Accounts Payable	87,957	13,123
Payroll Liabilities	<u>54,217</u>	<u>55,199</u>
TOTAL LIABILITIES	<u>258,401</u>	<u>182,695</u>
NET ASSETS		
Investment in Capital Assets, Net of Related Debt	765,551	746,888
Restricted For:		
Food Service	345	4,707
Capital Asset Acquisition	999	1,584
Other Activities	42,064	48,504
Unrestricted	<u>799,287</u>	<u>818,302</u>
TOTAL NET ASSETS	<u>\$ 1,608,246</u>	<u>\$ 1,619,985</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, 2011
(with Partial Comparative Information for the Year Ended June 30, 2010)

Functions/Programs	2011				2010	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:						
District and School Administration	\$ 61,483	\$ 183	\$ -	\$ -	(61,300)	\$ (56,567)
District Support Services	145,983	-	11,909	7,601	(126,473)	(141,057)
Regular Instruction	1,055,573	78,048	378,910	1,605	(597,010)	(720,124)
Exceptional Instruction	319,774	-	266,781	-	(52,993)	20,314
Instructional Support Services	65,705	-	-	-	(65,705)	(3,252)
Pupil Support Services	309,208	31,913	63,713	-	(213,582)	(175,418)
Site, Buildings and Equipment	388,012	-	231,573	7,517	(148,922)	(162,418)
Fiscal and Other Fixed Cost Programs	8,707	-	-	-	(8,707)	(1,482)
Total Governmental Activities	2,354,445	110,144	952,886	16,723	(1,274,692)	(1,240,004)
General Revenues:						
Federal and State Aid Not Restricted to Specific Purposes					1,228,436	1,222,922
Earnings on Investments					5,179	8,343
Gain (Loss) on Sale of Assets					(6,871)	-
Miscellaneous Revenues					36,209	20,920
Total General Revenues					1,262,953	1,252,185
Change in Net Assets					(11,739)	12,181
Net Assets - Beginning					1,619,985	1,607,804
Net Assets - Ending					\$ 1,608,246	\$ 1,619,985

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, 2011
(with Partial Comparative Information as of June 30, 2010)

	Major Funds		Total Governmental Funds	
	General	Food Service	2011	2010
ASSETS				
Cash and Investments	\$ 455,480	\$ (8,294)	\$ 447,186	\$ 350,477
Accounts Receivable	10,939	741	11,680	24,926
Due From State of Minnesota	559,318	-	559,318	480,902
Due From Federal Government	21,675	1,331	23,006	136,702
Due From Other Minnesota School Districts	41,791	-	41,791	49,496
Interest Receivable	3,450	-	3,450	3,969
Inventory	-	6,954	6,954	3,426
Prepaid Expenditures	7,711	-	7,711	5,894
TOTAL ASSETS	\$ 1,100,364	\$ 732	\$ 1,101,096	\$ 1,055,792
LIABILITIES				
Salaries Payable	\$ 116,227	\$ -	\$ 116,227	\$ 114,373
Accounts Payable	87,570	387	87,957	13,123
Payroll Liabilities	54,217	-	54,217	55,199
TOTAL LIABILITIES	258,014	387	258,401	182,695
FUND BALANCES				
Nonspendable Fund Balances	7,711	6,954	14,665	9,321
Restricted Fund Balances	43,063	-	43,063	51,369
Assigned Fund Balances	5,164	-	5,164	-
Unassigned Fund Balances	786,412	(6,609)	779,803	812,407
TOTAL FUND BALANCES	842,350	345	842,695	873,097
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,100,364	\$ 732	\$ 1,101,096	\$ 1,055,792

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 ASSETS
JUNE 30, 2011
(with Partial Comparative Information as of June 30, 2010)

	<u>2011</u>	<u>2010</u>
Total Fund Balances for Governmental Funds	\$ 842,695	\$ 873,097
Amounts reported for governmental activities in the statement of net assets 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 \$304,764 of Accumulated Depreciation	<u>765,551</u>	<u>746,888</u>
Total Net Assets of Governmental Activities	<u><u>\$ 1,608,246</u></u>	<u><u>\$ 1,619,985</u></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 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(with Partial Comparative Information for the Year Ended June 30, 2010)

	Major Funds		Total Governmental Funds	
	General	Food Service	2011	2010
REVENUES				
Other Local and County Revenues	\$ 162,816	\$ 214	\$ 163,030	\$ 140,631
Revenue From State Sources	1,842,006	3,007	1,845,013	1,781,759
Revenue From Federal Sources	222,244	60,493	282,737	382,607
Sales and Other Conversion of Assets	18,578	32,998	51,576	43,515
TOTAL REVENUES	2,245,644	96,712	2,342,356	2,348,512
EXPENDITURES				
Current:				
District and School Administration	61,483	-	61,483	56,567
District Support Services	143,189	-	143,189	144,412
Regular Instruction	1,027,486	-	1,027,486	1,122,519
Exceptional Instruction	319,697	-	319,697	281,636
Instructional Support Services	65,705	-	65,705	36,560
Pupil Support Services	174,597	101,074	275,671	244,735
Site, Buildings and Equipment	368,202	-	368,202	372,599
Fiscal and Other Fixed Cost Programs	8,707	-	8,707	5,096
Capital Outlay:	103,770	-	103,770	52,455
TOTAL EXPENDITURES	2,272,836	101,074	2,373,910	2,316,579
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(27,192)	(4,362)	(31,554)	31,933
OTHER FINANCING SOURCES				
Sale of Property and Equipment	1,152	-	1,152	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(26,040)	(4,362)	(30,402)	31,933
FUND BALANCE BEGINNING OF YEAR	868,390	4,707	873,097	841,164
FUND BALANCE END OF YEAR	\$ 842,350	\$ 345	\$ 842,695	\$ 873,097

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, 2011
(with Partial Comparative Information for the Year Ended June 30, 2010)

	<u>2011</u>	<u>2010</u>
Total Net Change in Fund Balances - Governmental Funds	\$ (31,554)	\$ 31,933
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 assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeds depreciation expense in the period.		
Capital Outlays	100,616	57,356
Depreciation Expense	(81,151)	(77,108)
Capital assets donated to the District are not reported in governmental funds. However, for governmental activities, those assets are shown in the statement of net assets at the fair value of the asset when donated to the District. A corresponding donation is reported in the statement of activities.		
	7,221	-
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.		
	<u>(6,871)</u>	<u>-</u>
Change in Net Assets of Governmental Activities	\$ <u>(11,739)</u>	\$ <u>12,181</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 FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2011
(with Partial Comparative Information as of June 30, 2010)

	Private-Purpose Trust Fund	
	2011	2010
ASSETS		
Cash and Investments	\$ 6,298	\$ 6,374
Interest Receivable	8	92
TOTAL ASSETS	6,306	6,466
LIABILITIES		
Scholarships Payable	-	-
NET ASSETS HELD IN TRUST FOR SCHOLARSHIPS	\$ 6,306	\$ 6,466

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 ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(with Partial Comparative Information for the Year Ended June 30, 2010)

	Private-Purpose Trust Fund	
	2011	2010
ADDITIONS:		
Gifts and Bequests	\$ 500	\$ 1,500
Investment Income:		
Interest	90	132
TOTAL ADDITIONS	590	1,632
DEDUCTIONS:		
Scholarships Awarded	750	1,100
TOTAL DEDUCTIONS	750	1,100
NET INCREASE (DECREASE)	(160)	532
NET ASSETS BEGINNING OF YEAR	6,466	5,934
NET ASSETS END OF YEAR	\$ 6,306	\$ 6,466

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, 2011

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.

This financial report has been prepared in conformity with GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, issued in June 1999.

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.

C. BASIC FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements (i.e. the Statement of Net Assets 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 assets 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, 2011**

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, 2011

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. 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 Finance Officer 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, 2011 are comprised of demand deposit accounts and negotiable certificates of deposit.

The District has formal policies in place as of June 30, 2011 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.

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.

INDEPENDENT SCHOOL DISTRICT NO. 4026
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL
ECHO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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 \$500 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. 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.

L. DEFERRED REVENUE

Deferred revenues are those in which the District receives resources before it has a legal claim to them. The District does not have any deferred revenue at June 30, 2011.

M. 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.

INDEPENDENT SCHOOL DISTRICT NO. 4026
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL
ECHO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

N. 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 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.

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.

O. NET ASSETS

Net assets represent the difference between assets and liabilities in the government-wide financial statements. Net assets invested in capital assets, net of related debt 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 assets are reported as restricted in the government-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments. All other net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted" are reported as unrestricted.

P. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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.

INDEPENDENT SCHOOL DISTRICT NO. 4026
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL
ECHO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

Q. RECLASSIFICATIONS

Certain amounts in the prior year data have been reclassified in order to be consistent with the current year's presentation. The prior year fund balance information in the governmental fund financial statements has been reclassified to be in conformity with the presentation required by GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions. The total amount of the District's prior year fund balance did not change.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. DEFICIT FUND BALANCES

For the year ended June 30, 2011, 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 a depository bank authorized by the School Board, which is a member of the Federal Reserve System. The District also maintains deposits at a depository bank that was not formally designated as such until after year end.

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).

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, 2011, 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, 2011.

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, 2011.

Concentration of Credit Risk: Concentration of credit 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, 2011.

The following table presents the District's cash and investment balances at June 30, 2011:

<u>Cash/Investment Type</u>	<u>Credit Rating</u>	<u>Average Maturities</u>	<u>Percentage of Total</u>	<u>Fair Value</u>
Pooled Cash and Investments:				
Certificates of Deposit	N/A	5.2 months	69.0%	\$ 310,665
Savings	N/A	N/A	2.6%	11,724
Checking Account	N/A	N/A	28.3%	124,717
Petty Cash	N/A	N/A	0.1%	80
Total Cash and Investments			100%	\$ <u>447,186</u>

INDEPENDENT SCHOOL DISTRICT NO. 4026
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL
ECHO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 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	\$ 449,610	\$ -	\$ -	\$ 449,610
Equipment and Transportation Vehicles	<u>538,681</u>	<u>107,837</u>	<u>25,813</u>	<u>620,705</u>
Total Capital Assets, Being Depreciated	<u>988,291</u>	<u>107,837</u>	<u>25,813</u>	<u>1,070,315</u>
Accumulated Depreciation for:				
Leasehold Improvements	26,989	18,108	-	45,097
Equipment and Transportation Vehicles	<u>214,414</u>	<u>63,043</u>	<u>17,790</u>	<u>259,667</u>
Total Accumulated Depreciation	<u>241,403</u>	<u>81,151</u>	<u>17,790</u>	<u>304,764</u>
Total Capital Assets, Being Depreciated, Net	<u>746,888</u>	<u>26,686</u>	<u>8,023</u>	<u>765,551</u>
Governmental Activities Capital Assets, Net	<u>\$ 746,888</u>	<u>\$ 26,686</u>	<u>\$ 8,023</u>	<u>\$ 765,551</u>

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

Governmental Activities	
District Support Services	\$ 1,974
Regular Instruction	26,413
Pupil Support Services	33,118
Site, Buildings and Equipment	<u>19,646</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 81,151</u>

5. 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.

6. FUND BALANCE CLASSIFICATION

At June 30, 2011, a summary of the governmental fund balance classifications is as follows:

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
Nonspendable:			
Prepaid Expenditures	\$ 7,711	\$ -	\$ 7,711
Inventory	<u>-</u>	<u>6,954</u>	<u>6,954</u>
	<u>7,711</u>	<u>6,954</u>	<u>14,665</u>
Restricted for:			
Staff Development	40,209	-	40,209
Learning and Development	1,855	-	1,855
Operating Capital	<u>999</u>	<u>-</u>	<u>999</u>
	<u>43,063</u>	<u>-</u>	<u>43,063</u>
Assigned for:			
Projected Budget Deficit	<u>5,164</u>	<u>-</u>	<u>5,164</u>
Unassigned:	<u>786,412</u>	<u>(6,609)</u>	<u>779,803</u>
Total Fund Balance:	<u>\$ 842,350</u>	<u>\$ 345</u>	<u>\$ 842,695</u>

INDEPENDENT SCHOOL DISTRICT NO. 4026
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL
ECHO, MINNESOTA
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JUNE 30, 2011

7. 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

All teachers employed by the District are covered by defined benefit plans administered by the Teachers Retirement Association (TRA). TRA members belong to either the Coordinated or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. The plans are cost-sharing, multiple-employer retirement plans and are established and administered in accordance with Minnesota Statutes, Chapter 354 and 356.

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

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

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

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 1.7 percent per year for coordinated members and 2.7 percent per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated members and 2.7 for Basic members applies. Actuarially equivalent early retirement reduction factors with augmentation are used for early retirement before the normal age of 65. These reduction factors average approximately 4 to 5.5 percent per year.

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.

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7. PENSION PLANS (Cont'd)

A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)

1. Plan Description (Cont'd)

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.

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA Web site www.tra.state.mn.us. Alternatively, a copy of the report may be obtained by writing or calling TRA:

Teachers Retirement Association
60 Empire Drive, Suite 400
St. Paul MN 55103-4000
(651) 296-6449
(800) 657-3853

2. Funding Policy

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. Coordinated and Basic Plan members are required to contribute 5.5 percent and 9.0 percent, respectively, of their annual covered salary as employee contributions. The TRA employer contribution rates are 5.5 percent for Coordinated members and 9.5 percent for Basic members. Total covered payroll salaries for all TRA members statewide during the fiscal year ended June 30, 2010 was approximately \$3.79 billion. TRA covered payroll for all members statewide for the fiscal years ended June 30, 2009 and June 30, 2008 were \$3.76 billion and \$3.65 billion, respectively.

The District contributions for the years ending June 30, 2011, 2010, and 2009 were \$44,578, \$44,358, and \$38,832, respectively, equal to the required contributions for each year as set by State Statute.

The 2010 Legislature approved employee and employer contribution rate increases to be phased-in over a four-year period beginning July 1, 2011. Employee and employer contribution rates will rise 0.5 percent each year for the four-year period. Beginning July 1, 2014, TRA Coordinated employee and employer contribution rates will be 7.5 percent.

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

1. Plan Description

All full-time and certain part-time employees of the District are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

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7. PENSION PLANS (Cont'd)

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)

1. Plan Description (Cont'd)

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

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

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For all GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

2. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2010. The District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERF members and 7.00% for Coordinated Plan GERF members. The District's contributions to the Public Employees Retirement Fund for the years ending June 30, 2011, 2010, and 2009 were \$22,240, \$20,199, and \$18,017, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

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8. 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, 2010 through June 30, 2011 requires monthly payments of \$21,000. 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 maintains an accounting of all lease funds received and expended on an annual basis, and will furnish this information to the District upon request.

Lease expenditures for the year ended June 30, 2011 were \$252,000.

Equipment Leases

The District has entered into operating lease agreements for various pieces of office equipment. These leases call for monthly payments ranging from \$177 to \$225 and end on various dates through January 29, 2015. Expenditures under these leases were \$4,826 for the year ended June 30, 2011.

Future minimum lease obligations under these agreements are as follows:

2012	\$ 4,826
2013	4,152
2014	2,129
2015	1,242
2016	-

REQUIRED SUPPLEMENTARY INFORMATION

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 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2011
 (with Comparative Actual Amounts for the Year Ended June 30, 2010)

	2011 Budgeted Amounts		2011		2010
	Original	Final	Actual	Variance	Actual
REVENUES					
Other Local and County Revenues:					
Contributions	\$ 16,700	\$ 16,700	\$ 61,173	\$ 44,473	\$ 20,283
Admissions	9,750	9,750	5,973	(3,777)	7,231
Fees from Patrons	12,960	12,960	18,880	5,920	25,917
Earnings From Investments	7,500	7,500	5,254	(2,246)	8,343
21st Century Grant	72,000	72,000	65,918	(6,082)	65,670
Miscellaneous Revenues and Reimbursements	7,050	7,050	5,618	(1,432)	13,131
	<u>125,960</u>	<u>125,960</u>	<u>162,816</u>	<u>36,856</u>	<u>140,575</u>
Revenues From State Sources:					
General Education Aid	1,457,168	1,444,205	1,407,991	(36,214)	1,305,304
Charter School Lease Aid	226,800	226,800	226,800	-	228,721
Special Education Aid	235,000	235,000	207,215	(27,785)	243,185
Other Miscellaneous State Aid	-	-	-	-	320
	<u>1,918,968</u>	<u>1,906,005</u>	<u>1,842,006</u>	<u>(63,999)</u>	<u>1,777,530</u>
Revenues From Federal Sources:					
Title I	38,400	50,456	46,213	(4,243)	73,945
Title II	7,359	74,317	65,120	(9,197)	40,196
Title IV	-	-	-	-	979
Title VIII Stabilization	-	-	-	-	115,170
Education Jobs Fund	-	42,886	42,886	-	-
Maintenance of Effort	21,700	20,835	20,836	1	20,836
REAP Grant	25,000	25,000	8,458	(16,542)	27,205
Special Education Through Other Districts	25,000	42,000	37,024	(4,976)	40,880
Other Federal Revenue	-	-	1,707	1,707	-
	<u>117,459</u>	<u>255,494</u>	<u>222,244</u>	<u>(33,250)</u>	<u>319,211</u>
Sales and Other Conversion of Assets:					
Sale of Materials	11,310	11,310	18,578	7,268	11,667
Insurance Recovery	-	-	-	-	1,507
	<u>11,310</u>	<u>11,310</u>	<u>18,578</u>	<u>7,268</u>	<u>13,174</u>
TOTAL REVENUES	<u>2,173,697</u>	<u>2,298,769</u>	<u>2,245,644</u>	<u>(53,125)</u>	<u>2,250,490</u>
EXPENDITURES					
Current:					
District And School Administration:					
Salaries and Wages	48,067	48,067	49,864	(1,797)	48,416
Employee Benefits	3,952	3,952	3,416	536	3,969
Purchased Services	2,200	2,200	2,888	(688)	4,141
Supplies and Materials	550	550	27	523	41
Other Expenditures	600	600	5,288	(4,688)	-
	<u>55,369</u>	<u>55,369</u>	<u>61,483</u>	<u>(6,114)</u>	<u>56,567</u>
District Support Services:					
Salaries and Wages	75,757	75,757	74,436	1,321	71,796
Employee Benefits	10,583	10,583	10,337	246	9,843
Purchased Services	41,700	41,700	47,167	(5,467)	34,964
Supplies and Materials	13,270	13,270	8,641	4,629	12,739
Other Expenditures	16,750	16,750	2,608	14,142	15,070
	<u>158,060</u>	<u>158,060</u>	<u>143,189</u>	<u>14,871</u>	<u>144,412</u>
Regular Instruction:					
Salaries and Wages	790,347	783,558	791,963	(8,405)	822,200
Employee Benefits	98,448	99,453	109,554	(10,101)	110,985
Purchased Services	59,585	66,838	57,491	9,347	83,467
Supplies and Materials	95,620	89,430	68,478	20,952	101,802
Other Expenditures	2,836	-	-	-	4,065
	<u>1,046,836</u>	<u>1,039,279</u>	<u>1,027,486</u>	<u>11,793</u>	<u>1,122,519</u>

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EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL
ECHO, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011
(with Comparative Actual Amounts for the Year Ended June 30, 2010)

	2011 Budgeted Amounts		2011		2010
	Original	Final	Actual	Variance	Actual
EXPENDITURES (Cont'd)					
Current (Cont'd):					
Exceptional Instruction:					
Salaries and Wages	\$ 206,627	\$ 206,627	\$ 253,826	\$ (47,199)	\$ 222,659
Employee Benefits	27,216	27,216	33,328	(6,112)	28,488
Purchased Services	35,600	35,600	28,098	7,502	27,254
Supplies and Materials	3,950	3,950	4,445	(495)	3,235
	<u>273,393</u>	<u>273,393</u>	<u>319,697</u>	<u>(46,304)</u>	<u>281,636</u>
Instructional Support Services:					
Salaries and Wages	180	180	52,366	(52,186)	27,833
Employee Benefits	27	27	6,737	(6,710)	3,629
Purchased Services	9,350	9,350	4,549	4,801	2,328
Supplies and Materials	1,350	1,350	798	552	1,521
Other Expenditures	-	-	1,255	(1,255)	1,249
	<u>10,907</u>	<u>10,907</u>	<u>65,705</u>	<u>(54,798)</u>	<u>36,560</u>
Pupil Support Services:					
Salaries and Wages	80,282	80,282	71,321	8,961	74,097
Employee Benefits	11,498	11,498	10,217	1,281	10,414
Purchased Services	42,710	42,710	57,527	(14,817)	29,179
Supplies and Materials	32,700	32,700	35,532	(2,832)	30,618
Other Expenditures	150	150	-	150	171
	<u>167,340</u>	<u>167,340</u>	<u>174,597</u>	<u>(7,257)</u>	<u>144,479</u>
Site, Buildings and Equipment:					
Salaries and Wages	40,591	40,591	40,162	429	40,873
Employee Benefits	3,822	3,822	4,589	(767)	3,816
Purchased Services	325,750	325,750	316,951	8,799	314,972
Supplies and Materials	12,800	12,800	6,500	6,300	12,838
Other Expenditures	100	100	-	100	100
	<u>383,063</u>	<u>383,063</u>	<u>368,202</u>	<u>14,861</u>	<u>372,599</u>
Fiscal And Other Fixed Cost Programs:					
Purchased Services	<u>7,000</u>	<u>7,000</u>	<u>8,707</u>	<u>(1,707)</u>	<u>5,096</u>
Capital Outlay:					
District Support Services	7,500	7,500	8,072	(572)	8,076
Regular Instruction	15,650	16,850	2,751	14,099	18,711
Exceptional Instruction	2,500	2,500	78	2,422	1,986
Pupil Support Services	38,000	38,000	85,232	(47,232)	19,583
Site, Buildings and Equipment	6,800	6,800	7,637	(837)	1,913
	<u>70,450</u>	<u>71,650</u>	<u>103,770</u>	<u>(32,120)</u>	<u>50,269</u>
TOTAL EXPENDITURES	<u>2,172,418</u>	<u>2,166,061</u>	<u>2,272,836</u>	<u>(106,775)</u>	<u>2,214,137</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,279</u>	<u>132,708</u>	<u>(27,192)</u>	<u>(159,900)</u>	<u>36,353</u>
OTHER FINANCING SOURCES					
Sale of Property and Equipment	<u>-</u>	<u>-</u>	<u>1,152</u>	<u>(1,152)</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>1,279</u>	<u>132,708</u>	<u>(26,040)</u>	<u>(161,052)</u>	<u>36,353</u>
FUND BALANCE BEGINNING OF YEAR	<u>868,390</u>	<u>868,390</u>	<u>868,390</u>	<u>-</u>	<u>832,037</u>
FUND BALANCE END OF YEAR	<u>\$ 869,669</u>	<u>\$ 1,001,098</u>	<u>\$ 842,350</u>	<u>\$ (161,052)</u>	<u>\$ 868,390</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 - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2011
 (with Comparative Actual Amounts for the Year Ended June 30, 2010)

	<u>2011 Actual</u>	<u>2010 Actual</u>
FUND BALANCE ANALYSIS		
NONSPENDABLE FUND BALANCE		
Prepaid Expenditures	\$ 7,711	\$ 5,895
RESTRICTED FUND BALANCES		
Staff Development	40,209	46,649
Learning and Development	1,855	1,855
Operating Capital	999	1,584
TOTAL RESTRICTED FUND BALANCES	<u>43,063</u>	<u>50,088</u>
ASSIGNED FUND BALANCES	<u>5,164</u>	<u>-</u>
UNASSIGNED FUND BALANCE	<u>786,412</u>	<u>812,407</u>
TOTAL FUND BALANCE	<u>\$ 842,350</u>	<u>\$ 868,390</u>

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 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, 2011
 (with Comparative Actual Amounts for the Year Ended June 30, 2010)

	2011 Budgeted Amounts		2011		2010
	Original	Final	Actual	Variance	Actual
REVENUES					
Other Local and County Revenues:					
Earnings From Investments	\$ 100	\$ 100	\$ -	\$ (100)	\$ -
Miscellaneous Revenues	20	20	214	194	56
	<u>120</u>	<u>120</u>	<u>214</u>	<u>94</u>	<u>56</u>
Revenues From State Sources:					
School Lunch Aid	3,000	3,000	1,803	(1,197)	1,783
School Milk Program	150	150	-	(150)	-
School Breakfast Program	4,500	4,500	1,204	(3,296)	2,291
Summer Food Service Program	-	-	-	-	155
	<u>7,650</u>	<u>7,650</u>	<u>3,007</u>	<u>(4,643)</u>	<u>4,229</u>
Revenues From Federal Sources:					
School Lunch Aid	5,800	5,800	3,571	(2,229)	4,039
Free/Reduced Lunch Aid	28,000	28,000	31,670	3,670	31,761
School Breakfast Program	15,000	15,000	15,575	575	17,085
After School Snack Program	300	300	900	600	1,234
Summer Food Service Program	3,000	3,000	4,995	1,995	3,937
USDA Commodities	4,802	4,802	3,782	(1,020)	5,340
	<u>56,902</u>	<u>56,902</u>	<u>60,493</u>	<u>3,591</u>	<u>63,396</u>
Sales And Other Conversion Of Assets:					
Sale of Lunches	<u>34,405</u>	<u>34,405</u>	<u>32,998</u>	<u>(1,407)</u>	<u>30,341</u>
TOTAL REVENUES	<u>99,077</u>	<u>99,077</u>	<u>96,712</u>	<u>(2,365)</u>	<u>98,022</u>
EXPENDITURES					
Current:					
Pupil Support Services:					
Salaries and Wages	27,280	27,280	31,376	(4,096)	28,369
Employee Benefits	3,930	3,930	4,207	(277)	4,019
Purchased Services	1,650	1,650	1,288	362	1,004
Supplies and Materials	56,825	56,825	59,867	(3,042)	61,708
USDA Commodities	5,500	5,500	3,782	1,718	5,153
Other Expenditures	150	150	554	(404)	-
	<u>95,335</u>	<u>95,335</u>	<u>101,074</u>	<u>(5,739)</u>	<u>100,253</u>
Capital Outlay:					
Pupil Support Services	<u>2,250</u>	<u>2,250</u>	<u>-</u>	<u>2,250</u>	<u>2,189</u>
TOTAL EXPENDITURES	<u>97,585</u>	<u>97,585</u>	<u>101,074</u>	<u>(3,489)</u>	<u>102,442</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,492</u>	<u>1,492</u>	<u>(4,362)</u>	<u>(5,854)</u>	<u>(4,420)</u>
FUND BALANCE BEGINNING OF YEAR	<u>4,707</u>	<u>4,707</u>	<u>4,707</u>	<u>-</u>	<u>9,127</u>
FUND BALANCE END OF YEAR	<u>\$ 6,199</u>	<u>\$ 6,199</u>	<u>\$ 345</u>	<u>\$ (5,854)</u>	<u>\$ 4,707</u>
FUND BALANCE ANALYSIS					
NONSPENDABLE FUND BALANCE					
Inventory			<u>\$ 6,954</u>		<u>\$ 3,426</u>
TOTAL NONSPENDABLE FUND BALANCE			<u>6,954</u>		<u>3,426</u>
RESTRICTED FUND BALANCE			<u>-</u>		<u>1,281</u>
UNASSIGNED FUND BALANCES			<u>(6,609)</u>		<u>-</u>
TOTAL FUND BALANCE			<u>\$ 345</u>		<u>\$ 4,707</u>

INDEPENDENT SCHOOL DISTRICT NO. 4026
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL
ECHO, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011

1. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. DEFICIT SPENDING

For the year ended June 30, 2011, the final approved budget did not project deficit spending in any of the funds.

B. EXPENDITURES EXCEEDING APPROPRIATIONS

For the year ended June 30, 2011, the District had expenditures exceeding the latest amended budget in the following funds:

Fund	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$ 2,166,061	\$ 2,272,836	\$ 106,775
Food Service Fund	97,585	101,074	3,489

Budget revisions were last approved in March of 2011. These excesses were realized since that time and are 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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
REVENUES										
Other Local and County Revenues	125,740	92,614	120,002	111,475	170,940	115,377	133,790	171,016	140,575	162,816
Revenue From State Sources	687,769	874,080	1,019,181	1,213,074	1,240,694	1,623,221	1,785,485	1,903,914	1,777,530	1,842,006
Revenue From Federal Sources	23,876	39,668	90,315	82,338	89,888	65,373	522,038	158,571	319,211	222,244
Sales and Other Conversions of Assets	-	-	-	-	8,563	-	9,453	14,433	13,174	19,730
Transfers In	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	837,385	1,006,362	1,229,498	1,406,887	1,510,085	1,803,971	2,450,766	2,247,934	2,250,490	2,246,796
EXPENDITURES - PROGRAMS										
District and School Admin	26,004	27,575	25,759	47,800	49,472	40,709	51,823	54,432	56,567	61,483
District Support Services	88,452	93,031	100,109	127,251	138,963	130,163	154,445	141,712	152,488	151,261
Regular Instruction	387,256	527,236	647,112	657,431	737,061	832,659	903,892	1,027,384	1,141,230	1,030,237
Vocational Instruction	-	-	-	-	-	-	8,085	-	-	-
Exceptional Instruction	46,734	57,519	68,755	127,577	158,129	207,930	264,848	287,479	283,622	319,775
Instructional Support Services	3,983	7,962	5,073	9,946	4,424	586	9,161	11,221	36,560	65,705
Pupil Support Services	44,711	73,715	63,026	114,839	157,550	129,547	155,561	254,369	164,062	259,829
Site, Buildings, and Equipment	175,069	152,160	155,568	155,038	216,429	361,991	805,096	436,982	374,512	375,839
Fiscal and Other Fixed Cost Programs	4,913	7,187	9,013	13,174	13,174	13,575	5,375	5,792	5,096	8,707
Transfers Out	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	777,122	946,385	1,074,415	1,253,056	1,475,202	1,717,160	2,358,286	2,219,371	2,214,137	2,272,836
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	60,263	59,977	155,083	153,831	34,883	86,811	92,480	28,563	36,353	(26,040)
FUND BALANCE-BEGINNING	160,146	220,409	280,386	435,469	589,300	624,183	710,994	803,474	832,037	868,390
FUND BALANCE-ENDING	220,409	280,386	435,469	589,300	624,183	710,994	803,474	832,037	868,390	842,350
CASH BALANCE	136,067	224,333	275,290	364,977	458,930	506,965	513,916	615,631	361,048	455,480
EXPENDITURES - OBJECTS										
Salaries and Wages	392,990	503,650	598,986	702,336	819,669	943,949	1,069,075	1,204,427	1,307,874	1,333,938
Employee Benefits	55,311	62,608	74,813	87,064	100,510	117,269	140,688	156,865	171,144	178,178
Purchased Services	260,607	292,304	309,592	321,260	351,410	499,559	874,971	611,891	501,401	523,378
Supplies and Materials	39,011	65,154	57,994	68,929	115,172	99,495	133,105	125,061	162,794	124,421
Equipment	15,857	11,011	18,100	67,298	81,702	48,125	131,282	106,380	50,269	103,770
Other Expenditures/Transfers	13,346	11,658	14,930	6,169	6,739	8,763	9,165	14,747	20,655	9,151
TOTAL EXPENDITURES	777,122	946,385	1,074,415	1,253,056	1,475,202	1,717,160	2,358,286	2,219,371	2,214,137	2,272,836

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, 2011

1. 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 District would continue to contract with the SW/WC Service Cooperative for bookkeeping and year end 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 account balances that required adjustment or did not use a proper cut off for analyzing the accrual balance.

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.

Corrective Action Plan (CAP)

1. Explanation of Disagreement with Audit Findings
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 year end audit preparation services.
3. Official Responsible for Insuring CAP
The Director 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, 2012 audit.
5. Plan to Monitor Completion of CAP
The Director and the School Board will monitor this corrective action plan.

**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, 2011**

2. LATE PAYMENT OF INVOICES

Condition: Finance charges were noted in the District's general ledger for late payment of invoices.

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.

Corrective Action Plan (CAP)

1. Explanation of Disagreement with Audit Findings
There is no disagreement with the audit finding.
2. Action Planned in Response to Finding
The District has begun to process invoices internally in order to better ensure they are paid in a timely manner, and will continue to monitor the various due dates.
3. Official Responsible for Insuring CAP
The Director and the School Board are responsible for insuring corrective action of this deficiency.
4. Planned Completion Date for CAP
This plan has been implemented during the current fiscal year.
5. Plan to Monitor Completion of CAP
The Director and School Board will be monitoring this corrective action plan.

3. DESIGNATION OF DEPOSITORY

Condition: The District deposited funds in a bank which was not officially designated as a depository of public funds by the School Board.

Effect: This is a violation of Minnesota Statute §118A.02 Subd 1.

Cause: The District opened a certificate of deposit in a new bank during the year in order to obtain a higher interest rate. Since this transaction took place after the annual depository designation was performed by the School Board, the new bank was not officially designated as a depository for the District.

Criteria: The District should designate as a depository each bank in which they deposit public funds.

Recommendation: We recommend that the School Board officially designate each bank that is used by the District. This designation should be documented in the School Board minutes.

**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, 2011**

3. DESIGNATION OF DEPOSITORY (Cont'd)

Corrective Action Plan (CAP)

1. Explanation of Disagreement with Audit Findings
There is no disagreement with the audit finding.
2. Action Planned in Response to Finding
The Director will ensure that each bank used by the District has been officially designated as a depository by the School Board.
3. Official Responsible for Insuring CAP
The Director is the official responsible for insuring correction action of the deficiency.
4. Planned Completion Date for CAP
This plan will be implemented in during the 2011-2012 fiscal year.
5. Plan to Monitor Completion of CAP
The Director and 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 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, 2011, 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 November 23, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. 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 over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings on Internal Control Structure and Compliance, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 combination of deficiencies, in internal control over financial reporting 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 one to be a material weakness.

903 East College Drive
P.O. Box 548
Marshall, MN 56258
www.hoffmanbrobst.com
507 532 5735
FAX 537 0696

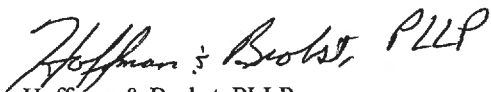
Compliance and Other Matters

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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*; however we noted certain matters of noncompliance that are required to be reported under Minnesota Statutes. These items of noncompliance are described in the accompanying Schedule of Findings on Internal Control Structure and Compliance as items two and three.

We noted certain matters that we reported to management of Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota in a separate letter dated November 23, 2011.

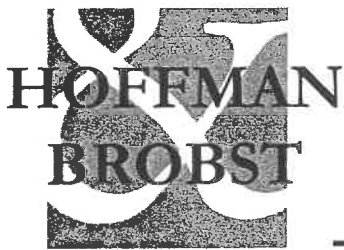
Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota's response to the findings identified in our audit is described in the accompanying Schedule of Findings on Internal Control Structure and Compliance. We did not audit Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the School Board, the Minnesota Department of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 23, 2011



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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 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, 2011, 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 November 23, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers two categories of compliance to be tested in audits of charter schools: uniform financial accounting and reporting standards, and charter schools. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, the District complied with the material terms and conditions of applicable legal provisions except as described in the accompanying Schedule of Findings on Internal Control Structure and Compliance as items two and three.

This report is intended solely for the information and use of management, the School Board, the Minnesota Department of Education, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

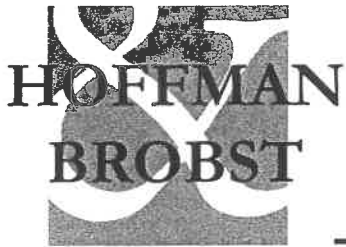
November 23, 2011

903 East College Drive
P.O. Box 548
Marshall, MN 56258
www.hoffmanbrobst.com
507 532 5735
FAX 537 0696

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

STUDENT ACTIVITY ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2011



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CERTIFIED PUBLIC ACCOUNTANTS

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

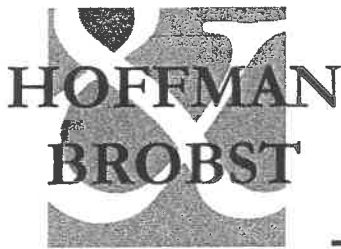
Members of the School Board, Advisors, and Students
Independent School District No. 4026
Every Child Has Opportunities (ECHO) Charter School
Echo, Minnesota

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, 2011, 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
Certified Public Accountants
Marshall, Minnesota

November 23, 2011

903 East College Drive
P.O. Box 548
Marshall, MN 56258
www.hoffmanbrobst.com
507 532 5735
FAX 537 0696



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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 Independent School District No. 4026, Every Child has Opportunities (ECHO) Charter School, Echo, Minnesota, for the year ended June 30, 2011, 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 November 23, 2011. This letter does not affect that report or our report dated November 23, 2011, on the financial statements of Independent School District No. 4026, Every Child has Opportunities (ECHO) Charter School, Echo, Minnesota.

1. Discretionary salary adjustments for charter schools are not specifically disallowed by Minnesota Statutes, but caution should be exercised in documenting the calculation and rationale for this type of payment. As noted in prior years, the District should be able to justify the appropriateness of this method of compensation.
2. During the audit, we noted that time cards for an hourly employee were not signed by a supervisor. We recommend that the District obtain approval from supervisors for all time cards for hourly employees prior to payment of the salary.

All other comments and suggestions are included in the Schedule of Findings on Internal Control Structure and Compliance beginning on page 33.

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

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 23, 2011

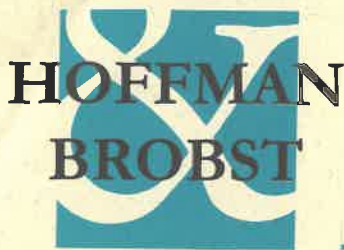
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Fiscal Compliance Report - 6/30/2011

Help Logoff

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

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$2,245,644	<u>\$2,245,644</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$2,272,836	<u>\$2,272,833</u>	<u>\$3</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
Non Spendable:				Non Spendable:			
4.60 Non Spendable Fund Balance	\$7,711	<u>\$7,711</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
Restricted / Reserved:				Restricted / Reserved:			
4.03 Staff Development	\$40,209	<u>\$40,209</u>	<u>\$0</u>	4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.05 Deferred Maintenance	\$0	<u>\$0</u>	<u>\$0</u>	4.09 Alternative Facility Program	\$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>	Restricted:			
4.08 Cooperative Revenue	\$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>	Unassigned:			
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>				
4.23 Certain Teacher Programs	\$0	<u>\$0</u>	<u>\$0</u>	07 DEBT SERVICE			
4.24 Operating Capital	\$999	<u>\$999</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>	Non Spendable:			
4.28 Learning & Development	\$1,855	<u>\$1,855</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>	Restricted / Reserved:			
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>	Restricted:			
4.41 Basic Skills Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.45 Career Tech Programs	\$0	<u>\$0</u>	<u>\$0</u>	Unassigned:			
4.49 Safe School Crime	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.50 Pre-Kindergarten	\$0	<u>\$0</u>	<u>\$0</u>				
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>	08 TRUST			
4.52 OPEB Liab Not in Trust	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$590	<u>\$590</u>	<u>\$0</u>
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$750	<u>\$750</u>	<u>\$0</u>
Restricted:				4.22 Unassigned Fund Balance (Net Assets)	\$6,306	<u>\$6,306</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				
Committed:				20 INTERNAL SERVICE			
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
Assigned:				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.62 Assigned Fund Balance	\$5,164	<u>\$5,164</u>	<u>\$0</u>				
Unassigned:				25 OPEB REVOCABLE TRUST			
4.22 Unassigned Fund Balance	\$786,412	<u>\$786,414</u>	<u>(\$2)</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
				Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
02 FOOD SERVICES				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
Total Revenue	\$96,712	<u>\$96,711</u>	<u>\$1</u>				
Total Expenditures	\$101,074	<u>\$101,073</u>	<u>\$1</u>	45 OPEB IRREVOCABLE TRUST			
Non Spendable:				Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.60 Non Spendable Fund Balance	\$6,954	<u>\$6,954</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
Restricted / Reserved:				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not in Trust	\$0	<u>\$0</u>	<u>\$0</u>				
Restricted:				47 OPEB DEBT SERVICE			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Unassigned:				Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.63 Unassigned Fund Balance	(\$6,609)	<u>(\$6,609)</u>	<u>\$0</u>	Non Spendable:			
				4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
04 COMMUNITY SERVICE				Restricted:			
Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
Non Spendable:				Unassigned:			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
Restricted / Reserved:							
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>				
4.44 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>				
Restricted:							
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				
Unassigned:							
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				



PLLP

CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited 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 for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 8, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. The District changed its accounting policies for classifying and reporting fund balances in the governmental funds by adopting GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions in the current fiscal year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements was:

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.

Certain financial statements disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the District's fund balance in Note 6 to the financial statements is important to the users of the District's financial statements because it details the amount of fund balances the District has available at year end to fund future operations.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

903 East College Drive
P.O. Box 548
Marshall, MN 56258
www.hoffmanbrobst.com
507 532 5735
FAX 537 0696

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 23, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

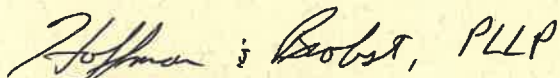
Other Information in Documents Containing Audited Financial Statements

If the audited financial statements are included in a document prepared by the District, such as a comprehensive annual financial report, or posted to the District's website, the following information should be communicated to the users of the information:

- 1) Our responsibility as the auditor for other information in documents containing the District's financial statements and report does not extend beyond the financial information identified in the report.
- 2) We, as auditors, do not have an obligation to perform any procedures to corroborate other information contained in the documents presented.
- 3) No procedures were performed by the auditors on the other information presented.

This information is intended solely for the use of Members of the Board and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 23, 2011