

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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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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, 2014

<u>SCHOOL BOARD MEMBERS</u>		<u>TERM EXPIRES</u>
David Ose	Chairperson	2014
Annetta Ewald	Clerk	2016
Marsha Lecy	Treasurer	2015
Kay Haneca	Director	2014
Jim Pingel	Director	2016
Scott Parsons	Director	2016
Jeff Berthelsen	Director	2015



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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB 65

As discussed in Note 9 of the financial statements, the District has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Other Matters

Required Supplementary Information

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 28 through 31 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Report on Summarized Comparative Information

We have previously audited the District's 2013 financial statements, and our report, dated November 21, 2013 expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014, on our consideration of Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota's internal control over financial reporting and compliance.

Hoffman + Brobst, PLLP

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 24, 2014

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, 2014**

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, 2014.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2013-2014 fiscal year include the following:

- Net Position decreased \$135,897 from the prior year to \$1,327,010 at year end. Of this decrease, \$60,323 was in unrestricted net position.
- Total expenses in the Statement of Activities were \$1,665,110 and exceeded revenues by \$135,897. This is mainly due to annual depreciation expense and reduced revenue based on fewer students.
- The General Fund expenditures exceeded revenues by \$60,323, resulting in the total fund balance decreasing to \$700,654 as of June 30, 2014. After deducting fund balance policy assignments, the unassigned fund balance decreased \$60,674 to \$655,235 at June 30, 2014. The District exceeds its minimum fund balance policy of four months of expenditures in the General Fund.
- The District started exploring the process of offering project based learning to high school students for their elective credits.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 4026
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL
ECHO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

**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 Position includes all of the District's assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any). All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) – is one way to measure the District's financial health or position.

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

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

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

FUND FINANCIAL STATEMENTS

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

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

The District has two kinds of funds:

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

INDEPENDENT SCHOOL DISTRICT NO. 4026
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL
ECHO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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

The District's combined net position was \$1,327,010 on June 30, 2014. This was a decrease of 9.3% from the previous year total of \$1,462,907. A summary of the District's net position is as follows:

Net Position – Governmental Activities			Percentage
	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>Change</u>
Current and Other Assets	\$ 837,723	\$ 941,291	
Capital Assets	<u>622,541</u>	<u>697,098</u>	
Total Assets	<u>1,460,264</u>	<u>1,638,389</u>	(10.9)%
Current Liabilities	<u>133,254</u>	<u>175,482</u>	
Total Liabilities	<u>133,254</u>	<u>175,482</u>	(24.1)%
Net Position			
Net Investment in Capital Assets	622,541	697,098	
Restricted	3,815	4,832	
Unrestricted	<u>700,654</u>	<u>760,977</u>	
Total Net Position	<u>\$ 1,327,010</u>	<u>\$ 1,462,907</u>	(9.3)%

CHANGE IN NET POSITION

The change in net position occurs as a result of the District's expenses being greater than its revenues for the year ended June 30, 2014. A summary of the District's revenues and expenses is as follows:

Change in Net Position – Governmental Activities			Percentage
	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>Change</u>
Revenues			
Program Revenues			
Charges for Services	\$ 41,736	\$ 56,795	(26.5)%
Operating Grants and Contributions	617,296	752,578	(18.0)%
Capital Grants and Contributions	14,549	25,339	(42.6)%
General Revenues			
Unallocated Federal and State Aid	849,143	1,070,721	(20.7)%
Other	<u>6,489</u>	<u>6,421</u>	1.1%
Total Revenues	<u>1,529,213</u>	<u>1,911,854</u>	(20.0)%
Expenses			
District and School Administration	39,730	65,929	(39.7)%
District Support Services	96,778	144,950	(33.2)%
Regular Instruction	737,865	872,099	(15.4)%
Exceptional Instruction	184,480	216,651	(14.8)%
Instructional Support Services	8,205	6,949	18.1%
Pupil Support Services	225,220	305,451	(26.3)%
Site, Buildings and Equipment	367,140	392,272	(6.4)%
Fiscal and Other Fixed Cost Programs	<u>5,692</u>	<u>7,328</u>	(22.3)%
Total Expenses	<u>1,665,110</u>	<u>2,011,629</u>	(17.2)%
Increase (Decrease) in Net Position	(135,897)	(99,775)	
Beginning of Year Net Position	<u>1,462,907</u>	<u>1,562,682</u>	
End of Year Net Position	<u>\$ 1,327,010</u>	<u>\$ 1,462,907</u>	(9.3)%

**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, 2014**

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

CHANGE IN NET POSITION (Cont'd)

The District's total revenues consisted of program revenues of \$673,581, unallocated federal and state aids of \$849,143, and a small amount from various other sources. Expenses totaling \$1,665,110 consisted primarily of student instructional costs of \$922,345, student support services of \$233,425, administration costs of \$136,508, site, buildings and equipment costs of \$367,140, and minor other amounts.

The cost of all governmental activities this year was \$1,665,110.

- The users of the District's programs paid for 2.5%, or \$41,736, of the costs.
- The federal and state governments subsidized certain programs with grants and contributions. This totaled \$631,845 or 37.9% of the total costs.
- The balance of the District's net cost of services (\$991,529), 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 \$704,469. This was a decrease of \$61,340 from the prior year.

REVENUES AND EXPENDITURES

Revenues of the District's governmental funds totaled \$1,530,222. This was a decrease of 19.9% from the previous year total of \$1,910,654, due to no longer receiving the 21st Century grant, and a decrease in revenue received due to the decrease in students. Total expenditures were \$1,591,562. This was a decrease of 19.7% from the previous year total of \$1,982,035, primarily due to an overall decrease in total students. 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	\$ 1,466,570	\$ 1,526,893	\$ -	\$ (60,323)
Food Service Fund	63,652	64,669	-	(1,017)
Totals	\$ <u>1,530,222</u>	\$ <u>1,591,562</u>	\$ -	\$ <u>(61,340)</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, 2014**

**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:

Revenues – General Fund				
	Year Ended 6/30/2014	Year Ended 6/30/2013	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources	\$ 24,834	\$ 42,356	\$ (17,522)	(41.4)%
State Sources	1,375,435	1,683,923	(308,488)	(18.3)%
Federal Sources	57,906	83,367	(25,461)	(30.5)%
Sales and Other Conversion of Assets	8,395	16,857	(8,462)	(50.2)%
Total Revenues	\$ 1,466,570	\$ 1,826,503	\$ (359,933)	(19.7)%

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

Expenditures – General Fund				
	Year Ended 6/30/2014	Year Ended 6/30/2013	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries and Wages	\$ 858,187	\$ 1,074,239	\$ (216,052)	(20.1)%
Employee Benefits	130,772	156,864	(26,092)	(16.6)%
Purchased Services	434,079	480,725	(46,646)	(9.7)%
Supplies and Materials	74,197	93,575	(19,378)	(20.7)%
Capital Expenditures	11,401	58,385	(46,984)	(80.5)%
Other Expenditures	18,257	24,770	(6,513)	(26.3)%
Total Expenditures	1,526,893	1,888,558	(361,665)	(19.2)%
Other Financing Uses				
Transfer to Food Service Fund	-	11,000	(11,000)	(100.0)%
Total Expenditures and Other Financing Uses	\$ 1,526,893	\$ 1,899,558	\$ (372,665)	(19.6)%

In summary, the 2013-2014 General Fund expenditures exceeded revenues by \$60,323. As a result, the total fund balance decreased to \$700,654 at June 30, 2014. The District closely monitors the General Fund unassigned fund balance throughout the year.

**INDEPENDENT SCHOOL DISTRICT NO. 4026
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

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

During the year ended June 30, 2014 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 revisions were approved in February and May.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by \$2,571, the actual results for the year showed a deficit of \$60,323.

- Actual revenues were \$53,513, or 3.6 percent, less than budget, due primarily to recognizing more revenue for contributions and earnings from investments, and less revenue for federal and state special education aid, general education aid, and the REAP grant, along with several other less significant variances. The budget variance is mainly due to generating the budget based on a higher student count than the final actual number of enrolled students.
- Actual expenditures were \$9,381 or 0.6 percent, higher than budget. This overall unfavorable variance was due to a combination of positive variances in district support services and capital outlay, and negative variances in regular instruction, pupil support services, and site, buildings, and equipment. Several other less significant areas contributed to this overall unfavorable variance. The main reason for this is due to spending more for coaching and finance services provided by teachers than was originally budgeted in addition to unexpected bus repairs.

FOOD SERVICE FUND

The Food Service Fund revenue for 2013-2014 totaled \$63,652 and expenditures were \$64,669, resulting in a fund balance decrease of \$1,017. The June 30, 2014 Food Service Fund fund balance is \$3,815.

TRUST FUND

The Trust Fund additions exceeded deductions by \$519 in 2013-2014. The net position of \$7,930 at June 30, 2014 is available for scholarships.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of June 30, 2014, the District had net capital assets of \$622,541 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 \$80,085. Detailed information about capital assets is as follows:

Capital Assets – Governmental Activities

	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>Percentage Change</u>
Leasehold Improvements	\$ 457,259	\$ 457,259	0.0%
Equipment and Vehicles	700,207	696,415	0.5%
Less Accumulated Depreciation	<u>(534,925)</u>	<u>(456,576)</u>	17.2%
Total Net Capital Assets	<u>\$ 622,541</u>	<u>\$ 697,098</u>	(10.7)%

DEBT ADMINISTRATION

As of June 30, 2014, the District did not have any long-term liabilities.

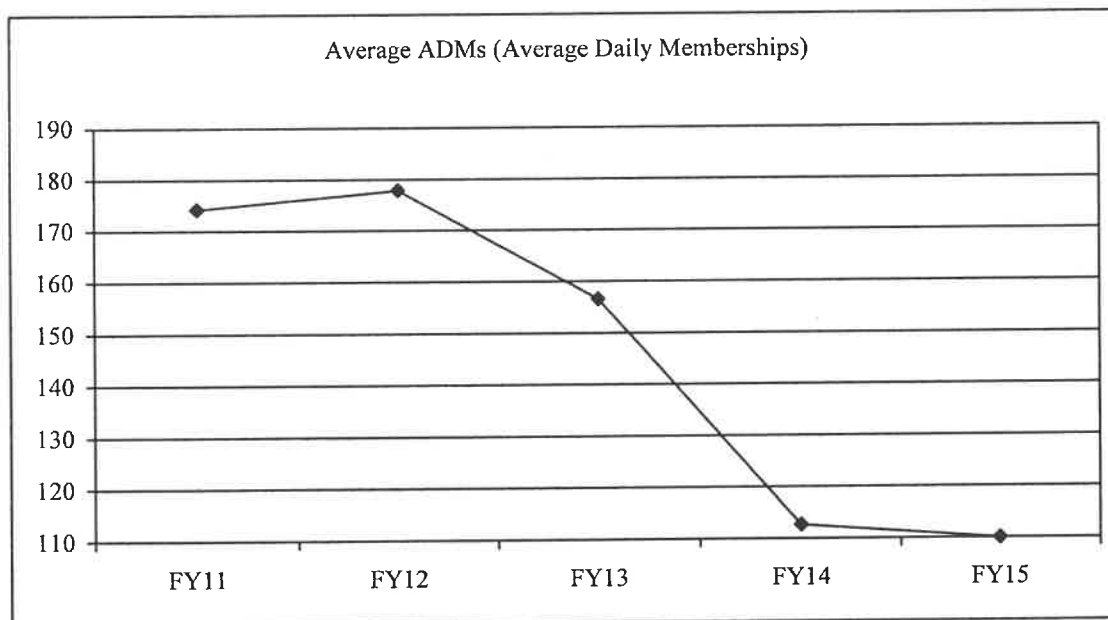
**INDEPENDENT SCHOOL DISTRICT NO. 4026
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL
ECHO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Legislature approved foundation formula increases for both the 2013-2014 and 2014-2015 fiscal years. Along with this, funding for all-day, every-day kindergarten was approved beginning in 2014-2015. This has a significant positive effect on the District, since it has offered all-day kindergarten since 2007. The District will now be able to shift the funding that supported that program to other areas. The delayed school payments have been paid off as the economic conditions in the State have improved. The metered payment schedule is currently at 90%, where it should be, and we have an improved cash flow position due to that. Economic conditions in Minnesota are continuing to improve and the new Legislature in 2015 will benefit from having more options available to support education.

All work agreements are in effect for a one-year period beginning September 1. Labor costs account for approximately 65% of the District's General Fund operating expenditures.

The District's trend for enrollment shows declining enrollment. This impacts the District's funding since enrollment is what actually determines most of a school's funding components. Hence, if there was an increase in enrollment the District could anticipate an increase in revenues even if there were no increases to the formulas. Increasing enrollment is a primary goal of the District.



The District is currently working with its Authorizer, Innovative Quality Schools, to develop a long-term strategic plan that will involve the community. The District's goal is to develop an enhanced plan for course work, retain and eventually increase student count, and maintain employees. The District is continuing to research the benefits of a project based environment versus a seat based environment.

The District has been awarded a PACT 4 grant for the 21st Century after school and summer program for the next three to five years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 4026
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL
ECHO, MINNESOTA
STATEMENT OF NET POSITION
JUNE 30, 2014
(with Partial Comparative Information as of June 30, 2013)

	Governmental Activities	
	2014	2013
ASSETS		
Current Assets:		
Cash and Investments	\$ 706,006	\$ 460,440
Accounts Receivable	551	4,052
Due From State of Minnesota	57,207	242,406
Due From Federal Government	4,652	14,504
Due From Other Minnesota School Districts	10,229	19,114
Interest Receivable	281	289
Inventory	2,802	3,813
Prepaid Expenses	12,192	5,438
Total Current Assets	<u>793,920</u>	<u>750,056</u>
Noncurrent Assets:		
Investments	43,803	191,235
Capital Assets:		
Other Capital Assets, Net of Depreciation	622,541	697,098
Total Noncurrent Assets	<u>666,344</u>	<u>888,333</u>
TOTAL ASSETS	<u>\$ 1,460,264</u>	<u>\$ 1,638,389</u>
LIABILITIES		
Current Liabilities:		
Salaries Payable	\$ 77,496	\$ 101,492
Accounts Payable	12,608	22,568
Payroll Liabilities	43,150	51,422
TOTAL LIABILITIES	<u>133,254</u>	<u>175,482</u>
NET POSITION		
Net Investment in Capital Assets	622,541	697,098
Restricted For:		
Food Service	3,815	4,832
Unrestricted	700,654	760,977
TOTAL NET POSITION	<u>1,327,010</u>	<u>1,462,907</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,460,264</u>	<u>\$ 1,638,389</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, 2014
(with Partial Comparative Information for the Year Ended June 30, 2013)

Functions/Programs	2014				2013	
	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:						
District and School Administration	\$ 39,730	\$ -	\$ -	\$ -	(39,730)	(65,929)
District Support Services	96,778	-	10,918	1,840	(84,020)	(127,281)
Regular Instruction	737,865	18,127	200,643	9,464	(509,631)	(612,363)
Exceptional Instruction	184,480	-	183,847	-	(633)	24,064
Instructional Support Services	8,205	-	19,303	-	11,098	(6,949)
Pupil Support Services	225,220	23,609	40,043	-	(161,568)	(216,416)
Site, Buildings and Equipment	367,140	-	162,542	3,245	(201,353)	(164,715)
Fiscal and Other Fixed Cost Programs	5,692	-	-	-	(5,692)	(7,328)
Total Governmental Activities	1,665,110	41,736	617,296	14,549	(991,529)	(1,176,917)
General Revenues:						
Federal and State Aid Not Restricted to Specific Purposes					849,143	1,070,721
Earnings on Investments					2,872	2,877
Gain (Loss) on Sale of Assets					(1,009)	1,200
Miscellaneous Revenues					4,626	2,344
Total General Revenues					855,632	1,077,142
Change in Net Position					(135,897)	(99,775)
Net Position - Beginning					1,462,907	1,562,682
Net Position - Ending					\$ 1,327,010	\$ 1,462,907

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, 2014
 (with Partial Comparative Information as of June 30, 2013)

	Major Funds		Total Governmental Funds	
	General	Food Service	2014	2013
ASSETS				
Cash and Investments	\$ 748,991	\$ 818	\$ 749,809	\$ 651,675
Accounts Receivable	145	406	551	4,052
Due From State of Minnesota	57,207	-	57,207	242,406
Due From Federal Government	4,652	-	4,652	14,504
Due From Other Minnesota School Districts	10,229	-	10,229	19,114
Interest Receivable	281	-	281	289
Inventory	-	2,802	2,802	3,813
Prepaid Expenditures	12,192	-	12,192	5,438
TOTAL ASSETS	\$ 833,697	\$ 4,026	\$ 837,723	\$ 941,291
LIABILITIES				
Salaries Payable	\$ 77,496		\$ 77,496	\$ 101,492
Accounts Payable	12,397	\$ 211	12,608	22,568
Payroll Liabilities	43,150	-	43,150	51,422
TOTAL LIABILITIES	133,043	211	133,254	175,482
FUND BALANCES				
Nonspendable Fund Balances	12,192	2,802	14,994	9,251
Restricted Fund Balances	-	1,013	1,013	1,019
Assigned Fund Balances	33,227	-	33,227	39,630
Unassigned Fund Balances	655,235	-	655,235	715,909
TOTAL FUND BALANCES	700,654	3,815	704,469	765,809
TOTAL LIABILITIES AND FUND BALANCES	\$ 833,697	\$ 4,026	\$ 837,723	\$ 941,291

The accompanying notes are an integral part of these statements.

INDEPENDENT SCHOOL DISTRICT NO. 4026
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL
ECHO, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014
(with Partial Comparative Information as of June 30, 2013)

	<u>2014</u>	<u>2013</u>
Total Fund Balances for Governmental Funds	\$ 704,469	\$ 765,809
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Those assets consist of:		
Other Capital Assets, Net of \$534,925 of		
Accumulated Depreciation	<u>622,541</u>	<u>697,098</u>
Total Net Position of Governmental Activities	\$ <u>1,327,010</u>	\$ <u>1,462,907</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, 2014
(with Partial Comparative Information for the Year Ended June 30, 2013)

	Major Funds		Total Governmental Funds	
	General	Food Service	2014	2013
REVENUES				
Other Local and County Revenues	\$ 24,834	\$ -	\$ 24,834	\$ 42,356
Revenue From State Sources	1,375,435	3,374	1,378,809	1,689,126
Revenue From Federal Sources	57,906	36,670	94,576	133,730
Sales and Other Conversion of Assets	8,395	23,608	32,003	45,442
TOTAL REVENUES	1,466,570	63,652	1,530,222	1,910,654
EXPENDITURES				
Current:				
District and School Administration	39,730	-	39,730	65,770
District Support Services	93,149	-	93,149	143,063
Regular Instruction	711,319	-	711,319	844,765
Exceptional Instruction	183,955	-	183,955	216,248
Instructional Support Services	8,205	-	8,205	6,949
Pupil Support Services	128,367	64,669	193,036	268,616
Site, Buildings and Equipment	345,075	-	345,075	370,752
Fiscal and Other Fixed Cost Programs	5,692	-	5,692	7,328
Capital Outlay:	11,401	-	11,401	58,385
Debt Service:	-	-	-	159
TOTAL EXPENDITURES	1,526,893	64,669	1,591,562	1,982,035
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(60,323)	(1,017)	(61,340)	(71,381)
FUND BALANCE BEGINNING OF YEAR	760,977	4,832	765,809	837,190
FUND BALANCE END OF YEAR	\$ 700,654	\$ 3,815	\$ 704,469	\$ 765,809

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, 2014
(with Partial Comparative Information for the Year Ended June 30, 2013)**

	<u>2014</u>	<u>2013</u>
Total Net Change in Fund Balances - Governmental Funds	\$ (61,340)	\$ (71,381)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense exceeds capital outlays in the period.		
Capital Outlays	6,537	57,713
Depreciation Expense	(80,085)	(86,107)
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>(1,009)</u>	<u>-</u>
Change in Net Position of Governmental Activities	\$ <u>(135,897)</u>	\$ <u>(99,775)</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 POSITION - FIDUCIARY FUNDS
JUNE 30, 2014
(with Partial Comparative Information as of June 30, 2013)

	Private-Purpose Trust Fund	
	2014	2013
ASSETS		
Cash and Investments	\$ 7,925	\$ 7,406
Interest Receivable	5	5
TOTAL ASSETS	7,930	7,411
LIABILITIES		
None	-	-
NET POSITION HELD IN TRUST FOR SCHOLARSHIPS	\$ 7,930	\$ 7,411

The accompanying notes are an integral part of these statements.

INDEPENDENT SCHOOL DISTRICT NO. 4026
 EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL
 ECHO, MINNESOTA
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014
 (with Partial Comparative Information for the Year Ended June 30, 2013)

	Private-Purpose Trust Fund	
	2014	2013
ADDITIONS:		
Gifts and Bequests	\$ 500	\$ 500
Investment Income:		
Interest	19	33
TOTAL ADDITIONS	519	533
DEDUCTIONS:		
Scholarships Awarded	-	100
TOTAL DEDUCTIONS	-	100
NET INCREASE	519	433
NET POSITION BEGINNING OF YEAR	7,411	6,978
NET POSITION END OF YEAR	\$ 7,930	\$ 7,411

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, 2014

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 Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational, or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position is 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, 2014

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, 2014

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

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd)

Description of Funds (Cont'd)

Fiduciary Fund

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

GASB Statement No. 34 specifies that the accounts and activities of each of the District's most significant governmental funds (termed "major funds") be reported in separate columns on the fund financial statements. Other non-major funds can be reported in total. Although only the General Fund is a major fund by definition, the District has elected to report all funds as major funds and therefore presents all funds in separate columns on the fund financial statements – an option permitted by GASB Statement No. 34.

E. BUDGETING

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

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

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

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

F. CASH AND INVESTMENTS

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

Cash and investments at June 30, 2014 are comprised of demand deposit accounts and negotiable certificates of deposit.

The District has formal policies in place as of June 30, 2014 to address custodial credit risk for deposits. The District does not have formal policies in place to address credit risk, concentration of credit risk and interest rate risk for investments since the District does not have any applicable investments.

INDEPENDENT SCHOOL DISTRICT NO. 4026
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL
ECHO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

G. ACCOUNTS RECEIVABLE

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

H. INVENTORIES

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

I. PREPAYMENTS

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

J. CAPITAL ASSETS

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$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 OUTFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category in the current fiscal year.

**INDEPENDENT SCHOOL DISTRICT NO. 4026
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL
ECHO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

M. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has no items that qualify for reporting in this category in the current fiscal year.

N. 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.

O. 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.

INDEPENDENT SCHOOL DISTRICT NO. 4026
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL
ECHO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

P. NET POSITION

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

Q. 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.

R. RECLASSIFICATIONS

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. DEFICIT FUND BALANCES

For the year ended June 30, 2014, the District did not have any negative fund balances.

3. DEPOSITS AND INVESTMENTS

A. DEPOSITS

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

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

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, 2014, 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, 2014.

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, 2014.

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, 2014.

INDEPENDENT SCHOOL DISTRICT NO. 4026
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL
ECHO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

3. DEPOSITS AND INVESTMENTS (Cont'd)

B. INVESTMENTS (Cont'd)

The following table presents the District's cash and investment balances at June 30, 2014:

<u>Cash/Investment Type</u>	<u>Credit Rating</u>	<u>Average Maturities</u>	<u>Percentage of Total</u>	<u>Fair Value</u>
Cash and Investments:				
Certificates of Deposit	N/A	7.94 months	42.1%	\$ 317,445
Savings	N/A	N/A	1.6%	11,753
Checking Account	N/A	N/A	56.3%	420,511
Petty Cash	N/A	N/A	0.0%	100
Total Cash and Investments			100.0%	\$ <u>749,809</u>

Cash and Investments are presented in the June 30, 2014 basic financial statements as follows:

Statement of Net Position:

Current Assets:

Cash and Investments \$ 706,006

Noncurrent Assets:

Investments 43,803

Total \$ 749,809

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Being Depreciated				
Leasehold Improvements	\$ 457,259	\$ -	\$ -	\$ 457,259
Equipment and Transportation Vehicles	<u>696,415</u>	<u>6,537</u>	<u>2,745</u>	<u>700,207</u>
Total Capital Assets, Being Depreciated	<u>1,153,674</u>	<u>6,537</u>	<u>2,745</u>	<u>1,157,466</u>
Accumulated Depreciation for:				
Leasehold Improvements	81,887	18,491	-	100,378
Equipment and Transportation Vehicles	<u>374,689</u>	<u>61,594</u>	<u>1,736</u>	<u>434,547</u>
Total Accumulated Depreciation	<u>456,576</u>	<u>80,085</u>	<u>1,736</u>	<u>534,925</u>
 Total Capital Assets, Being Depreciated, Net	 <u>697,098</u>	 <u>(73,548)</u>	 <u>1,009</u>	 <u>622,541</u>
 Governmental Activities Capital Assets, Net	 \$ <u>697,098</u>	 \$ <u>(73,548)</u>	 \$ <u>1,009</u>	 \$ <u>622,541</u>

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

Governmental Activities	
District Support Services	\$ 1,811
Regular Instruction	23,622
Exceptional Instruction	403
Pupil Support Services	32,184
Site, Buildings and Equipment	<u>22,065</u>
Total Depreciation Expense, Governmental Activities	\$ <u>80,085</u>

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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, 2014, 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	\$ 12,192	\$ -	\$ 12,192
Inventory	<u>-</u>	<u>2,802</u>	<u>2,802</u>
	<u>12,192</u>	<u>2,802</u>	<u>14,994</u>
Restricted:			
Food Service	<u>-</u>	<u>1,013</u>	<u>1,013</u>
	<u>-</u>	<u>1,013</u>	<u>1,013</u>
Assigned for:			
Equipment and Program Supplies	16,095	-	16,095
Fieldtrips	<u>17,132</u>	<u>-</u>	<u>17,132</u>
	<u>33,227</u>	<u>-</u>	<u>33,227</u>
Unassigned:	<u>655,235</u>	<u>-</u>	<u>655,235</u>
Total Fund Balance:	<u>\$ 700,654</u>	<u>\$ 3,815</u>	<u>\$ 704,469</u>

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 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.

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7. PENSION PLANS (Cont'd)

A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)

1. Plan Description (Cont'd)

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

Tier 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 up 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 up 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 factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

Tier II: 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 4.0 to 5.4 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.

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.

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7. PENSION PLANS (Cont'd)

A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)

1. Plan Description (Cont'd)

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.minnesotatra.org. 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) 296-2409
(800) 657-3669

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 7.0 percent and 10.5 percent, respectively, of their annual covered salary during fiscal year 2014 as employee contributions. The TRA employer contribution rates are 7.0 percent for Coordinated members and 11.0 percent for Basic members during fiscal year 2014. Total covered payroll salaries for all TRA members statewide during the fiscal year ended June 30, 2013 was approximately \$3.92 billion. TRA covered payroll for all members statewide for the fiscal years ended June 30, 2012 and June 30, 2011 were \$3.87 billion and \$3.84 billion, respectively.

The District contributions for the years ending June 30, 2014, 2013, and 2012 were \$37,170, \$42,211, and \$46,088, 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 on July 1 of each year of the four-year period. Beginning July 1, 2014, TRA Coordinated employee and employer contribution rates will each 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.

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 five 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

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7. PENSION PLANS (Cont'd)

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)

1. Plan Description (Cont'd)

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 GERP 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 GERP. 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. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2014. In 2014, the District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERP members and 7.25% for Coordinated Plan GERP members. The District's contributions to the Public Employees Retirement Fund for the years ending June 30, 2014, 2013, and 2012 were \$16,079, \$21,147, and \$23,725, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

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, 2013 through June 30, 2014 requires monthly payments of \$19,000. 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 obtains an annual independent audit, and will furnish this information to the District upon request.

Lease expenditures for the year ended June 30, 2014 were \$228,000.

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8. OPERATING LEASE AGREEMENTS (Cont'd)

Equipment Leases

The District has entered into operating lease agreements for various pieces of office equipment. These leases call for monthly payments ranging from \$135 to \$381 and end on various dates through April 28, 2019. Expenditures under these leases were \$4,384 for the year ended June 30, 2014.

Future minimum lease obligations under these agreements are as follows:

2015	\$	6,186
2016		6,186
2017		6,186
2018		5,782
2019		3,429

9. CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2014, the District implemented GASB Statement No. 65, *Items Previously reported as Assets and Liabilities*. This statement identified specific items previously reported as assets that will now be classified as either deferred outflows of resources or outflows (expenditures/expenses), and items previously reported as liabilities that will now be reported as either deferred inflows of resources or inflows (revenues). The implementation of GASB Statement No. 65 had no effect on the District's previously reported net position.

10. GASB STANDARD ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits.

REQUIRED SUPPLEMENTARY INFORMATION

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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014
(with Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014 Budgeted Amounts		2014		2013
	Original	Final	Actual	Variance	Actual
REVENUES					
Other Local and County Revenues:					
Contributions	\$ 2,800	\$ 3,787	10,298	\$ 6,511	\$ 19,857
Admissions	1,600	2,422	3,107	685	3,330
Fees from Patrons	3,750	4,125	5,942	1,817	6,765
Earnings From Investments	450	103	2,872	2,769	2,878
21st Century Grant	-	-	-	-	6,504
Miscellaneous Revenues and Reimbursements	5,100	5,059	2,615	(2,444)	3,022
	<u>13,700</u>	<u>15,496</u>	<u>24,834</u>	<u>9,338</u>	<u>42,356</u>
Revenues From State Sources:					
Endowment Fund Apportionment	4,373	4,473	4,432	(41)	5,391
General Education Aid	1,149,253	1,031,473	1,024,386	(7,087)	1,226,281
Literacy Incentive Aid	10,492	10,492	8,709	(1,783)	10,492
Charter School Lease Aid	194,748	158,136	159,960	1,824	211,644
Special Education Aid	198,450	188,866	177,948	(10,918)	230,115
	<u>1,557,316</u>	<u>1,393,440</u>	<u>1,375,435</u>	<u>(18,005)</u>	<u>1,683,923</u>
Revenues From Federal Sources:					
Title I	36,940	36,107	35,859	(248)	40,464
Title II	5,484	5,098	3,063	(2,035)	6,093
Title V	-	-	-	-	4,425
REAP Grant	20,582	37,636	13,085	(24,551)	21,784
Special Education Through Other Districts	19,000	19,000	5,899	(13,101)	10,601
	<u>82,006</u>	<u>97,841</u>	<u>57,906</u>	<u>(39,935)</u>	<u>83,367</u>
Sales and Other Conversion of Assets:					
Sale of Materials	2,970	13,306	8,395	(4,911)	16,857
	<u>1,655,992</u>	<u>1,520,083</u>	<u>1,466,570</u>	<u>(53,513)</u>	<u>1,826,503</u>
EXPENDITURES					
Current:					
District And School Administration:					
Salaries and Wages	18,000	18,000	18,000	-	35,993
Employee Benefits	1,377	1,377	1,377	-	3,850
Purchased Services	2,000	1,500	2,548	(1,048)	4,433
Supplies and Materials	55	-	76	(76)	93
Other Expenditures	18,000	20,570	17,729	2,841	21,401
	<u>39,432</u>	<u>41,447</u>	<u>39,730</u>	<u>1,717</u>	<u>65,770</u>
District Support Services:					
Salaries and Wages	30,823	39,339	38,756	583	67,043
Employee Benefits	4,491	5,354	5,419	(65)	9,314
Purchased Services	58,131	46,080	46,916	(836)	57,465
Supplies and Materials	7,500	5,366	2,058	3,308	6,252
Other Expenditures	3,200	2,700	-	2,700	2,989
	<u>104,145</u>	<u>98,839</u>	<u>93,149</u>	<u>5,690</u>	<u>143,063</u>
Regular Instruction:					
Salaries and Wages	485,440	567,203	575,293	(8,090)	683,313
Employee Benefits	84,675	91,146	91,949	(803)	103,761
Purchased Services	5,500	13,047	13,335	(288)	21,639
Supplies and Materials	27,625	32,967	30,442	2,525	36,052
Other Expenditures	-	175	300	(125)	-
	<u>603,240</u>	<u>704,538</u>	<u>711,319</u>	<u>(6,781)</u>	<u>844,765</u>

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ECHO, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014
(with Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014 Budgeted Amounts		2014		2013
	Original	Final	Actual	Variance	Actual
EXPENDITURES (Cont'd)					
Current (Cont'd):					
Exceptional Instruction:					
Salaries and Wages	\$ 172,768	\$ 137,882	\$ 145,086	\$ (7,204)	\$ 174,448
Employee Benefits	24,354	20,867	20,350	517	23,758
Purchased Services	24,517	24,709	17,904	6,805	16,004
Supplies and Materials	900	700	615	85	2,038
	<u>222,539</u>	<u>184,158</u>	<u>183,955</u>	<u>203</u>	<u>216,248</u>
Instructional Support Services:					
Purchased Services	1,650	8,170	8,205	(35)	6,944
Supplies and Materials	-	-	-	-	5
	<u>1,650</u>	<u>8,170</u>	<u>8,205</u>	<u>(35)</u>	<u>6,949</u>
Pupil Support Services:					
Salaries and Wages	76,016	57,372	54,738	2,634	77,762
Employee Benefits	11,361	8,307	7,999	308	11,229
Purchased Services	46,457	25,407	32,862	(7,455)	52,732
Supplies and Materials	33,510	30,200	32,640	(2,440)	33,255
Other Expenditures	162	162	128	34	161
	<u>167,506</u>	<u>121,448</u>	<u>128,367</u>	<u>(6,919)</u>	<u>175,139</u>
Site, Buildings and Equipment:					
Salaries and Wages	31,355	28,505	26,314	2,191	35,680
Employee Benefits	4,487	4,338	3,678	660	4,952
Purchased Services	280,079	291,179	306,617	(15,438)	314,180
Supplies and Materials	16,577	13,677	8,366	5,311	15,880
Other Expenditures	100	100	100	-	60
	<u>332,598</u>	<u>337,799</u>	<u>345,075</u>	<u>(7,276)</u>	<u>370,752</u>
Fiscal And Other Fixed Cost Programs:					
District Insurance	8,881	5,616	5,692	(76)	7,328
Capital Outlay:					
District Support Services	230	230	1,818	(1,588)	-
Regular Instruction	1,000	9,545	9,461	84	16,144
Exceptional Instruction	-	122	122	-	-
Pupil Support Services	3,650	-	-	-	3,625
Site, Buildings and Equipment	38,746	5,600	-	5,600	38,616
	<u>43,626</u>	<u>15,497</u>	<u>11,401</u>	<u>4,096</u>	<u>58,385</u>
Debt Service:					
Interest	159	-	-	-	159
TOTAL EXPENDITURES	<u>1,523,776</u>	<u>1,517,512</u>	<u>1,526,893</u>	<u>(9,381)</u>	<u>1,888,558</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	132,216	2,571	(60,323)	(62,894)	(62,055)
OTHER FINANCING SOURCES (USES)					
Transfer to Food Service Fund	-	-	-	-	(11,000)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	132,216	2,571	(60,323)	(62,894)	(73,055)
FUND BALANCE BEGINNING OF YEAR	<u>760,977</u>	<u>760,977</u>	<u>760,977</u>	<u>-</u>	<u>834,032</u>
FUND BALANCE END OF YEAR	<u>\$ 893,193</u>	<u>\$ 763,548</u>	<u>\$ 700,654</u>	<u>\$ (62,894)</u>	<u>\$ 760,977</u>

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 ECHO, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2014
 (with Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014 Actual	2013 Actual
FUND BALANCE ANALYSIS		
NONSPENDABLE FUND BALANCE		
Prepaid Expenditures	\$ 12,192	\$ 5,438
ASSIGNED FUND BALANCES		
Equipment and Program Supplies	16,095	18,463
Field Trips	17,132	21,167
TOTAL ASSIGNED FUND BALANCES	33,227	39,630
UNASSIGNED FUND BALANCE	655,235	715,909
TOTAL FUND BALANCE	\$ 700,654	\$ 760,977

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ECHO, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2014
(with Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014 Budgeted Amounts		2014		2013
	Original	Final	Actual	Variance	Actual
REVENUES					
Revenues From State Sources:					
School Lunch Aid	\$ 1,000	\$ 1,000	\$ 1,932	\$ 932	\$ 2,351
School Breakfast Program	2,000	2,000	1,442	(558)	2,852
	<u>3,000</u>	<u>3,000</u>	<u>3,374</u>	<u>374</u>	<u>5,203</u>
Revenues From Federal Sources:					
School Lunch Aid	4,000	4,000	4,637	637	5,683
Free/Reduced Lunch Aid	18,000	14,000	22,823	8,823	26,937
School Breakfast Program	10,000	10,000	8,601	(1,399)	13,936
Summer Food Service Program	-	9	9	-	2,218
USDA Commodities/Rebate	1,500	1,515	600	(915)	1,589
	<u>33,500</u>	<u>29,524</u>	<u>36,670</u>	<u>7,146</u>	<u>50,363</u>
Sales And Other Conversion Of Assets:					
Sale of Lunches	22,800	20,300	23,608	3,308	28,585
	<u>59,300</u>	<u>52,824</u>	<u>63,652</u>	<u>10,828</u>	<u>84,151</u>
TOTAL REVENUES					
EXPENDITURES					
Current:					
Pupil Support Services:					
Salaries and Wages	27,367	12,752	13,243	(491)	26,838
Employee Benefits	5,144	1,992	1,973	19	3,927
Purchased Services	100	577	862	(285)	60
Supplies and Materials	49,500	45,400	47,564	(2,164)	59,885
USDA Commodities	-	-	284	(284)	1,571
Other Expenditures	700	485	743	(258)	1,196
	<u>82,811</u>	<u>61,206</u>	<u>64,669</u>	<u>(3,463)</u>	<u>93,477</u>
Capital Outlay:					
Pupil Support Services	50	-	-	-	-
	<u>82,861</u>	<u>61,206</u>	<u>64,669</u>	<u>(3,463)</u>	<u>93,477</u>
TOTAL EXPENDITURES					
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES					
	(23,561)	(8,382)	(1,017)	7,365	(9,326)
OTHER FINANCING SOURCES					
Transfer from General Fund	-	-	-	-	11,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES					
	(23,561)	(8,382)	(1,017)	7,365	1,674
FUND BALANCE BEGINNING OF YEAR					
	4,832	4,832	4,832	-	3,158
FUND BALANCE END OF YEAR					
	<u>\$ (18,729)</u>	<u>\$ (3,550)</u>	<u>\$ 3,815</u>	<u>\$ 7,365</u>	<u>\$ 4,832</u>
FUND BALANCE ANALYSIS					
NONSPENDABLE FUND BALANCE					
Inventory			\$ 2,802		\$ 3,813
TOTAL NONSPENDABLE FUND BALANCE			<u>2,802</u>		<u>3,813</u>
RESTRICTED FUND BALANCE					
Food Service			1,013		1,019
TOTAL RESTRICTED FUND BALANCE			<u>1,013</u>		<u>1,019</u>
TOTAL FUND BALANCE					
			<u>\$ 3,815</u>		<u>\$ 4,832</u>

**INDEPENDENT SCHOOL DISTRICT NO. 4026
EVERY CHILD HAS OPPORTUNITIES (ECHO) CHARTER SCHOOL
ECHO, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

1. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. DEFICIT SPENDING

For the year ended June 30, 2014, the final approved budget projected deficit spending in the following fund:

Food Service Fund	\$ 8,382
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B. EXPENDITURES EXCEEDING APPROPRIATIONS

For the year ended June 30, 2014, the District had expenditures exceeding the latest amended budget in the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$1,517,512	\$1,526,893	\$ 9,381
Food Service Fund	\$ 61,206	\$ 64,669	\$ 3,463

Budget revisions were last approved in May of 2014. This excess was realized since that time and is approved by the School Board upon acceptance of this report.

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

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
REVENUES										
Other Local and County Revenues	111,475	170,940	115,377	133,790	171,016	140,575	162,816	147,385	42,356	24,834
Revenue From State Sources	1,213,074	1,240,694	1,623,221	1,785,485	1,903,914	1,777,530	1,842,006	1,916,941	1,683,923	1,375,435
Revenue From Federal Sources	82,338	89,888	65,373	522,038	158,571	319,211	222,244	111,857	83,367	57,906
Sales and Other Conversions of Assets	-	8,563	-	9,453	14,433	13,174	19,730	(11,693)	16,857	8,395
TOTAL REVENUES	1,406,887	1,510,085	1,803,971	2,450,766	2,247,934	2,250,490	2,246,796	2,164,490	1,826,503	1,466,570
EXPENDITURES - PROGRAMS										
District and School Admin	47,800	49,472	40,709	51,823	54,432	56,567	61,483	48,360	65,929	39,730
District Support Services	127,251	138,963	130,163	154,445	141,712	152,488	151,261	143,762	143,063	94,967
Regular Instruction	657,431	737,061	832,659	903,892	1,027,384	1,141,230	1,030,237	1,097,118	860,909	720,780
Vocational Instruction	-	-	-	8,085	-	-	-	-	-	-
Exceptional Instruction	127,577	158,129	207,930	264,848	287,479	283,622	319,775	284,353	216,248	184,077
Instructional Support Services	9,946	4,424	586	9,161	11,221	36,560	65,705	14,655	6,949	8,205
Pupil Support Services	114,839	157,550	129,547	155,561	254,369	164,062	259,829	169,546	178,764	128,367
Site, Buildings, and Equipment	155,038	216,429	361,991	805,096	436,982	374,512	375,839	378,318	409,368	345,075
Fiscal and Other Fixed Cost Programs	13,174	13,174	13,575	5,375	5,792	5,096	8,707	6,696	7,328	5,692
Transfers Out	-	-	-	-	-	-	-	30,000	11,000	-
TOTAL EXPENDITURES	1,253,056	1,475,202	1,717,160	2,358,286	2,219,371	2,214,137	2,272,836	2,172,808	1,899,558	1,526,893
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	153,831	34,883	86,811	92,480	28,563	36,353	(26,040)	(8,318)	(73,055)	(60,323)
FUND BALANCE-BEGINNING	435,469	589,300	624,183	710,994	803,474	832,037	868,390	842,350	834,032	760,977
FUND BALANCE-ENDING	589,300	624,183	710,994	803,474	832,037	868,390	842,350	834,032	760,977	700,654
ADJUSTED CASH BALANCE	364,977	458,930	506,965	513,916	615,631	361,048	455,480	330,622	651,608	748,991
EXPENDITURES - OBJECTS										
Salaries and Wages	702,336	819,669	943,949	1,069,075	1,204,427	1,307,874	1,333,938	1,258,971	1,074,239	858,187
Employee Benefits	87,064	100,510	117,269	140,688	156,865	171,144	178,178	175,167	156,864	130,772
Purchased Services	321,260	351,410	499,559	874,971	611,891	501,401	523,378	514,104	480,725	434,079
Supplies and Materials	68,929	115,172	99,495	133,105	125,061	162,794	124,421	134,633	93,575	74,197
Equipment	67,298	81,702	48,125	131,282	106,380	50,269	103,770	47,535	58,385	11,401
Other Expenditures/Transfers	6,169	6,739	8,763	9,165	14,747	20,655	9,151	42,398	35,770	18,257
TOTAL EXPENDITURES	1,253,056	1,475,202	1,717,160	2,358,286	2,219,371	2,214,137	2,272,836	2,172,808	1,899,558	1,526,893

**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, 2014**

1. ACCOUNTING FOR TICKET SEQUENCE FOR GATE ADMISSION

Condition: Ticket sequences for gate admission are not monitored or reconciled with the deposit for the event.

Effect: Tickets could be given out without receiving money for them.

Cause: The District overlooked this as a necessary process in ticketed event sales.

Criteria: In order to ensure complete and accurate ticketed event deposits, the current beginning ticket number should be compared to previous ending ticket number.

Recommendation: We recommend that the District bookkeeper design a spreadsheet that will account for and compare the current beginning ticket number to the previous ending ticket number to ensure that the ticket sequence is complete.

Corrective Action Plan (CAP)

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

2. Action Planned in Response to Finding

The District will develop and use a spreadsheet to account for and compare ticket numbers.

3. Official Responsible for Insuring CAP

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

4. Planned Completion Date for CAP

This plan will be implemented for the 2014-2015 fiscal year.

5. Plan to Monitor Completion of CAP

The School Board will monitor this corrective action plan.

2. STATEMENT OF JUST CLAIM

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

Effect: The District is not in compliance with Minnesota Statute §471.391 subd. 1.

Cause: The District overlooked the requirement for Minnesota Statute §471.391 subd. 1 on the Student account.

Criteria: Minnesota Statute §471.391 subd. 1 requires that each declaration for payment be signed to the effect that such account, claim, or demand is just and correct and that no part of it has been paid. The statute is satisfied if on the back of District's checks is a declaration as defined in Minnesota's statute §471.391 reading "I declare under the penalties of law that this account, claim or demand is just and correct and that no part of it has been paid."

Recommendation: We recommend that the District purchase a stamp with the declaration on it to use on the remaining checks. We also recommend that the next time checks are ordered they have the declaration pre-printed on the back.

**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, 2014**

2. STATEMENT OF JUST CLAIM (Cont'd)

Corrective Action Plan (CAP)

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Action Planned in Response to Finding
The District will purchase a stamp to use until new checks are ordered.
3. Official Responsible for Insuring CAP
The School Board is the official responsible for insuring corrective action of the deficiency.
4. Planned Completion Date for CAP
This plan will be implemented for the 2014-2015 fiscal year.
5. Plan to Monitor Completion of CAP
The School Board will monitor this corrective action plan.

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



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CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the comptroller General of the United States, the financial statements of the governmental activities and each major fund of Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota's basic financial statements and have issued our report thereon dated November 24, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings on Internal Control Structure and Compliance that we consider to be a significant deficiency.

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 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.

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings on Internal Control Structure and compliance as item one to be a significant deficiency.

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.

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

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

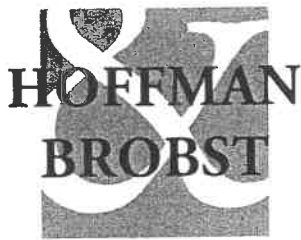
Purpose of this Report

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

Hoffman & Brobst, PLLP

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 24, 2014



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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota, as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated November 24, 2014.

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

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 4026, Every Child Has Opportunities (ECHO) Charter School, Echo, Minnesota, failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the accompanying schedule of findings on internal control structure and compliance as items two and three. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Independent School District No. 4026, Every Child Has Opportunities (ECHO), Echo, Minnesota's noncompliance with the above referenced provisions.

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

Hoffman & Brobst, PLLP

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 24, 2014

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

STUDENT ACTIVITY ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2014



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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, 2014, it was noted that the District did not have a student activity account in place. Accordingly, all activity of the District is included in the District's financial statements.

Hoffman & Brobst, PLLP

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 24, 2014

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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, 2014, 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 opportunity 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 24, 2014. This letter does not affect that report or our report dated November 24, 2014, on the financial statements of Independent School District No. 4026, Every Child has Opportunities (ECHO) Charter School, Echo, Minnesota.

COMMENTS AND SUGGESTIONS

- On December 26, 2013, the OMB published *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule* (the Rule). Various standards set forth in this document go into effect on December 26, 2014. We recommend that District administrators and staff research how these standards will affect the policies and procedures in place within the District, and revise any policies and procedures that do not meet the updated requirements.

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

Hoffman + Brobst, PLLP

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 24, 2014

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Fiscal Compliance Report - 6/30/2014

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

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	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	\$1,466,570	\$1,466,570	\$0
Total Expenditures	\$1,526,893	\$1,526,894	(\$1)
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$12,192	\$12,192	\$0
<i>Restricted / Reserved:</i>			
4.03 Staff Development	\$0	\$0	\$0
4.05 Deferred Maintenance	\$0	\$0	\$0
4.06 Health and Safety	\$0	\$0	\$0
4.07 Capital Projects Levy	\$0	\$0	\$0
4.08 Cooperative Revenue	\$0	\$0	\$0
4.09 Alternative Facility Program	\$0	\$0	\$0
4.13 Project Funded by COP	\$0	\$0	\$0
4.14 Operating Debt	\$0	\$0	\$0
4.16 Levy Reduction	\$0	\$0	\$0
4.17 Taconite Building Maint	\$0	\$0	\$0
4.23 Certain Teacher Programs	\$0	\$0	\$0
4.24 Operating Capital	\$0	\$0	\$0
4.26 \$25 Taconite	\$0	\$0	\$0
4.27 Disabled Accessibility	\$0	\$0	\$0
4.28 Learning & Development	\$0	\$0	\$0
4.34 Area Learning Center	\$0	\$0	\$0
4.35 Contracted Alt. Programs	\$0	\$0	\$0
4.36 State Approved Alt. Program	\$0	\$0	\$0
4.38 Gifted & Talented	\$0	\$0	\$0
4.41 Basic Skills Programs	\$0	\$0	\$0
4.45 Career Tech Programs	\$0	\$0	\$0
4.48 Achievement and Integration	\$0	\$0	\$0
4.49 Safe School Crime - Crime Levy	\$0	\$0	\$0
4.50 Pre-Kindergarten	\$0	\$0	\$0
4.51 QZAB Payments	\$0	\$0	\$0
4.52 OPEB Liab Not In Trust	\$0	\$0	\$0
4.53 Unfunded Sev & Retirement Levy	\$0	\$0	\$0
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	\$0	\$0
<i>Committed:</i>			
4.18 Committed for Separation	\$0	\$0	\$0
4.61 Committed Fund Balance	\$0	\$0	\$0
<i>Assigned:</i>			
4.62 Assigned Fund Balance	\$33,227	\$33,227	\$0
<i>Unassigned:</i>			
4.22 Unassigned Fund Balance	\$655,235	\$655,235	\$0
02 FOOD SERVICES			
Total Revenue	\$63,652	\$63,652	\$0
Total Expenditures	\$64,669	\$64,669	\$0
<i>Non Spendable:</i>			

06 BUILDING CONSTRUCTION

	Audit	UFARS	Audit - UFARS
Total Revenue	\$0	\$0	\$0
Total Expenditures	\$0	\$0	\$0
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	\$0	\$0
<i>Restricted / Reserved:</i>			
4.07 Capital Projects Levy	\$0	\$0	\$0
4.09 Alternative Facility Program	\$0	\$0	\$0
4.13 Project Funded by COP	\$0	\$0	\$0
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	\$0	\$0
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	\$0	\$0

07 DEBT SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	\$0	\$0	\$0
Total Expenditures	\$0	\$0	\$0
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	\$0	\$0
<i>Restricted / Reserved:</i>			
4.25 Bond Refundings	\$0	\$0	\$0
4.51 QZAB Payments	\$0	\$0	\$0
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	\$0	\$0
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	\$0	\$0

08 TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	\$519	\$519	\$0
Total Expenditures	\$0	\$0	\$0
4.22 Unassigned Fund Balance (Net Assets)	\$7,930	\$7,930	\$0

20 INTERNAL SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	\$0	\$0	\$0
Total Expenditures	\$0	\$0	\$0
4.22 Unassigned Fund Balance (Net Assets)	\$0	\$0	\$0

25 OPEB REVOCABLE TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	\$0	\$0	\$0
Total Expenditures	\$0	\$0	\$0
4.22 Unassigned Fund Balance (Net Assets)	\$0	\$0	\$0

45 OPEB IRREVOCABLE TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	\$0	\$0	\$0
Total Expenditures	\$0	\$0	\$0
4.22 Unassigned Fund Balance (Net Assets)	\$0	\$0	\$0

4.60 Non Spendable Fund Balance	\$2,802	<u>\$2,802</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$1,013	<u>\$1,013</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

04 COMMUNITY SERVICE

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

47 OPEB DEBT SERVICE

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