

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

For The Year Ended June 30, 2017

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PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
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INTRODUCTORY SECTION

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BOARD OF DIRECTORS

Name	Board Position During 2016 - 2017
Greg Friess	Board Chair and Treasurer
Ken Zigrino	Board Secretary
Heather Ross	Board Vice Chair
Nancy Rigby	Board Member
Barb Rose	Board Member
Constance Ford	Ex-Officio Executive Director

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Parnassus Preparatory School
Charter School No. 4199
Maple Grove, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Parnassus Preparatory School, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Parnassus Preparatory School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Report on Summarized Comparative Information

We have previously audited Parnassus Preparatory School's 2016 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities and each major fund in our report dated September 14, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Parnassus Preparatory School's basic financial statements. The introductory section and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Uniform Financial Accounting

and Reporting Standards Compliance Table is presented as supplemental information as required by the Minnesota Department of Education and is also not part of the basic financial statements.

The individual fund financial statements and the Uniform Financial Accounting and Reporting Standards Compliance Table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and the Uniform Financial Accounting and Reporting Standards Compliance Table are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017, on our consideration of Parnassus Preparatory School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Parnassus Preparatory School's internal control over financial reporting and compliance.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

November 13, 2017

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MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

This section of Parnassus Preparatory School’s (the School) annual financial reporting presents our discussion and analysis of the School’s financial performance during the year ended June 30, 2017. Please read it in conjunction with the School’s financial statements, which immediately follow this section.

Financial Highlights

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

- Based on the fund financial statements, not including the building company, total revenues of \$10,041,520 were received, an increase of \$1,388,819 or 16% from the previous year. The increase was mainly due to student growth from 883 students in the 2015-2016 fiscal year to 994 students in the 2016-2017 fiscal year.
- The School budgeted for 983 students in the 2016-2017 fiscal year, where actual enrollment was 994 students in grades K-11.
- Based on the fund financial statements, excluding the building company, total fund balance grew to \$2,550,196 or 26% of total expenditures.
- The School included, for the first time, their unaffiliated building company (the Building Company Fund) as a component unit of the School. This addition had to do with the sale of the building from their previous landlord to their unaffiliated building company in November 2016. The unaffiliated building company sold bonds to purchase and renovate the school facilities. Total bonds issued for the sale and renovation of the grounds and facilities were \$27,370,000 with a bond premium of \$751,113.

Overview of the Financial Statements

The financial section of the annual report consists of four parts – Independent Auditor’s Report, required supplementary information which includes the MD&A (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are School-wide financial statements that provide both short-term and long-term information about the School’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School, reporting the School’s operations in more detail than the School-wide statements. These statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

School-Wide Statements

The School-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two School-wide statements report the School's net position and how they have changed. Net position – the difference between the School's assets plus deferred outflows and liabilities plus deferred inflows – is one way to measure the School's financial health or position.

- Over time, increases or decreases in the School's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional non-financial factors such as changes in the School's creditworthiness and the condition of school buildings and other facilities.

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

- Governmental activities – all of the School's basic services will be included here, such as regular and special education, transportation, and administration.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's funds – focusing on its most significant or “major” funds – not the School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.
- The School may establish other funds to control and manage money for a specific purpose.

The School has the following fund type:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

FINANCIAL ANALYSIS OF THE SCHOOL-WIDE STATEMENTS

Net Position

The School's net position was (\$1,495,483) on June 30, 2017 as shown below:

	June 30,	
	2017	2016
Current assets	\$16,706,159	\$2,857,427
Capital assets	16,127,876	528,066
Deferred outflows of resources	9,361,047	1,327,059
Total assets and deferred outflows	42,195,082	4,712,552
Current liabilities	2,381,628	577,715
Noncurrent liabilities	41,219,088	3,013,898
Deferred inflows of resources	89,849	273,741
Total liabilities and deferred inflows	43,690,565	3,865,354
Net position:		
Net investment in capital assets	33,665	528,066
Restricted for community service	2,263	46,991
Unrestricted	(1,531,411)	272,141
Total net position	(\$1,495,483)	\$847,198

The School's building company fund (a blended component unit) was established during the 2016-2017 fiscal year. Therefore, an increase in current assets (project funds to be held for the renovation of the School's grounds and facilities), increase in capital assets (purchase of land and school facility), and an increase in noncurrent liabilities (bonds issued for the purchase and renovation of the facilities) had occurred for the 2016-2017 fiscal year.

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

The School's net pension liability, combined with pension related deferred outflows and inflows of resources, negatively impacted unrestricted net position by \$3,826,777 and \$1,960,580 for the years ended June 30, 2017 and 2016, respectively. The increased deficit was primarily due to changes in actuarial assumptions used to calculate the net pension liability, as well as lower than expected investment earnings by each plan.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The School continues to make its required contributions to each plan. Additional information can be found in Note 4 to the financial statements.

Changes in Net Position

The School's total revenue was \$10,198,768 for the year ended June 30, 2017. There were no restricted grant revenues for the year ended June 30, 2017.

	2017	2016
Revenues:		
Program revenues:		
Operating grants and contributions	\$2,748,380	\$2,135,987
Charges for services	280,209	290,203
General revenues - local sources	41,060	54,882
General revenues - state sources	7,129,119	6,231,610
Total revenues	<u>10,198,768</u>	<u>8,712,682</u>
Expenses:		
School support services	1,676,689	1,199,838
Regular instruction	5,401,648	3,358,754
Community education services	251,297	188,639
Special education	1,123,571	789,558
Instructional support services	226,867	151,823
Pupil support services	911,452	803,526
Site, building and equipment	1,960,773	1,806,212
Fiscal and other fixed costs	823,242	19,262
Interest and fiscal charges	165,910	-
Total expenses	<u>12,541,449</u>	<u>8,317,612</u>
Change in net position	(2,342,681)	395,070
Net position - beginning	<u>847,198</u>	<u>452,128</u>
Net position - ending	<u><u>(\$1,495,483)</u></u>	<u><u>\$847,198</u></u>

Overall expenditures increased by 51% in 2017. This was driven by two major items, 1) increased pension expense of approximately \$2.0 million (see footnotes for details) and, 2) one-time issuance cost of approximately \$800 thousand related to the \$27.3 million bond financing by CS Parnassus Properties, the unaffiliated building company included in this year's results.

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

FINANCIAL ANALYSIS OF THE SCHOOL’S FUND FINANCIAL STATEMENTS

The financial performance of the School as a whole is reflected in its governmental funds as well. Financial information from the fund statements is as follows:

	2017				2016		
	General	Food Service	Community Service	Building Company	General	Food Service	Community Service
Assets	\$3,322,296	\$11,313	\$18,659	\$13,358,990	\$2,800,568	\$12,969	\$55,617
Liabilities	774,363	11,313	16,396	1,418,745	567,847	12,969	8,626
Fund balance	<u>\$2,547,933</u>	<u>\$0</u>	<u>\$2,263</u>	<u>\$11,940,245</u>	<u>\$2,232,721</u>	<u>\$0</u>	<u>\$46,991</u>

	2017				2016		
	General	Food Service	Community Service	Building Company	General	Food Service	Community Service
Revenues	\$9,656,828	\$234,180	\$150,512	\$121,837	\$8,294,944	\$171,144	\$186,613
Expenditures	9,325,039	250,757	195,240	16,302,705	7,919,377	192,973	224,677
Other financing sources (uses)	(16,577)	16,577	-	28,121,113	(21,829)	21,829	-
Change in fund balance	<u>\$315,212</u>	<u>\$0</u>	<u>(\$44,728)</u>	<u>\$11,940,245</u>	<u>\$353,738</u>	<u>\$0</u>	<u>(\$38,064)</u>

REVENUE ANALYSIS

In order to do a thorough analysis on the school’s operations, the Building Company fund will be excluded from this analysis. The Building Company’s sole purpose is to own the facilities and lease them to the School.

For 2017, total revenue was \$10.04 million, up \$1.4 million or 16% from 2016. Enrollment growth of just over 13% to 994 students which was the main factor of the revenue growth. In 2017, Parnassus received total revenue per student of \$10,102 up from \$9,799 in 2016. For context, ISD #11 (Anoka Hennepin) received total funds of \$13,648⁽¹⁾ (35% more than Parnassus) in 2016 while ISD #279 (Osseo) received \$15,430⁽¹⁾ (53% more than Parnassus). Minnesota Department of Education (MDE) data is unavailable for a comparison of 2017 per student funding.

The main driver of Parnassus' per student revenue increase had to do with an increase in the per pupil unit general education revenue increase of 3%.

⁽¹⁾ Amounts are calculated by dividing Total Sources by Number of Students. This data was obtained from the Consolidated Financial Statement for each school district, as made publicly available on MDE’s website.

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

The demographic and economic make-up of the student population of any school also has an impact on per pupil funding. Serving a student population that reflects the surrounding community is important to Parnassus. As part of that, the school has, and will continue, to budget for a loss in our food service program (note the transfer payments in each of the last two years). This loss was in large part due to the reimbursement rates for free and reduced students which do not cover the full cost of serving them lunch.

Race/Ethnicity	Parnassus (Oct 1, 2016)	Parnassus (End of Year FY17)	ISD 279 (Oct 1, 2016)	Anoka Hennepin School District (Oct 1, 2016)
American Indian/Alaskan Native	0.1%	0.1%	0.3%	0.8%
Asian/Pacific Islander	12.8%	12.4%	16.2%	7.2%
Hispanic	5.6%	5.3%	8.7%	5.7%
Black (Not of Hispanic Origin)	25.7%	27.2%	23.5%	10.8%
White (Not of Hispanic Origin)	50.7%	49.8%	44.5%	71.4%
Two or More Races	5.1%	5.2%	6.7%	4.2%
Special Populations				
ELL	6.0%	6.2%	10.7%	5.6%
SPED	5.7%	8.9%	13.8%	15.6%
FRAM	25.9%	26.8%	43.4%	33.9%

EXPENDITURE ANALYSIS

In order to do a thorough analysis on the school’s operations, the Building Company fund will be excluded from this analysis. The Building Company’s sole purpose is to own the facilities and lease them to the School.

In the fiscal year ending June 30, 2017, total expenditures were \$9.77 million, up over \$1.43 million or 17% from 2016. As with revenues, some of this expenditure growth can be explained by the growth in students; however, the bulk of the increase was due to an increase in expenditure per pupil. Parnassus believes that prudent management means that per pupil spending will follow per pupil revenue. This year reflects that philosophy.

Our per student expenditures in 2017 were \$9,830, up 4% from 2016’s \$9,442. For context, it is worth noting that in 2016 ISD #11 (Anoka Hennepin) spent \$13,553⁽²⁾ (44% more than Parnassus) in 2016 while ISD #279 (Osseo) spent \$15,451⁽²⁾ (57% more than Parnassus).

⁽²⁾ Amounts are calculated by dividing Total Uses by Number of Students. This data was obtained from the Consolidated Financial Statement for each school district, as made publicly available on MDE’s website.

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

Parnassus is a growing public school. The 2017 fiscal year marked the third year of the School of Rhetoric (high school) where, for the first time, Parnassus served students in the eleventh grade. Starting a high school requires an investment in a number of teachers in advance of student growth. In addition, as a content rich classical school, the school utilizes a number of specialty teachers beyond the traditional subjects (Art, Latin, Spanish, etc.). This shows in the student/teacher ratio (excluding Special Education) which maintained at about 16 students per licensed teacher in fiscal year 2017 as compared with fiscal year 2016. While not the same as class size, it does capture the school's ability to deliver a content rich classical education. This reduction in student/teacher ratio is the main driver in the increased expenditures in 2017. Including contracted services (which include substitute teachers, the taekwondo and music programs), expenditures on staffing and related expenses (excluding Special Education) increased over \$700,000 in fiscal year 2017 or about \$704/student. The balance of the increase in spending was driven by the earlier mentioned growth to serve the student population. All additional Special Education and Title funds were spent entirely on student services and had no impact on the fund balance.

BUDGETARY COMPARISON

An annual budget for 2016 – 2017 was established prior to June 30, 2016. One budget revision was approved during the fiscal year to better reflect the estimated forecast of the School.

Parnassus board and management use the budget as an important tool to make prudent decisions in the ongoing management of the school. The board reviews the school's financial progress monthly and values its ability to maintain financial flexibility as circumstances change. The primary metric that is reviewed is the annual surplus and resulting fund balance.

The final budget for the General Fund anticipated a surplus of \$218,810. The actual result for the year shows a surplus of \$331,789. Higher actual than budgeted enrollment as well as covering for the Community Fund’s deficit were the main drivers for the difference.

The Community Fund had recognized a deficit this year of \$44,728. This deficit was directly attributed to the growth in the before and after school program.

As a young and growing organization, the school has employed a conservative budgeting approach. This includes basing a revenue forecast on enrollment projections that are realistic and expenditure levels that are conservative. The positive annual surplus result (relative to budget) was driven by favorable outcomes on both revenues and expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

CAPITAL ASSETS

As of June 30, 2017, the School had capital assets net of accumulated depreciation of \$16,127,876. These capital assets are mainly related to the purchase by the Building Company of the school facilities as well as other capital expenditure needs of the School for their academic programming.

FACTORS BEARING ON THE SCHOOL'S FUTURE

The board of directors has mandated that School management builds appropriate fund balance percentage and monitor revenues and expenditures throughout the year. The School is dependent on the State of Minnesota for most of its revenue. This revenue source is mostly impacted by two variables: legislation and school enrollment.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our stakeholders with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact: Constance Ford, Executive Director, 763-496-1416.

BASIC FINANCIAL STATEMENTS

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

Statement 1

STATEMENT OF NET POSITION

June 30, 2017 (December 31, 2016 for the Building Company Fund)
With Comparative Totals For June 30, 2016

	Governmental Activities	
	2017	2016
Assets:		
Cash	\$1,821,143	\$1,549,363
Cash and investments with fiscal agent	13,342,367	-
Accounts receivable	-	5,560
Due from other governments	1,293,126	1,115,468
Due from Building Company	120,706	-
Prepaid items	128,817	187,036
Capital assets (net of accumulated depreciation)	16,127,876	528,066
Total assets	<u>32,834,035</u>	<u>3,385,493</u>
Deferred outflows of resources related to pensions	<u>9,361,047</u>	<u>1,327,059</u>
Total assets and deferred outflows of resources	<u><u>\$42,195,082</u></u>	<u><u>\$4,712,552</u></u>
Liabilities:		
Accounts payable	\$251,879	\$119,298
Contracts and retainage payable	1,389,199	-
Due to other governments	-	19,825
Due to General Fund	99,634	-
Salaries, taxes and benefits payable	472,020	438,057
Accrued interest payable	165,910	-
Unearned revenue	2,986	535
Long-term liabilities:		
Bonds payable - due in more than one year	28,121,113	-
Net pension liability - due in more than one year	13,097,975	3,013,898
Total liabilities	<u>43,600,716</u>	<u>3,591,613</u>
Deferred inflows of resources related to pensions	<u>89,849</u>	<u>273,741</u>
Net position:		
Net investment in capital assets	33,665	528,066
Restricted for community services	2,263	46,991
Unrestricted	(1,531,411)	272,141
Total net position	<u>(1,495,483)</u>	<u>847,198</u>
Total liabilities, deferred inflows and net position	<u><u>\$42,195,082</u></u>	<u><u>\$4,712,552</u></u>

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

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

Statement 2

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2017 (December 31, 2016 for the Building Company Fund)

With Comparative Totals For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	2017	2016
Governmental activities:					
School support services	\$1,676,689	\$ -	\$ -	(\$1,676,689)	(\$1,199,838)
Regular instruction	5,401,648	56,365	265,556	(5,079,727)	(3,267,397)
Community education and services	251,297	150,512	-	(100,785)	(2,026)
Special education	1,123,571	-	953,659	(169,912)	(9,921)
Instructional support services	226,867	-	-	(226,867)	(151,823)
Pupil support service	911,452	73,332	160,848	(677,272)	(632,382)
Site, building and equipment	1,960,773	-	1,368,317	(592,456)	(608,773)
Fiscal and other fixed costs	823,242	-	-	(823,242)	(19,262)
Interest and fiscal costs	165,910	-	-	(165,910)	-
Total governmental activities	<u>\$12,541,449</u>	<u>\$280,209</u>	<u>\$2,748,380</u>	<u>(9,512,860)</u>	<u>(5,891,422)</u>
General revenues:					
Local sources				41,060	54,882
State sources				7,129,119	6,231,610
Total general revenues				<u>7,170,179</u>	<u>6,286,492</u>
Change in net position				(2,342,681)	395,070
Net position - beginning				<u>847,198</u>	<u>452,128</u>
Net position - ending				<u>(\$1,495,483)</u>	<u>\$847,198</u>

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

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

Statement 3

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2017 (December 31, 2016 for the Building Company Fund)

With Comparative Totals For June 30, 2016

	General	Food Service Fund	Community Service Fund	Building Company Fund	Governmental Funds	
					2017	2016
Assets						
Cash	\$1,802,484	\$ -	\$18,659	\$ -	\$1,821,143	\$1,549,363
Cash and investments with fiscal agent	-	-	-	13,342,367	13,342,367	-
Accounts receivable	-	-	-	-	-	5,560
Due from Minnesota Department of Education	1,239,795	479	-	-	1,240,274	1,095,435
Due from Federal Government through Minnesota Department of Education	42,018	10,834	-	-	52,852	20,033
Due from other funds	125,805	-	-	-	125,805	11,727
Prepaid items	112,194	-	-	16,623	128,817	187,036
Total assets	\$3,322,296	\$11,313	\$18,659	\$13,358,990	\$16,711,258	\$2,869,154
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$240,272	\$6,214	\$1,747	\$3,646	\$251,879	\$119,298
Contracts and retainage payable	73,734	-	-	1,315,465	1,389,199	-
Due to other government	-	-	-	-	-	19,825
Due to other funds	-	5,099	-	99,634	104,733	11,727
Salaries, taxes and benefits payable	460,357	-	11,663	-	472,020	438,057
Unearned revenue	-	-	2,986	-	2,986	535
Total liabilities	774,363	11,313	16,396	1,418,745	2,220,817	589,442
Fund balance:						
Nonspendable for prepaid items	112,194	-	-	16,623	128,817	187,036
Restricted for community service	-	-	2,263	-	2,263	46,991
Restricted for capital and debt service	-	-	-	11,923,622	11,923,622	-
Unassigned	2,435,739	-	-	-	2,435,739	2,045,685
Total fund balance	2,547,933	0	2,263	11,940,245	14,490,441	2,279,712
Total liabilities and fund balance	\$3,322,296	\$11,313	\$18,659	\$13,358,990	\$16,711,258	\$2,869,154

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

Fund balance reported above		\$14,490,441	\$2,279,712
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		16,127,876	528,066
Deferred outflows of resources related to pensions		9,361,047	1,327,059
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:			
Bonds payable	(27,370,000)	-	
Unamortized bond premium	(751,113)	-	
Accrued interest payable	(165,910)	-	
Net pension liability	(13,097,975)	(3,013,898)	
Deferred inflows of resources related to pensions	(89,849)	(273,741)	
Net position of governmental activities (Statement 1)	(\$1,495,483)	\$847,198	

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

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

Statement 4

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2017 (December 31, 2016 for the Building Company Fund)
With Comparative Totals For The Year Ended June 30, 2016

	General	Food Service Fund	Community Service Fund	Building Company Fund	Governmental Funds	
					2017	2016
Revenues:						
Local sources	\$97,425	\$73,332	\$150,512	\$121,837	\$443,106	\$345,085
State sources	9,313,361	13,224	-	-	9,326,585	8,071,007
Federal sources	246,042	147,624	-	-	393,666	236,609
Total revenues	<u>9,656,828</u>	<u>234,180</u>	<u>150,512</u>	<u>121,837</u>	<u>10,163,357</u>	<u>8,652,701</u>
Expenditures:						
Current:						
School support services	1,275,387	-	-	89,256	1,364,643	1,165,059
Regular instruction	3,910,763	-	-	-	3,910,763	3,172,376
Special education	923,626	-	-	-	923,626	775,976
Instructional support services	200,744	-	-	-	200,744	145,875
Pupil support services	658,371	250,757	-	-	909,128	806,196
Community services	-	-	194,007	-	194,007	184,766
Site, building and equipment	2,007,670	-	-	-	2,007,670	1,786,073
Fiscal and other fixed costs	26,159	-	-	797,083	823,242	19,262
Capital outlay	322,319	-	1,233	15,416,366	15,739,918	281,444
Total expenditures	<u>9,325,039</u>	<u>250,757</u>	<u>195,240</u>	<u>16,302,705</u>	<u>26,073,741</u>	<u>8,337,027</u>
Revenues over (under) expenditures	<u>331,789</u>	<u>(16,577)</u>	<u>(44,728)</u>	<u>(16,180,868)</u>	<u>(15,910,384)</u>	<u>315,674</u>
Other financing sources (uses):						
Bonds issued	-	-	-	27,370,000	27,370,000	-
Bond premium	-	-	-	751,113	751,113	-
Transfers in	-	16,577	-	-	16,577	21,829
Transfers out	(16,577)	-	-	-	(16,577)	(21,829)
Total other financing sources (uses)	<u>(16,577)</u>	<u>16,577</u>	<u>0</u>	<u>28,121,113</u>	<u>28,121,113</u>	<u>0</u>
Net increase (decrease) in fund balance	315,212	0	(44,728)	11,940,245	12,210,729	315,674
Fund balance - beginning	2,232,721	-	46,991	-	2,279,712	1,964,038
Fund balance - ending	<u>\$2,547,933</u>	<u>\$0</u>	<u>\$2,263</u>	<u>\$11,940,245</u>	<u>\$14,490,441</u>	<u>\$2,279,712</u>

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

Net change in fund balance reported above		\$12,210,729	\$315,674
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:			
Depreciation		(113,649)	(51,692)
Capital outlay		15,739,918	281,444
Capital outlay not capitalized		(26,459)	(8,452)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. However, neither has any effect on net position:			
Bond issue proceeds		(27,370,000)	-
Bond issue premiums		(751,113)	-
Some expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in governmental funds:			
Change in accrued interest payable		(165,910)	-
Governmental funds report pension contributions as expenditures, however, pension expense is reported in the statement of activities		(1,866,197)	(141,904)
Change in net position of governmental activities (Statement 2)		<u>(\$2,342,681)</u>	<u>\$395,070</u>

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

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**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 (December 31, 2016 for the Building Company Fund)

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. FINANCIAL REPORTING ENTITY

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

The financial statements of the reporting entity include those of the School (the primary government) and its component units. Generally, component units are legally separate organizations for which the officials of the primary government are financially accountable.

There is one organization that is considered to be a component unit of the School. CS Property Parnassus, LLC (the Building Company) is an unaffiliated building corporation which was formed as a Minnesota nonprofit limited liability company. The Building Company is governed by a separate board. Although it is legally separate from the School, the Building Company is reported as if it were part of the School (as a blended component unit) because its sole purpose is to acquire and own educational sites which will be leased to the School. No separate financial statements of the Building Company are issued.

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

B. FISCAL YEAR-END OF THE BUILDING COMPANY

The Building Company was formed by Urban Homeworks, Inc., a Minnesota nonprofit corporation with a fiscal year-end of December 31. Urban Homeworks, Inc. is the sole member of the Building Company. Because of the relationship between the two entities, the Building Company also has a fiscal year-end of December 31.

The Building Company amounts and note disclosures reported in these financial statements are as of and for the year ending December 31, 2016.

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 (December 31, 2016 for the Building Company Fund)

C. SCHOOL-WIDE FINANCIAL STATEMENTS

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

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

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

D. FUND FINANCIAL STATEMENTS

Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, as applicable, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenues, grants, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School.

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

The *General Fund* is the general operating fund of the School. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

PARNASSUS PREPARATORY SCHOOL
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 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017 (December 31, 2016 for the Building Company Fund)

The *Food Service Special Revenue Fund* is used to account for the School's child nutrition program.

The *Community Service Special Revenue Fund* is used to account for before and after school programs.

The *Building Company Special Revenue Fund* is used to account for the revenues and expenditures of the Building Company, a blended component unit.

E. INCOME TAXES

The School and Building Company are classified as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and comparable sections of the Minnesota income tax statutes.

A tax expense or benefit from an uncertain income tax position (including tax-exempt status) may be recognized only when it is more likely than not that the position will be sustained upon examination by taxing authorities. Management believes the School and Building Company have no uncertain income tax positions that would result in an accrual, expense or benefit under the more likely than not standard.

F. BUDGETS

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

For the year ended June 30, 2017, a summary of actual results compared to the final budget is as follows:

	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Over (under)
General Fund revenues	\$9,456,616	\$9,656,828	\$200,212
General Fund expenditures	9,237,806	9,325,039	87,233
Food Service Fund revenues	195,390	234,180	38,790
Food Service Fund expenditures	217,100	250,757	33,657
Community Service Fund revenues	205,800	150,512	(55,288)
Community Service Fund expenditures	205,800	195,240	(10,560)

G. STUDENT ACTIVITIES

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, school boards can elect to either control or not control extracurricular

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 (December 31, 2016 for the Building Company Fund)

activities. The School's Board has elected to control extracurricular activities. Therefore, the extracurricular student activity accounts are included in the School's General Fund.

H. CASH AND INVESTMENTS

Cash balances of the General Fund, the Food Service Fund, and Community Service Fund are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Cash and investments with fiscal agent are restricted for purposes contained in the 2016 bond documents.

I. RECEIVABLES

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

J. PREPAID ITEMS

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

K. CAPITAL ASSETS

Capital assets, which include property, plant and equipment are reported in the school-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Computers	3-5 years
Equipment	5-20 years
Leasehold improvements	5-20 years
Other improvements	9 years
Buildings and improvements	40 years

**PARNASSUS PREPARATORY SCHOOL
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NOTES TO FINANCIAL STATEMENTS

June 30, 2017 (December 31, 2016 for the Building Company Fund)

L. ACCRUED EMPLOYEE BENEFITS

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

M. DEFINED BENEFIT PENSION PLANS

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

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

N. DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

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

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

O. UNEARNED REVENUE

Unearned revenue represents amounts received under federal, state or private grant programs but not expended in the current year. Such amounts are unearned until subsequent periods when the funds are expended.

P. LONG-TERM OBLIGATIONS

In the school-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities. Bond premiums and discounts are amortized over the life of the related debt.

PARNASSUS PREPARATORY SCHOOL
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NOTES TO FINANCIAL STATEMENTS
June 30, 2017 (December 31, 2016 for the Building Company Fund)

In the fund financial statements, governmental funds recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Q. FUND BALANCE

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

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

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

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

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

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

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

R. MINIMUM FUND BALANCE POLICY

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

At June 30, 2017, the targeted minimum fund balance for the General Fund was \$1,865,008. Actual fund balance in the General Fund was \$2,547,933.

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 (December 31, 2016 for the Building Company Fund)

S. NET POSITION

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the school-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the school-wide financial statements when there are limitations on its use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

T. COMPARATIVE DATA

Comparative data for the prior year has been presented only for certain sections of the accompanying financial statements in order to provide an understanding of the changes in the School's financial position and operations.

U. USE OF ESTIMATES

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

V. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

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

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

**PARNASSUS PREPARATORY SCHOOL
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NOTES TO FINANCIAL STATEMENTS

June 30, 2017 (December 31, 2016 for the Building Company Fund)

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

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

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

B. INVESTMENTS

The School may also invest idle funds as authorized by Minnesota Statutes, as follows: direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better, general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States’ banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States’ corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

Credit risk – State law limits investments as discussed above. The School has no investment policy that would further limit its investment choices.

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 (December 31, 2016 for the Building Company Fund)

C. CASH AND INVESTMENTS WITH FISCAL AGENT

As of December 31, 2016, the Building Company had cash and investments held with a fiscal agent for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Future debt service payments	\$120,465
Reserve Fund requirement	1,766,407
Project costs	11,441,640
Bond issuance costs	12,537
Other	1,318
	<u>\$13,342,367</u>

The amounts are held in a Fidelity Treasury Money Market Fund which has an S&P rating of AAAm.

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 (December 31, 2016 for the Building Company Fund)

Note 3 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ -	\$3,630,000	\$ -	\$3,630,000
Construction in progress	-	1,899,979	-	1,899,979
Total capital assets, not being depreciated	<u>0</u>	<u>5,529,979</u>	<u>0</u>	<u>5,529,979</u>
Capital assets, being depreciated:				
Buildings and improvements	-	9,976,387	-	9,976,387
Computers	126,288	20,372	-	146,660
Equipment	148,237	112,987	-	261,224
Leasehold improvements	330,054	73,734	-	403,788
Other improvements	18,811	-	-	18,811
Total capital assets, being depreciated	<u>623,390</u>	<u>10,183,480</u>	<u>0</u>	<u>10,806,870</u>
Less accumulated depreciation for:				
Buildings and improvements	-	41,568	-	41,568
Computers	24,051	28,374	-	52,425
Equipment	22,088	15,013	-	37,101
Leasehold improvements	46,921	26,604	-	73,525
Other improvements	2,264	2,090	-	4,354
Total accumulated depreciation	<u>95,324</u>	<u>113,649</u>	<u>0</u>	<u>208,973</u>
Governmental activities capital assets - net	<u>\$528,066</u>	<u>\$15,599,810</u>	<u>\$0</u>	<u>\$16,127,876</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
School support services	\$8,249
Regular instruction	27,632
Special education	1,536
Instructional support services	3,777
Community education and services	338
Site, building and equipment	<u>72,117</u>
Total depreciation expense - governmental activities	<u>\$113,649</u>

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 (December 31, 2016 for the Building Company Fund)

Note 4 DEFINED BENEFIT PENSION PLANS

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

A. PLAN DESCRIPTIONS

TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials. Teachers employed in Minnesota's public elementary and secondary schools, charter schools, and certain educational institutions maintained by the state are required to be TRA members.

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

B. BENEFITS PROVIDED

TRA

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

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

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

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

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

PERA

PERA provides retirement, disability, and death benefits. Benefit provisions are established by Minnesota Statute and can only be modified by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

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

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

C. CONTRIBUTIONS

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

	<u>Employee</u>	<u>Employer</u>
TRA - Basic Plan	11.0%	11.5%
TRA - Coordinated Plan	7.5%	7.5%
PERA - Basic Plan	9.1%	11.78%
PERA - Coordinated Plan	6.5%	7.5%

The School's contributions to TRA for the years ended June 30, 2017 and 2016 were \$261,047 and \$213,183, respectively. The School's contributions to PERA for the years June 30, 2017 and

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2016 were \$35,746 and \$31,130, respectively. The School's contributions were equal to the required contributions as set by state statute.

D. NET PENSION LIABILITY AND PENSION EXPENSE

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

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

	<u>TRA</u>	<u>PERA</u>	<u>Total</u>
Net pension liability	\$12,570,207	\$527,768	\$13,097,975
Proportionate share of net pension liability:			
Measurement date	0.0527%	0.0065%	
Prior measurement date	0.0447%	0.0048%	
Pension expense	\$2,274,368	\$66,892	\$2,341,260

The pension expense related to TRA and PERA includes recognition of \$176,210 and \$2,060, respectively, as an increase to pension expense (and grant revenue) for the support provided by direct aid.

The net pension liability related to TRA reflected a reduction due to direct aid in the amount of \$35,587,410 provided to TRA. The amount recognized by the School as its proportionate share of the net pension liability, the State's proportionate share of the net pension liability, and the total portion of the net pension liability that was associated with the School were \$12,570,207, \$1,261,945 and \$13,832,152, respectively.

The net pension liability related to PERA reflected a reduction due to direct aid in the amount of \$6,000,000 provided to PERA. The amount recognized by the School as its proportionate share of the net pension liability, the State's proportionate share of the net pension liability, and the total portion of the net pension liability that was associated with the School were \$527,768, \$6,909 and \$534,677, respectively.

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E. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience:		
TRA	\$126,646	\$ -
PERA	1,562	42,874
Difference between projected and actual investment earnings:		
TRA	543,796	-
PERA	58,923	-
Changes in actuarial assumptions:		
TRA	7,158,341	-
PERA	113,827	-
Changes in proportion:		
TRA	999,610	-
PERA	61,549	46,975
Contributions paid subsequent to the measurement date:		
TRA	261,047	-
PERA	35,746	-
Total	<u>\$9,361,047</u>	<u>\$89,849</u>

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

<u>Year</u>	<u>Pension Expense</u>		
	<u>TRA</u>	<u>PERA</u>	<u>Total</u>
2018	\$1,831,546	\$33,759	\$1,865,305
2019	1,831,548	21,707	1,853,255
2020	2,022,410	71,482	2,093,892
2021	1,656,829	19,064	1,675,893
2022	1,486,060	-	1,486,060
Thereafter	-	-	-

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 June 30, 2017 (December 31, 2016 for the Building Company Fund)

F. ACTUARIAL ASSUMPTIONS

TRA

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

Actuarial Information

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

For TRA, there was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date. Post-retirement benefit adjustments are now assumed to remain level at 2.0% annually. While in the previous measurement the COLA increased to 2.5% in 2034.

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

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NOTES TO FINANCIAL STATEMENTS

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PERA

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

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

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

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

The following changes in actuarial assumptions occurred in 2016:

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

TRA and PERA

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

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

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NOTES TO FINANCIAL STATEMENTS

June 30, 2017 (December 31, 2016 for the Building Company Fund)

G. DISCOUNT RATE

TRA

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

PERA

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

H. PENSION LIABILITY SENSITIVITY

The following presents the School’s proportionate share of the net pension liability calculated using the discount rate for each plan, as well as the liability measured using one percent lower (3.66% for TRA; 6.5% for PERA) and one percent higher (5.66% for TRA; 8.5% for PERA).

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
TRA	\$16,193,569	\$12,570,207	\$9,619,098
PERA	\$749,587	\$527,768	\$345,049

I. PENSION PLAN FIDUCIARY NET POSITION

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

Detailed information about PERA’s fiduciary net position is available in a separately issued PERA financial report. That report may be obtained at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, MN, 55103; or by calling 651-296-7460 or 1-800-652-9026.

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 (December 31, 2016 for the Building Company Fund)

Note 5 DEFINED CONTRIBUTION PLAN

The School provides eligible employees future retirement benefits through the School's 403(b) Plan (the Plan). The Plan provisions are established and can be modified by the School. All full-time employees of the School are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. The Plan allows for discretionary employer contributions. There were no employer contributions for 2017 and 2016.

Note 6 INTERFUND ACTIVITY

During 2017, the School made a routine transfer of \$16,577 from the General Fund to eliminate a deficit in the Food Service Fund.

The School's due to/from other funds consists of the following:

- As of December 31, 2016, the Building Company owed the General Fund \$99,634 for expenses initially paid by the General Fund which will later be reimbursed by the Building Company.
- As of June 30, 2017, the Food Service Fund owed the General Fund \$5,099 to cover a temporary cash deficit, and the Building Company owed the General Fund \$120,706 for expenses initially paid by the General Fund which will later be reimbursed by the Building Company.

Total due to/from balances do not net to zero because of timing differences caused by the Building Company's fiscal year end of December 31, 2016.

Note 7 LINE OF CREDIT

On June 2, 2017, the School entered into a straight line of credit agreement to assist with the timing of cash flows. The note has a maximum available amount of \$500,000, is subject to an interest rate of 5.00%, and matures on October 2, 2022. Pursuant to terms of the note, the School may only make advances until October 2, 2017. As of June 30, 2017, the outstanding balance was \$0.

PARNASSUS PREPARATORY SCHOOL
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NOTES TO FINANCIAL STATEMENTS
June 30, 2017 (December 31, 2016 for the Building Company Fund)

Note 8 LONG-TERM DEBT

A summary of long-term debt is as follows:

	<u>Balance</u> <u>December 31, 2016</u>
<u>Building Company</u>	
\$27,110,000 Charter School Lease Revenue Bonds Series 2016A, \$260,000 Taxable Charter School Lease Revenue Bonds Series 2016B, both dated November 1, 2016. The Series 2016A bonds mature November 1, 2047 and carry interest rates ranging from 3.0% to 5.0%. The Series 2016B bonds mature November 1, 2018 and carry an interest rate of 4.75%.	\$27,370,000
Bond Premium	751,113
	<u><u>\$28,121,113</u></u>

In November of 2016, the Building Company obtained a \$27,370,000 loan from lease revenue bond proceeds sold by the City of Ham Lake, Minnesota. The loan proceeds were used by the Building Company to finance the acquisition, construction, improvement, and equipping of an approximately 147,388 square foot charter school facility intended for grades K-12, which was previously leased by the School from a third party. The School subsequently entered into an agreement to lease these facilities from the Building Company (see Note 9).

The bond proceeds were placed in an escrow account under the terms of a trust agreement for the benefit of the Building Company. The loan is payable in semi-annual principal and interest installments beginning May 1, 2017 through November 1, 2047 and bears the same interest rates as the related lease revenue bonds. The debt is secured by the facility owned by the Building Company as well as a security interest in all leases and rents. The agreements contain certain covenants including a minimum cash on hand requirement and a covenant to maintain income available for debt service at levels specified in the loan documents.

Income available for debt service as a percentage of principal and interest requirements is not applicable to these financial statements as there were no debt service requirements for the fiscal year presented.

Changes in long-term debt are as follows:

	Beginning Balance 12/31/2015	Additions	Retirements	Ending Balance 12/31/2016
Bonds payable	\$ -	\$27,370,000	\$ -	\$27,370,000
Bond premium	-	751,113	-	751,113
Total	<u>\$0</u>	<u>\$28,121,113</u>	<u>\$0</u>	<u>\$28,121,113</u>

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NOTES TO FINANCIAL STATEMENTS

June 30, 2017 (December 31, 2016 for the Building Company Fund)

Annual debt service requirements to maturity for the lease revenue bonds are as follows:

Fiscal Year	Lease Revenue Bonds Series 2016A		Lease Revenue Bonds Series 2016B	
	Principal	Interest	Principal	Interest
2018	\$ -	\$ 1,243,582	\$ -	\$ 11,870
2019	200,000	1,293,900	260,000	12,350
2020	475,000	1,287,900	-	-
2021	490,000	1,273,650	-	-
2022	505,000	1,258,950	-	-
2023	520,000	1,243,800	-	-
2024	540,000	1,223,000	-	-
2025	565,000	1,201,400	-	-
2026	585,000	1,178,800	-	-
2027	610,000	1,155,400	-	-
2028	635,000	1,131,000	-	-
2029	665,000	1,099,250	-	-
2030	700,000	1,066,000	-	-
2031	735,000	1,031,000	-	-
2032	770,000	994,250	-	-
2033	810,000	955,750	-	-
2034	850,000	915,250	-	-
2035	890,000	872,750	-	-
2036	935,000	828,250	-	-
2037	980,000	781,500	-	-
2038	1,030,000	732,500	-	-
2039	1,085,000	681,000	-	-
2040	1,135,000	626,750	-	-
2041	1,195,000	570,000	-	-
2042	1,255,000	510,250	-	-
2043	1,315,000	447,500	-	-
2044	1,380,000	381,750	-	-
2045	1,450,000	312,750	-	-
2046	1,525,000	240,250	-	-
2047	1,600,000	164,000	-	-
2048	1,680,000	84,000	-	-
	<u>\$27,110,000</u>	<u>\$26,786,132</u>	<u>\$260,000</u>	<u>\$24,220</u>

**PARNASSUS PREPARATORY SCHOOL
 CHARTER SCHOOL NO. 4199**
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017 (December 31, 2016 for the Building Company Fund)

Note 9 COMMITMENTS AND CONTINGENCIES

A. GRANTS

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the School expects such amounts, if any, to be immaterial. The federal financial assistance received may be subject to an audit pursuant to Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) or audits by the grantor agency.

B. LEASES

Effective November 1, 2016, the School entered into a lease agreement with the Building Company for classroom and office space in Maple Grove. The term of the lease is 35 years, expiring June 30, 2051. Total annual base rent for the three facilities is the greater of (a) the minimum base rent summarized below or (b) the lease aid maximum amount, as defined in the lease agreement. For the year ended June 30, 2017, the School paid \$1,490,620 in rent under the terms of this lease and its previous lease. Estimated minimum future rent based on current factors is as follows:

Fiscal Year Ended	Amount
2018	\$1,642,189
2019	1,800,017
2020	1,799,400
2021	1,799,850
2022	1,799,850
2023-2027	9,003,866
2028-2032	9,006,333
2033-2037	8,846,541
2038-2042	9,000,500
2043-2047	8,989,917
2048	596,333
2049-2051	**

** Base rent for these years has not yet been determined

C. COMMITTED CONTRACTS

At December 31, 2016, the Building Company had commitments of \$9,591,751 for uncompleted construction contracts.

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 (December 31, 2016 for the Building Company Fund)

Note 10 RISK MANAGEMENT

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

REQUIRED SUPPLEMENTARY INFORMATION

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended June 30, 2017
With Comparative Actual Amounts For The Year Ended June 30, 2016

Statement 5
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	2017				2016 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)	
	Original	Final			
Revenues:					
Local sources	\$51,900	\$76,800	\$97,425	\$20,625	\$86,013
State sources	8,964,609	9,181,787	9,313,361	131,574	8,062,996
Federal sources	186,400	198,029	246,042	48,013	145,935
Total revenues	<u>9,202,909</u>	<u>9,456,616</u>	<u>9,656,828</u>	<u>200,212</u>	<u>8,294,944</u>
Expenditures:					
School support services:					
Current:					
Salaries	518,142	691,000	630,276	(60,724)	558,889
Employee benefits	200,600	246,950	207,106	(39,844)	180,051
Purchased services	318,426	309,900	321,553	11,653	348,700
Supplies and materials	83,200	91,800	111,977	20,177	76,014
Other expenditures	1,900	3,000	4,475	1,475	1,405
Capital expenditures	13,000	47,500	32,329	(15,171)	12,884
Total School support services	<u>1,135,268</u>	<u>1,390,150</u>	<u>1,307,716</u>	<u>(82,434)</u>	<u>1,177,943</u>
Regular instruction:					
Current:					
Salaries	2,740,236	2,634,408	2,714,826	80,418	2,153,141
Employee benefits	607,841	692,622	671,127	(21,495)	501,804
Purchased services	342,900	248,336	269,698	21,362	329,747
Supplies and materials	223,750	261,900	238,111	(23,789)	187,280
Other expenditures	500	2,200	17,001	14,801	404
Capital expenditures	146,600	70,000	27,894	(42,106)	129,581
Total regular instruction	<u>4,061,827</u>	<u>3,909,466</u>	<u>3,938,657</u>	<u>29,191</u>	<u>3,301,957</u>
Special education:					
Current:					
Salaries	421,886	447,250	472,539	25,289	400,119
Employee benefits	85,606	117,288	112,890	(4,398)	85,607
Purchased services	288,902	310,420	331,961	21,541	283,841
Supplies and materials	5,250	2,600	4,151	1,551	3,634
Other expenditures	3,000	-	2,085	2,085	2,775
Capital expenditures	10,000	3,000	14,315	11,315	7,860
Total special education	<u>814,644</u>	<u>880,558</u>	<u>937,941</u>	<u>57,383</u>	<u>783,836</u>
Instructional support:					
Current:					
Salaries	85,000	50,000	42,458	(7,542)	72,588
Employee benefits	24,600	16,850	12,354	(4,496)	19,129
Purchased services	59,900	143,000	128,914	(14,086)	48,056
Supplies and materials	8,100	17,300	16,779	(521)	6,102
Other expenditures	-	-	239	239	-
Capital expenditures	-	71,500	75,544	4,044	-
Total instructional support	<u>177,600</u>	<u>298,650</u>	<u>276,288</u>	<u>(22,362)</u>	<u>145,875</u>

PARNASSUS PREPARATORY SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended June 30, 2017
With Comparative Actual Amounts For The Year Ended June 30, 2016

	2017				2016 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)	
	Original	Final			
Pupil support:					
Current:					
Salaries	\$37,800	\$37,000	\$32,425	(\$4,575)	\$35,816
Employee benefits	11,220	11,800	9,681	(2,119)	10,073
Purchased services	618,080	593,580	612,978	19,398	559,227
Supplies and materials	8,000	3,000	3,258	258	8,107
Other expenditures	-	-	29	29	-
Total pupil support	<u>675,100</u>	<u>645,380</u>	<u>658,371</u>	<u>12,991</u>	<u>613,223</u>
Site, building and equipment:					
Current:					
Purchased services	1,919,836	1,998,302	1,979,360	(18,942)	1,748,988
Supplies and materials	47,000	28,200	28,280	80	37,035
Other expenditures	100	100	30	(70)	50
Capital expenditures	40,400	61,000	172,237	111,237	91,208
Total site, building and equipment	<u>2,007,336</u>	<u>2,087,602</u>	<u>2,179,907</u>	<u>92,305</u>	<u>1,877,281</u>
Fiscal and other fixed costs:					
Current:					
Purchased services	22,625	26,000	26,159	159	19,262
Total expenditures	<u>8,894,400</u>	<u>9,237,806</u>	<u>9,325,039</u>	<u>87,233</u>	<u>7,919,377</u>
Revenues over expenditures	<u>308,509</u>	<u>218,810</u>	<u>331,789</u>	<u>112,979</u>	<u>375,567</u>
Other financing sources (uses):					
Transfers out	-	-	(16,577)	(16,577)	(21,829)
Net change in fund balance	<u>\$308,509</u>	<u>\$218,810</u>	315,212	<u>\$96,402</u>	353,738
Fund balance - beginning			<u>2,232,721</u>		<u>1,878,983</u>
Fund balance - ending			<u>\$2,547,933</u>		<u>\$2,232,721</u>

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

Statement 6

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - FOOD SERVICE SPECIAL REVENUE FUND

For The Year Ended June 30, 2017

With Comparative Actual Amounts For The Year Ended June 30, 2016

	2017				2016 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)	
	Original	Final			
Revenues:					
Local sources	\$87,430	\$75,390	\$73,332	(\$2,058)	\$72,459
State sources	12,000	10,000	13,224	3,224	8,011
Federal sources	110,000	110,000	147,624	37,624	90,674
Total revenues	<u>209,430</u>	<u>195,390</u>	<u>234,180</u>	<u>38,790</u>	<u>171,144</u>
Expenditures:					
Pupil support services:					
Current:					
Purchased services	-	-	25,291	25,291	-
Supplies and materials	231,700	216,100	224,280	8,180	192,324
Other expenditures	1,000	1,000	1,186	186	649
Total pupil support services	<u>232,700</u>	<u>217,100</u>	<u>250,757</u>	<u>33,657</u>	<u>192,973</u>
Revenues over (under) expenditures	<u>(23,270)</u>	<u>(21,710)</u>	<u>(16,577)</u>	<u>5,133</u>	<u>(21,829)</u>
Other financing sources (uses):					
Transfers in	-	-	16,577	16,577	21,829
Net change in fund balance	<u>(\$23,270)</u>	<u>(\$21,710)</u>	-	<u>\$21,710</u>	-
Fund balance - beginning			-		-
Fund balance - ending			<u>\$0</u>		<u>\$0</u>

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

Statement 7

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - COMMUNITY SERVICE SPECIAL REVENUE FUND

For The Year Ended June 30, 2017

With Comparative Actual Amounts For The Year Ended June 30, 2016

	2017				2016 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)	
	Original	Final			
Revenues:					
Local sources	\$195,500	\$205,800	\$150,512	(\$55,288)	\$186,613
Expenditures:					
Community services:					
Current:					
Salaries	110,000	120,000	141,625	21,625	101,084
Employee benefits	25,000	25,300	29,608	4,308	21,640
Purchased services	45,000	40,000	10,430	(29,570)	49,095
Supplies and materials	15,500	14,000	10,419	(3,581)	12,897
Other	-	5,000	1,925	(3,075)	50
Capital expenditures	-	1,500	1,233	(267)	39,911
Total community service	195,500	205,800	195,240	(10,560)	224,677
Revenues over (under) expenditures	\$0	\$0	(44,728)	(\$44,728)	(38,064)
Fund balance - beginning			46,991		85,055
Fund balance - ending			\$2,263		\$46,991

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 For The Year Ended June 30, 2017

<u>Measurement Date</u>	<u>Fiscal Year Ending</u>	<u>Proportion (Percentage) of the Net Pension Liability</u>	<u>Proportionate Share (Amount) of the Net Pension Liability (a)</u>	<u>State's Proportionate Share of the Net Pension Liability Associated with the School (b)</u>	<u>Total Proportionate Share of the Net Pension Liability (a+b)</u>	<u>Covered Payroll (c)</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll ((a/b)/c)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
<u>Teacher's Retirement Association</u>								
June 30, 2014	June 30, 2015	0.0390%	\$1,797,092	\$126,291	\$1,923,383	\$1,780,420	108.0%	81.5%
June 30, 2015	June 30, 2016	0.0447%	2,765,137	339,286	3,104,423	2,268,234	136.9%	76.8%
June 30, 2016	June 30, 2017	0.0527%	12,570,207	1,261,945	13,832,152	2,842,428	486.6%	44.9%
<u>PERA - General Employees Retirement Fund</u>								
June 30, 2014	June 30, 2015	0.0068%	\$319,430	\$ -	\$319,430	\$358,120	89.2%	78.8%
June 30, 2015	June 30, 2016	0.0048%	248,761	-	248,761	280,966	88.5%	78.2%
June 30, 2016	June 30, 2017	0.0065%	527,768	6,909	534,677	415,063	128.8%	68.9%

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

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PENSION CONTRIBUTIONS
 For The Year Ended June 30, 2017

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
<u>Teacher's Retirement Association</u>					
June 30, 2015	\$170,146	\$170,146	\$ -	\$2,268,234	7.50%
June 30, 2016	213,183	213,183	-	2,842,428	7.50%
June 30, 2017	261,047	261,047	-	3,480,627	7.50%
<u>PERA - General Employees Retirement Fund</u>					
June 30, 2015	\$20,368	\$20,368	\$ -	\$280,966	7.25%
June 30, 2016	31,130	31,130	-	415,063	7.50%
June 30, 2017	35,746	35,746	-	476,613	7.50%

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

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
June 30, 2017**

Note A BUDGETARY INFORMATION

The General Fund, Food Service and Community Service Special Revenue Funds budgets are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the fund level.

Note B PENSION INFORMATION

2016 Changes

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

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

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

2017 Changes

TRA – Teachers Retirement Association:

Changes in actuarial assumptions for the July 1, 2016 valuation include:

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

PERA – General Employees Retirement Fund:

Changes in actuarial assumptions:

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

Additional details can be obtained from the financial reports of TRA and PERA.

INDIVIDUAL FUND STATEMENTS

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

Statement 8

BALANCE SHEET - GENERAL FUND

June 30, 2017

With Comparative Totals For June 30, 2016

Assets	2017	2016
Cash	\$1,802,484	\$1,493,746
Accounts receivable	-	5,560
Due from Minnesota Department of Education	1,239,795	1,095,185
Due from Federal Government through Minnesota Department of Education	42,018	7,314
Due from other funds	125,805	11,727
Prepaid items	112,194	187,036
 Total assets	 \$3,322,296	 \$2,800,568
 Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$240,272	\$115,910
Contracts and retainage payable	73,734	-
Due to other governments	-	19,825
Salaries, taxes and benefits payable	460,357	431,577
Unearned revenue	-	535
Total liabilities	774,363	567,847
Fund balance:		
Nonspendable for prepaid items	112,194	187,036
Unassigned	2,435,739	2,045,685
Total fund balance	2,547,933	2,232,721
 Total liabilities and fund balance	 \$3,322,296	 \$2,800,568

PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199
BALANCE SHEET - FOOD SERVICE SPECIAL REVENUE FUND
June 30, 2017
With Comparative Totals For June 30, 2016

Statement 9

Assets	2017	2016
Due from Minnesota Department of Education	\$479	\$250
Due from Federal Government through Minnesota Department of Education	10,834	12,719
Total assets	\$11,313	\$12,969
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$6,214	\$1,242
Due to other funds	5,099	11,727
Total liabilities	11,313	12,969
Fund balance:		
Unassigned	-	-
Total liabilities and fund balance	\$11,313	\$12,969

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

Statement 10

BALANCE SHEET - COMMUNITY SERVICE SPECIAL REVENUE FUND

June 30, 2017

With Comparative Totals For June 30, 2016

Assets	<u>2017</u>	<u>2016</u>
Cash	<u>\$18,659</u>	<u>\$55,617</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$1,747	\$2,146
Salaries, taxes and benefits payable	11,663	6,480
Unearned revenue	<u>2,986</u>	<u>-</u>
Total liabilities	<u>16,396</u>	<u>8,626</u>
Fund balance:		
Restricted for community service	<u>2,263</u>	<u>46,991</u>
Total liabilities and fund balance	<u>\$18,659</u>	<u>\$55,617</u>

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

Statement 11

BALANCE SHEET - BUILDING COMPANY SPECIAL REVENUE FUND

December 31, 2016

With Comparative Totals For December 31, 2015

	December 31, 2016	December 31, 2015
Assets		
Cash and investments with fiscal agent	\$13,342,367	\$ -
Prepaid items	16,623	-
Total assets	\$13,358,990	\$0
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$3,646	\$ -
Due to other funds	99,634	-
Contracts and retainage payable	1,315,465	-
Total liabilities	1,418,745	0
Fund balance:		
Nonspendable for prepaid items	16,623	-
Restricted for capital and debt service	11,923,622	-
Total fund balance	11,940,245	0
Total liabilities and fund balance	\$13,358,990	\$0

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SUPPLEMENTAL INFORMATION

**PARNASSUS PREPARATORY SCHOOL
CHARTER SCHOOL NO. 4199**

Schedule 1

**UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
June 30, 2017**

	Audit	UFARS	Variance		Audit	UFARS	Variance
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$9,656,828	\$9,656,830	(\$2)	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	9,325,039	9,325,040	(1)	Total Expenditures	-	-	-
<i>Non-Spendable:</i>				<i>Non-Spendable:</i>			
4.60 Non Spendable Fund Balance	112,194	112,194	-	4.60 Non Spendable Fund Balance	-	-	-
<i>Restricted/Reserve:</i>				<i>Restricted/Reserve:</i>			
4.03 Staff Development	-	-	-	4.07 Capital Projects Levy	-	-	-
4.05 Deferred Maintenance	-	-	-	4.09 Alternative Fac. Program	-	-	-
4.06 Health and Safety	-	-	-	4.13 Projects Funded By COP	-	-	-
4.07 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
4.08 Cooperative Revenue	-	-	-	4.64 Restricted Fund Balance	-	-	-
4.11 Severance Pay	-	-	-	<i>Unassigned:</i>			
4.13 Project Funded By COP	-	-	-	4.63 Unassigned Fund Balance	-	-	-
4.14 Operating Debt	-	-	-				
4.16 Levy Reduction	-	-	-	07 DEBT SERVICE			
4.17 Taconite Building Maint	-	-	-	Total Revenue	\$ -	\$ -	\$ -
4.23 Certain Teacher Programs	-	-	-	Total Expenditures	-	-	-
4.24 Operating Capital	-	-	-	<i>Non-Spendable:</i>			
4.26 \$25 Taconite	-	-	-	4.60 Non Spendable Fund Balance	-	-	-
4.27 Disabled Accessibility	-	-	-	<i>Restricted/Reserve:</i>			
4.28 Learning and Development	-	-	-	4.25 Bond Refundings	-	-	-
4.34 Area Learning Center	-	-	-	4.51 QZAB Payments	-	-	-
4.35 Contracted Alt. Programs	-	-	-	<i>Restricted:</i>			
4.36 St. Approved Alt. Program	-	-	-	4.64 Restricted Fund Balance	-	-	-
4.38 Gifted & Talented	-	-	-	<i>Unassigned:</i>			
4.41 Basic Skills Programs	-	-	-	4.63 Unassigned Fund Balance	-	-	-
4.45 Career & Tech Programs	-	-	-				
4.46 First Grade Preparedness	-	-	-	08 TRUST			
4.49 Safe Schools Levy	-	-	-	Total Revenue	\$ -	\$ -	\$ -
4.50 Pre-Kindergarten	-	-	-	Total Expenditures	-	-	-
4.51 QZAB Payments	-	-	-	<i>Unrestricted:</i>			
4.52 OPEB Liab Not In Trust	-	-	-	4.22 Net Assets	-	-	-
4.53 Unfunded Sev & Retirement Levy	-	-	-				
<i>Restricted:</i>				20 INTERNAL SERVICE			
4.64 Restricted Fund Balance	-	-	-	Total Revenue	\$ -	\$ -	\$ -
<i>Committed:</i>				Total Expenditures	-	-	-
4.18 Committed For Separation	-	-	-	<i>Unrestricted:</i>			
4.61 Committed Fund Balance	-	-	-	4.22 Net Assets	-	-	-
<i>Assigned:</i>							
4.62 Assigned Fund Balance	-	-	-	25 OPEB REVOCABLE TRUST			
<i>Unassigned:</i>				Total Revenue	\$ -	\$ -	\$ -
4.22 Unassigned Fund Balance	2,435,739	2,435,740	(1)	Total Expenditures	-	-	-
				<i>Unrestricted:</i>			
02 FOOD SERVICE				4.22 Net Assets	-	-	-
Total Revenue	\$234,180	\$234,181	(\$1)				
Total Expenditures	250,757	250,758	(1)	45 OPEB IRREVOCABLE TRUST			
<i>Non-Spendable:</i>				Total Revenue	\$ -	\$ -	\$ -
4.60 Non Spendable Fund Balance	-	-	-	Total Expenditures	-	-	-
<i>Restricted/Reserve:</i>				<i>Unrestricted:</i>			
4.52 OPEB Liab Not In Trust	-	-	-	4.22 Net Assets	-	-	-
<i>Restricted:</i>							
4.64 Restricted Fund Balance	-	-	-	47 OPEB DEBT SERVICE FUND			
<i>Unassigned:</i>				Total Revenue	\$ -	\$ -	\$ -
4.63 Unassigned Fund Balance	-	-	-	Total Expenditures	-	-	-
				<i>Non-Spendable:</i>			
04 COMMUNITY SERVICE				4.60 Non Spendable Fund Balance	-	-	-
Total Revenue	\$150,512	\$150,513	(\$1)	<i>Restricted/Reserve:</i>			
Total Expenditures	195,240	195,242	(2)	4.25 Bond Refundings	-	-	-
<i>Restricted/Reserve:</i>				<i>Restricted:</i>			
4.26 \$25 Taconite	-	-	-	4.64 Restricted Fund Balance	-	-	-
4.31 Community Education	-	-	-	<i>Unassigned:</i>			
4.32 E.C.F.E	-	-	-	4.63 Unassigned Fund Balance	-	-	-
4.44 School Readiness	-	-	-				
4.47 Adult Basic Education	-	-	-				
4.52 OPEB Liab Not In Trust	-	-	-				
<i>Restricted:</i>							
4.64 Restricted Fund Balance	2,263	2,264	(1)				
<i>Unassigned:</i>							
4.63 Unassigned Fund Balance	-	-	-				

OTHER REQUIRED REPORTS

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

To the Board of Directors
Parnassus Preparatory School
Charter School No. 4199
Maple Grove, 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 Parnassus Preparatory School, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Parnassus Preparatory School's basic financial statements, and have issued our report thereon dated November 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Parnassus Preparatory School'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 Parnassus Preparatory School's internal control. Accordingly, we do not express an opinion on the effectiveness of Parnassus Preparatory School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Parnassus Preparatory School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

November 13, 2017



MINNESOTA LEGAL COMPLIANCE REPORT

To the Board of Directors
Parnassus Preparatory School
Charter School No. 4199
Maple Grove, 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 Parnassus Preparatory School as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Parnassus Preparatory School's basic financial statements, and have issued our report thereon dated November 13, 2017.

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

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

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

Redpath and Company, Ltd.
REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

November 13, 2017

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