Bdote Learning Center
Charter School No. 4226
Minneapolis, Minnesota

Financial Statements

June 30, 2019

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Bdote Learning Center
Charter School No. 4226
Table of Contents

Bdote Learning Center
Charter School No. 4226
Board of Directors and Administration
June 30, 2019

Board of Directors	Position
Louise Matson	Board Chair
Autumn Dillie	Vice Chair
Graham Hartley	Treasurer
Jenn Hall	Secretary
Joseph Rice	Board Member
Beth Brown	Board Member
Shiela Zephier	Board Member
Michele Fluhr-Fraser	Board Member
Administration	
Cindy Ward-Thompson	Director of Administration

Independent Auditor′s Report

To the Board of Directors
Bdote Learning Center
Minneapolis, Minnesota

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities and each major fund of Bdote Learning Center, Minneapolis, Minnesota, as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the 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 School′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 School′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 in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of Bdote Learning Center, Minneapolis, Minnesota, as of June 30, 2019, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund and Food Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern
The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note 7 to the financial statements, the School has minimal total fund balance in the governmental funds after a deficit fund balance in the prior year and is unable to satisfy obligations timely. These conditions raise substantial doubt about its ability to continue as a going concern. Management′s plans regarding those matters also are described in Note 7. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management′s Discussion and Analysis, which follows this report letter, and the Required Supplementary 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 Government Accounting Standards Board (GASB), 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 the School′s basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2019, on our consideration of the School′s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's 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 the School′s internal control over financial reporting and compliance.

BerganKDV Ltd.

Minneapolis, Minnesota
September 6, 2019

Bdote Learning Center
Charter School No. 4226
Management's Discussion and Analysis

This section of Bdote Learning Center's (the "School") annual financial report presents our discussion and analysis of the School's financial performance during the school year that ended on June 30, 2019. Please read it in conjunction with the School's financial statements, which immediately follow this section. The Management's Discussion and Analysis (MD&A) is a required element of required supplementary information specified in GASB Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year (2018-2019) and the prior year (2017-2018) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2018-2019 year include the following:

- The total fund balance of the General Fund ended at a negative $45,770.
- Overall General Fund revenues were $2,726,961 as compared to $2,728,866 of expenditures.

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 government-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 government-wide statements.

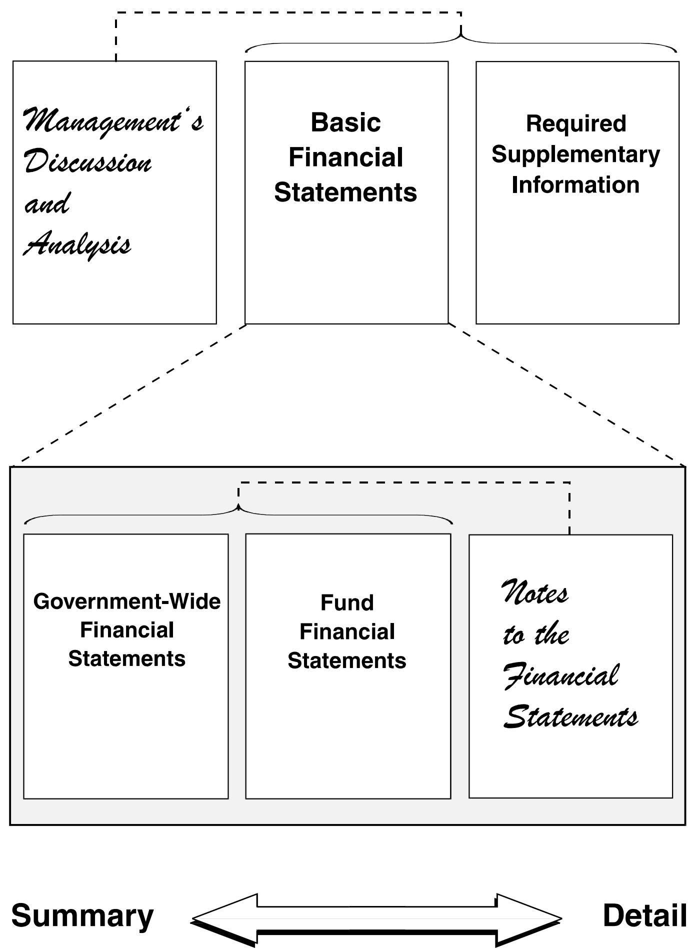
The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Annual Report Format



OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Figure A-2
Major Features of the School's Government-Wide and Fund Financial Statements
Fund Statements

Type of Statements	Government-Wide	Governmental Funds
Scope	All School Activities	All School Activities
Required financial statements	* Statement of Net Position	* Balance Sheet
	* Statement of Activities	* Statement of Revenues, Expenditures and Changes in Fund Balance
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Only assets expected to be earned and liabilities owed during the year or soon thereafter
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-Wide Statements

The government-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 government-wide statements report the School's net position and how they have changed. Net position, the difference between the School's assets and liabilities, 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Statements (Continued)

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

Governmental Activities

Most of the School's basic services will be included here, such as regular and special education, transportation and administration. State and federal aids as well as federal and foundation grants financed these activities.

Fund financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the School's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental fund*s with similar information presented for *governmental activities* in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The School maintains two government funds and information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and food service fund.

The School adopted an annual appropriated budget for both funds. Budgetary comparison statements have been provided to demonstrate compliance with this budget.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's net position was ($694,934) on June 30, 2019 (See Table A-1).

Table A-1
The School's Net Position

	Governmental Activities		
	2019	2018	Change
Current and other assets	$ 475,213	$ 405,345	$ 69,868
Capital and noncurrent assets	58,791	70,479	(11,688)
Total assets	$ 534,004	$ 475,824	$ 58,180
Deferred outflows of resources	$ 1,626,017	$ 1,340,148	$ 285,869
Liabilities	$ 1,546,936	$ 2,333,432	$ (786,496)
Deferred inflows of resources	$ 1,308,019	$ 299,299	$ 1,008,720
Net Position			
Net investment in capital assets	$ 58,791	$ 70,479	$ (11,688)
Unrestricted	(753,725)	(887,238)	133,513
Total net position	$ (694,934)	$ (816,759)	$ 121,825

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)

Changes in Net Position

The School's total revenues were $2,759,609 for the period ended June 30, 2019. The majority of the revenues were from state aids, as well as federal grants, private grants, and investment earnings (See Table A-2.).

Table A-2
Changes in Net Position

	Governmental Activities		
	2019	2018	Change
Revenues			
Program revenues			
Charges for services	$ 658	$ 96	$ 562
Operating grants and contributions	1,698,950	1,389,919	309,031
General revenues			
Unrestricted federal and state aid	878,100	747,471	130,629
Other	181,901	249,851	(67,950)
Total revenues	2,759,609	2,387,337	372,272
Expenditures			
Administration	126,813	170,398	(43,585)
School support services	307,336	263,062	44,274
Elementary and secondary regular instruction	562,716	524,040	38,676
Special education instruction	880,943	1,020,535	(139,592)
Instructional support services	27,712	26,746	966
Pupil support services	392,000	394,140	(2,140)
Sites and buildings	233,809	201,908	31,901
Fiscal and other fixed cost programs	13,994	12,536	1,458
Food service	92,461	78,400	14,061
Total expenditures	2,637,784	2,691,765	(53,981)
Change in net position	121,825	(304,428)	426,253
Net Position			
Beginning of year	(816,759)	(512,331)	(304,428)
End of year	$ (694,934)	$ (816,759)	$ 121,825

Revenue was more than total cost of all programs of $2,637,784, by $121,825.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)

Figure A-3 Sources of School's Revenues for 2019

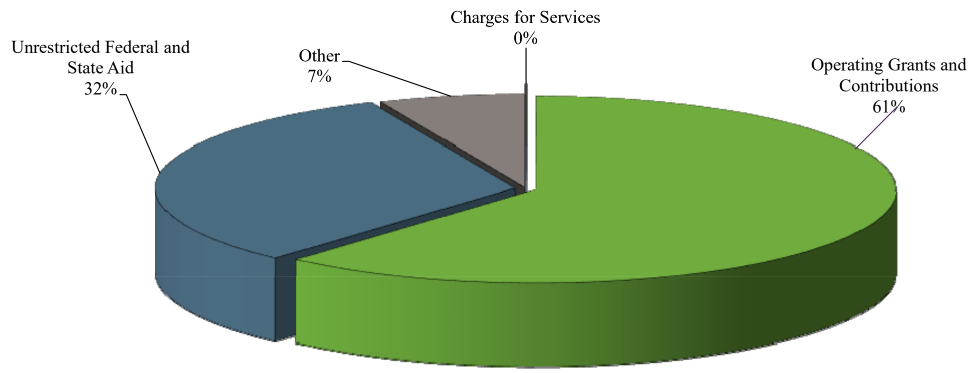
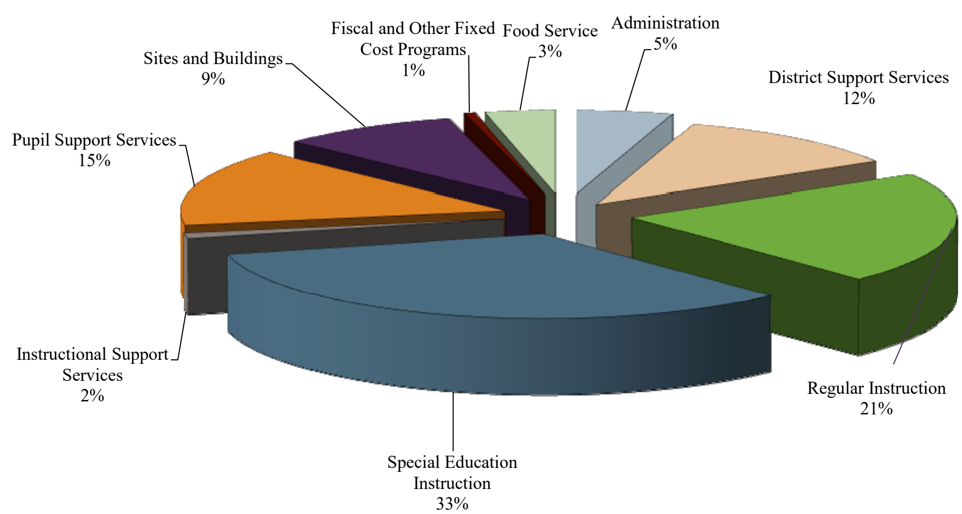


Figure A-4 School's Expenses for 2019



Bdote Learning Center
Charter School No. 4226
Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)

	Total Costs of Services			Net Costs of Services		
	2019	2018	Change	2019	2018	Change
Administration	$126,813	$170,398	$ (43,585)	$ (68,979)	$ (118,398)	$ 49,419
School support services	307,336	263,062	44,274	(263,936)	(196,727)	(67,209)
Elementary and secondary regular instruction	562,716	524,040	38,676	(130,273)	(273,390)	143,117
Special education instruction	880,943	1,020,535	(139,592)	61,342	(199,900)	261,242
Instructional support services	27,712	26,746	966	(26,679)	(13,006)	(13,673)
Pupil support services	392,000	394,140	(2,140)	(392,000)	(394,140)	2,140
Sites and buildings	233,809	201,908	31,901	(88,563)	(87,789)	(774)
Fiscal and other fixed cost programs	13,994	12,536	1,458	(13,994)	(12,536)	(1,458)
Food service	92,461	78,400	14,061	(15,094)	(5,864)	(9,230)
Total	$ 2,637,784	$ 2,691,765	$ (53,981)	$ (938,176)	$(1,301,750)	$ 363,574

In 2018-2019, the School enrolled 17 students in kindergarten, 38 students in grades 1-3, 33 students in grades 4-6, and 12 students in grades 7-8.

GENERAL FUND

The General Fund includes the primary operations of the School in providing educational services to students from kindergarten through grade 5, including pupil transportation activities and capital outlay projects.

Table A-5
General Fund Revenues

	Year Ended June 30,		
	2019	2018	Change
Other local revenues	$ 182,387	$ 249,789	$ (67,402)
State sources	2,153,890	1,716,382	437,508
Federal sources	390,554	345,493	45,061
Interest earnings	130	62	68
Total general fund revenue	$ 2,726,961	$ 2,311,726	$ 415,235

Other revenue consists of private grant funding which is expenditure driven.

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund expenditures. Of the total expenditures, about 31% were purchased services to continue developing the educational program, provide facility and administrative services and direct services to students. Another 64% of total expenditures were personnel salaries and benefits.

Table A-6
General Fund Expenditures

	Year Ended June 30,		
	2019	2018	Change
Salaries	$ 1,384,985	$ 1,030,010	$ 354,975
Employee benefits	368,994	253,593	115,401
Purchased services	842,963	826,602	16,361
Supplies and materials	77,901	69,013	8,888
Capital expenditures	25,519	16,899	8,620
Debt service	21,273	14,065	7,208
Other expenditures	7,231	8,413	(1,182)
Total expenditures	$ 2,728,866	$ 2,218,595	$ 510,271

In 2018-2019, General Fund expenditures exceeded General Fund revenues and other financing sources by $1,905, decreasing the fund balance to a negative $45,770.

GENERAL FUND BUDGETARY HIGHLIGHTS

Following approval of the budget, the School can revise the annual operating budget in mid-year. These budget amendments fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over from the prior year.
- Legislation passes subsequent to budget adoption, changes necessitated by employment agreements and increases in appropriations for significant unbudgeted costs.

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

Capital Assets

By the end of 2019, the School had invested $170,683 in capital assets, including computers, equipment, and furniture (See Table A-7). More detailed information about capital assets can be found in Note 4 to the financial statements. Total accumulated depreciation for the year was $111,892.

Table A-7
Capital Assets

	2019	2018
Equipment	$ 170,683	$ 153,344
Less accumulated depreciation	(111,892)	(82,865)
Total	$ 58,791	$ 70,479

FACTORS BEARING ON THE SCHOOL'S FUTURE

The School is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

The School will strive to meet its commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our constituents, state oversight agencies, lenders, customers, legislative leaders, and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Bdote Learning Center, 3216 East 29th Street, Minneapolis, Minnesota 55406.

BASIC FINANCIAL STATEMENTS

Bdote Learning Center
Charter School No. 4226
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Due from Department of Education	$ 445,018
Due from other governmental units	12,011
Due from Federal Government through Department of Education	1,979
Prepaid items	16,205
Capital assets	
Furniture and equipment	58,791
Total assets	534,004
Deferred Outflows of Resources	
Deferred outflows related to pensions	1,626,017
Total assets and deferred outflows of resources	$ 2,160,021
Liabilities	
Cash overdraft	$ 21,836
Accounts payable	123,409
Line of credit payable	380,000
Net pension liability	1,021,691
Total liabilities	1,546,936
Deferred Inflows of Resources	
Deferred inflows related to pensions	1,298,019
Deferred inflows related to grants	10,000
Deferred inflows related to pensions	1,308,019
Net Position	
Net investment in capital assets	58,791
Unrestricted	(753,725)
Total net position	(694,934)
Total liabilities, deferred inflows of resources, and net position	$ 2,160,021

Bdote Learning Center
Charter School No. 4226
Statement of Activities
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 126,813	$ -	$ 57,834	$ -	$ (68,979)
School support services	307,336	-	43,400	-	(263,936)
Elementary and secondary regular instruction	562,716	369	432,074	-	(130,273)
Special education instruction	880,943	247	942,038	-	61,342
Instructional support services	27,712	-	1,033	-	(26,679)
Pupil support services	392,000	-	-	-	(392,000)
Sites and buildings	233,809	-	145,246	-	(88,563)
Fiscal and other fixed cost programs	13,994	-	-	-	(13,994)
Food service	92,461	42	77,325	-	(15,094)
Total governmental activities	$ 2,637,784	$ 658	$ 1,698,950	$ -	(938,176)
General revenues					
State aid-formula grants					878,100
Other general revenues					181,771
Investment income					130
Total general revenues					1,060,001
Change in net position					121,825
Net position - beginning					(816,759)
Net position - ending					$ (694,934)

See notes to financial statements.

Bdote Learning Center
Charter School No. 4226
Balance Sheet - Governmental Funds
June 30, 2019

	General	Food Service	Total Governmental Funds
Assets			
Due from Department of Education	$ 444,985	$ 33	$ 445,018
Due from Federal Government through Department of Education	-	1,979	1,979
Due from other governmental units	12,011	-	12,011
Prepaid items	16,205	-	16,205
Total assets	$ 473,201	$ 2,012	$ 475,213
Liabilities			
Cash overdraft	$ 15,365	$ 6,471	$ 21,836
Accounts payable	113,606	9,803	123,409
Line of credit payable	380,000	-	380,000
Total liabilities	508,971	16,274	525,245
Deferred Inflows of Resources			
Deferred inflows of resources - grants	10,000	-	10,000
Fund Balances			
Nonspendable	16,205	-	16,205
Unassigned	(61,975)	(14,262)	(76,237)
Total fund balances	(45,770)	(14,262)	(60,032)
Total liabilities and fund balances	$ 473,201	$ 2,012	$ 475,213

See notes to financial statements.

Bdote Learning Center
Charter School No. 4226
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2019

Total fund balances - governmental funds	$	(60,032)
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.		
Cost of capital assets		170,683
Less accumulated depreciation		(111,892)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Net pension liability		(1,021,691)
Deferred outflows related to pensions		1,626,017
Deferred inflows related to pensions		(1,298,019)
Total net position - governmental activities	$	(694,934)

See notes to financial statements.

Bdote Learning Center
Charter School No. 4226
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2019

	General	Food Service	Total Governmental Funds
Revenues			
Other local revenues	$ 182,387	$ -	$ 182,387
Revenue from state sources	2,153,890	1,612	2,155,502
Revenue from federal sources	390,554	75,713	466,267
Sales and other conversion of assets	-	42	42
Interest earnings	130	-	130
Total revenues	2,726,961	77,367	2,804,328
Expenditures			
Current			
Administration	144,531	-	144,531
School support services	287,064	-	287,064
Elementary and secondary regular instruction	672,787	-	672,787
Special education instruction	934,031	-	934,031
Instructional support services	27,712	-	27,712
Pupil support services	392,000	-	392,000
Sites and buildings	231,228	-	231,228
Fiscal and other fixed cost programs	13,994	-	13,994
Food service	-	91,629	91,629
Capital outlay			
School support services	17,343	-	17,343
Elementary and secondary regular instruction	6,827	-	6,827
Sites and buildings	1,349	-	1,349
Total expenditures	2,728,866	91,629	2,820,495
Net change in fund balances	(1,905)	(14,262)	(16,167)
Fund Balances			
Beginning of year	(43,865)	-	(43,865)
End of year	$ (45,770)	$ (14,262)	$ (60,032)

Bdote Learning Center
Charter School No. 4226
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
Year Ended June 30, 2019

Net change in fund balances - total governmental funds	$ (16,167)
Amounts reported for governmental activities in the Statement of Activities are difference because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	17,339
Depreciation expense	(29,027)
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	149,680
Change in net position - governmental activities	$ 121,825

See notes to financial statements.

Bdote Learning Center
Charter School No. 4226
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Other local revenues	$ 67,200	$ 155,000	$ 182,387	$ 27,387
Revenue from state sources	1,918,324	2,288,782	2,153,890	(134,892)
Revenue from federal sources	321,746	379,500	390,554	11,054
Interest earnings	500	500	130	(370)
Total revenues	2,307,770	2,823,782	2,726,961	(96,821)
Expenditures				
Current				
Administration	140,469	134,270	144,531	10,261
School support services	233,136	245,412	287,064	41,652
Elementary and secondary regular instruction	613,888	698,111	672,787	(25,324)
Special education instruction	717,290	983,002	934,031	(48,971)
Instructional support services	7,800	14,300	27,712	13,412
Pupil support services	316,960	432,991	392,000	(40,991)
Sites and buildings	196,925	211,050	231,228	20,178
Fiscal and other fixed cost programs	20,000	34,000	13,994	(20,006)
Capital outlay				
School support services	1,000	1,000	17,343	16,343
Elementary and secondary regular instruction	5,450	9,200	6,827	(2,373)
Sites and buildings	-	-	1,349	1,349
Total expenditures	2,252,918	2,763,336	2,728,866	(34,470)
Excess of revenues over (under) expenditures	54,852	60,446	(1,905)	(62,351)
Other Financing Uses				
Transfers out	(27,902)	(3,000)	-	3,000
Net change in fund balance	$ 26,950	$ 57,446	(1,905)	$ (59,351)
Fund Balance				
Beginning of year			(43,865)	
End of year			$ (45,770)	

See notes to financial statements.

Bdote Learning Center
Charter School No. 4226
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Food Service Fund
Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Revenue from state sources	$ 1,545	$ 1,545	$ 1,612	$ 67
Revenue from federal sources	50,676	75,747	75,713	(34)
Sales and other conversion of assets	-	-	42	42
Total revenues	52,221	77,292	77,367	75
Expenditures				
Current				
Food service	80,123	80,292	91,629	11,337
Total expenditures	80,123	80,292	91,629	11,337
Excess of revenues under expenditures	(27,902)	(3,000)	(14,262)	(11,262)
Other Financing Sources				
Transfers in	27,902	3,000	-	(3,000)
Net change in fund balance	$ -	$ -	(14,262)	$ (14,262)
Fund Balance				
Beginning of year			-	
End of year			$ (14,262)	

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Bdote Learning Center
Charter School No. 4226
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School is a nonprofit corporation that was formed in July 2010 in accordance with *Minnesota Statutes* 317A and began educating students during the 2014-2015 school year. The School is authorized by Innovative Quality Schools. The mission of the School is to develop culturally aware, successful, high performing students, by providing them with an academically rigorous education that is place-based and rooted in Native language and culture of indigenous peoples. The governing body consists of a Board of Officers composed of a Chairperson, Vice Chairperson, Treasurer, Secretary, and other members.

The accounting policies of the School conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The financial statements present the School and its component units. The School includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the appointed officials of the School are financially accountable and are included within the financial statements of the School because of the significance of their operational or financial relationships with the School.

The School is considered financially accountable for a component unit if it appoints a voting majority of the organization′s governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the School.

As a result of applying the component unit definition criteria above, it has been determined that the School has no component units.

Any student activities the School may have are accounted for in the General Fund.

B. Basic Financial Statement Information

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner.

1. **Revenue Recognition**
   Revenue is recognized when it becomes measurable and available. ″Measurable″ means the amount of the transaction can be determined and ″available″ means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

2. **Recording of Expenditures**
   Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaids for approved disbursements or liabilities incurred in advance of the year in which the item is to be used.

   The School applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted net position is available. Further, the School applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned, and unassigned. Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. The effect of interfund activity has been removed from these statements.

Description of Funds:
As required by state statute, the School operates as a nonprofit corporation under *Minnesota Statutes* 317A. However, state law also requires the School comply with Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota Schools which mandates the use of a governmental fund accounting structure. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Descriptions of the funds included in this report are below and on the following page.

Major Funds:

General Fund – This fund is the basic operating fund of the School and is used to account for all financial resources except those required to be accounted for in another fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds: (Continued)

Major Funds (Continued):

Food Service Special Revenue Fund – This fund is used to account for food service revenues and expenditures.

D. Deposits and Investments

Minnesota Statutes require all deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

F. Capital Assets

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capital assets are defined by the School as assets with an initial individual cost of more than $1,000. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at its acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Capital assets are depreciated using the straight-line method using actual month convention and depreciated down to the asset′s salvage value.

G. Compensated Absences

Certain School employees earn personal leave. School employees may cash in up to ten days of personal leave per contract period. At June 30, 2019, there was no liability exists for amounts employees have requested as payment.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The School has one item that qualifies for reporting in this category. Deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Net Position and fund financial statements 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has two types of items which qualify for reporting in this category. The first item is grant funding designated for subsequent years, which is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Deferred inflows of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

I. Pensions

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

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

J. 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; natural disasters; and injuries to employees for which the School carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions or other significant changes in the School′s insurance coverage during the year ended June 30, 2019.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Fund Equity

1. Classification

In the fund financial statements, the governmental fund report fund classifications that comprise a hierarchy based primarily on the extent to which the School is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. Nonspendable fund balances include amounts that cannot be spent because they are not in spendable form. Amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation are classified as restricted fund balances. Amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of Directors (highest level of decision making authority) through resolution are classified as committed fund balances.

Amounts that are constrained by the School′s intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose in the General Fund.

2. Minimum Fund Balance

At June 30, 2019, the School′s policy is to maintain a minimum unassigned general fund balance of 15-20% of budgeted expenditures.

L. Net Position

Net position represents the difference between assets and liabilities in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

M. Use of Estimates

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

N. Tax Status

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The School is also exempt from Minnesota Franchise or income tax.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Tax Status (Continued)

The School is required to assess whether an uncertain tax position exists and if there should be recognition of a related benefit or liability in the financial statements. The School has determined there are not amounts to record as assets or liabilities related to uncertain tax positions.

O. Budgetary Information

The School follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the Director of the School submits to the School′s Board of Directors, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Formal budgetary integration is employed as a management control device during the year for the General and Food Service Funds.
3. Budgets for the General and Food Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America
4. Budgets are as originally adopted or as amended by the Board of Directors. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balance

The General Fund had a negative fund balance of $45,770 and the Food Service Fund had a negative fund balance of $14,262 at June 30, 2019. The School's unrestricted, negative operating fund balance equaled 1.7% of operating expenditures for the General Fund. The negative Food Service Fund balance equaled 15.6% of operating expenditures.

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with applicable *Minnesota Statutes*, the School maintains deposits at depository banks authorized by the School′s Board of Directors.

Custodial Credit Risk – Deposits: This is the risk that, in the event of the failure of a depository financial institution, the School will not be able to recover deposits or collateral securities that are in the possession of an outside party. *Minnesota Statutes* requires all deposits be protected by federal depository insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds. The School's deposits were fully secured by FDIC insurance at June 30, 2019.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

Deposits are presented as cash in the Statement of Net Position at June 30, 2019, in the amount of a $21,836 cash overdraft.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being depreciated				
Furniture and equipment	$ 153,344	$ 17,339	$ -	$ 170,683
Less accumulated depreciation for				
Furniture and equipment	82,865	29,027	-	111,892
Governmental activities, capital assets, net	$ 70,479	$ (29,027)	$ -	$ 58,791

Depreciation expense of $29,027 for the year ended June 30, 2019, was charged to the following governmental functions:

School support services	$ 10,926
Elementary and secondary regular instruction	16,680
Food service	189
Sites, buildings, and equipment	1,232
Total depreciation expense	$ 29,027

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The School participates in various pension plans, total pension expense for the year ended June 30, 2019, was $(82,327). The components of pension expense are noted in the following plan summaries.

The General Fund typically liquidates the liability related to pensions.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association

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

Educators 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 (except those teachers employed by the cities of Duluth and St. Paul Public Schools or State Colleges and Universities. Educators first hired by Minnesota State may elect either TRA coverage or coverage through Minnesota State's Individual Retirement Account Plan (IRAP) within one year of eligible employment.

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

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

Tier 1 Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First ten years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First ten years if service years are up to July 1, 2006	1.2% per year
	First ten years if service years are July 1, 2006, or after	1.4% per year
	All other years of service if service years are up to July 1, 2006	1.7% per year
	All other years of service if service years are July 1, 2006, or after	1.9% per year

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier 1 Benefits (Continued)

- 3% per year early retirement reduction factor for all years under normal retirement age.
- Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

Tier II Benefits

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

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

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features.

Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

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

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

C. Contribution Rate

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2017, June 30, 2018, and June 30, 2019, were:

	June 30, 2017		June 30, 2018		June 30, 2019	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.0%	11.5%	11.0%	11.5%	11.0%	11.71%
Coordinated	7.5%	7.5%	7.5%	7.5%	7.5%	7.71%

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

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	$ 378,728
Deduct Employer contributions not related to future contribution efforts	522
Deduct TRA's contributions not included in allocation	(471)
Total employer contributions	378,779
Total non-employer contributions	35,588
Total contributions reported in *Schedule of Employer and Non-Employer Allocations*	$ 414,367

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

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation date	July 1, 2018
Experience study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% for ten years and 3.25% thereafter
Projected salary increase	2.85% to 8.85% for 10 years and 3.25% to 9.25% thereafter
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions	
Pre-retirement	RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers′ Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

Asset Class	Allocations as of June 30, 2018	Final Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	33 %	36 %	5.10 %
International stocks	16	17	5.30
Private markets	25	25	5.90
Fixed income	16	20	0.75
Treasuries	8	0	0.50
Unallocated cash	2	2	0.00
Total	100 %	100 %	

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

Changes in actuarial assumptions since the 2017 valuation:

- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers′ Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.5%. This is an increase from the discount rate at the prior measurement date of 5.12%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2018 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

F. Net Pension Liability

On June 30, 2019, the School reported a liability of $716,574 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. The School's proportionate share was 0.0114% at the end of the measurement period and 0.0080% for the beginning of the year.

Bdote Learning Center
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Notes to Financial Statements

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers′ Retirement Association (Continued)

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

School's proportionate share of net pension liability	$ 716,574
State's proportionate share of the net pension liability associated with the School	67,429

For the year ended June 30, 2019, the School recognized pension expense of $(209,674). It recognized $(47,061) as an increase to this pension expense for the support provided by direct aid.

On June 30, 2019, the School had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 594	$ 10,624
Net difference between projected and actual earnings on plan investments	-	66,029
Changes of assumptions	543,187	1,145,593
Changes in proportion	837,521	-
Contributions to TRA subsequent to the measurement date	62,106	-
Total	$ 1,443,408	$ 1,222,246

$62,106 reported as deferred outflows of resources related to pensions resulting from School contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers′ Retirement Association (Continued)

F. Net Pension Liability (Continued)

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2020	$ 168,291
2021	93,780
2022	67,161
2023	(89,635)
2024	(80,541)
Total	$ 159,056

G. Pension Liability Sensitivity

The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.5% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.5%) and 1 percent higher (8.5%) than the current rate.

School proportionate share of NPL		
1% decrease (6.5%)	Current (7.5%)	1% increase (8.5%)
$ 1,137,201	$ 716,574	$ 369,561

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

H. Pension Plan Fiduciary Net Position

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

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association

A. Plan Description

The School participates in the following cost-sharing multiple-employer defined benefit pension plans administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

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

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1 the annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years of service and 1.7% for each additional year. Under Method 2, the annuity accrual rate is 1.7% for Coordinated Plan members for all years 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.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

Starting January 1, 2019, benefit recipients will receive a future annual increase equal to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5%, of their annual covered salary in fiscal year 2019 and the School was required to contribute 7.5% for Coordinated Plan members. The School's contributions to the General Employees Fund for the year ended June 30, 2019, were $49,966. The School's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2019, the School reported a liability of $305,117 for its proportionate share of the General Employees Fund's net pension liability. The School's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the School totaled $10,043. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the School's proportionate share was 0.0055% at the end of the measurement period and 0.0045% for the beginning of the period.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

School's proportionate share of net pension liability	$ 305,117
State of Minnesota's proportionate share of the net pension liability associated with the School	10,043
Total	$ 315,160

For the year ended June 30, 2019, the School recognized pension expense of $82,628 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the School recognized $2,342 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

At June 30, 2019, the School reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 6,673	$ 4,854
Changes in actuarial assumptions	15,898	30,017
Difference between projected and actual investments earnings	-	40,902
Change in proportion	110,072	-
Contributions paid to PERA subsequent to the measurement date	49,966	-
Total	$ 182,609	$ 75,773

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees′ Retirement Association (Continued)

D. Pension Costs (Continued)

$49,966 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2020	$ 42,612
2021	26,715
2022	(6,088)
2023	(6,369)
Total	$ 56,870

E. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using an individual entry-age normal actuarial cost method and 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 to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2018:

Changes in Actuarial Assumptions:
- The morality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions:
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return 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.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	36 %	5.10 %
International stocks	17	5.30
Bonds	20	0.75
Alternative assets	25	5.90
Cash	2	0.00
Total	100 %	

F. Discount Rates

The discount rate used to measure the total pension liability in 2018 was 7.5%. 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.

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
School's proportionate share of the PERA net pension liability	$ 495,855	$ 305,117	$ 147,669

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

H. Pension Plan Fiduciary Net Position

Detailed information about the General Employees Fund's fiduciary net position is available in a separately-issued PERA financial report that includes the financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 6 – COMMITMENTS

A. Lease Commitments and Terms

On May 18, 2017, the School (Lessee) signed a lease for educational space with The Church of St. Albert the Great of Minneapolis. The term of the lease agreement covers periods July 1, 2017, through June 30, 2020. Minimum rental payments of $12,471 are due on a monthly basis. The School is also responsible for its proportionate share of all operating costs.

For 2019, the School qualified for state charter school lease aid which equaled the lesser of 90% of the approved lease cost or $1,314 per pupil units served, or $149,650.

The School′s ability to make payments under the lease agreement is dependent on its revenues which are in turn, largely dependent on sufficient enrollment being served at the School and sufficient state aids per student being authorized and received from the State of Minnesota.

NOTE 7 – GOING CONCERN AND MANAGEMENT′S PLANS

Bdote Learning Center is considered to be in the development stage and is currently working toward maximizing enrollment goals to increase state funding and cover operating costs. The financial statements were prepared on a going concern basis. The going concern basis assumes that the School will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. However, as of June 30, 2019, the School had a deficit total fund balance in the governmental funds. This and other factors raise substantial doubt about the School′s ability to continue as a going concern.

The ability of the School to continue as a going concern is dependent upon its ability to sustain current 2019-2020 enrollment, raise additional funds, and continue with positive operations. This need may be adversely impacted by uncertain economic conditions and approval by regulatory bodies. The school currently has a strategic plan to sustain operations, including strict cost management, engaging in additional fundraising activity, and maximizing enrollment through recruitment efforts.

NOTE 8 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending June 30, 2021.

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REQUIRED SUPPLEMENTARY INFORMATION

Bdote Learning Center
Charter School No. 4226
Schedule of School's and Non-Employer Proportionate Share
of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	School's Proportion of the Net Pension Liability (Asset)	School's Proportionate Share of the Net Pension Liability (Asset)	School's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	School's Proportionate Share of the Net Pension Liablility and District's Share of the State of Minnesota's Share of the Net Pension of Liability	School's Covered Payroll	School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0016%	$ 75,160	$ -	$ 75,160	$ 83,090	90.46%	78.7%
2015	0.0029%	150,293	-	150,293	164,827	91.18%	78.2%
2016	0.0030%	243,585	3,140	246,725	183,627	132.65%	68.9%
2017	0.0045%	287,277	3,626	290,903	290,987	98.73%	75.9%
2018	0.0055%	305,117	10,043	315,160	369,013	82.68%	79.5%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Schedule of School's and Non-Employer Proportionate Share
of Net Pension Liability
Last Ten Years TRA Retirement Fund

For Plan's Fiscal Year Ended June 30,	School's Proportion of the Net Pension Liability (Asset)	School's Proportionate Share of the Net Pension Liability (Asset)	School's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	School's Proportionate Share of the Net Pension Liablility and District's Share of the State of Minnesota's Share of the Net Pension of Liability	School's Covered Payroll	School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0007%	$ 32,255	$ 2,120	$ 34,375	$ 29,999	107.5%	81.5%
2015	0.0066%	408,275	50,014	458,289	334,213	122.2%	76.8%
2016	0.0067%	1,598,110	161,007	1,759,117	347,240	460.2%	44.9%
2017	0.0080%	1,596,945	154,841	1,751,786	431,920	369.7%	51.6%
2018	0.0114%	716,574	67,429	784,003	630,320	113.7%	78.1%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Bdote Learning Center
Charter School No. 4226
Schedule of School Contributions
General Employees Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	School's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 6,024	$ 6,024	$ -	$ 83,090	7.25%
2015	12,362	12,362	-	164,827	7.50%
2016	13,772	13,772	-	183,627	7.50%
2017	21,824	21,824	-	290,987	7.50%
2018	27,676	27,676	-	369,013	7.50%
2019	49,966	49,966	-	666,213	7.50%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Schedule of School Contributions
TRA Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	School's Covered Payroll	Contributions as a Percentage of Coverede Payroll
2014	$ 2,100	$ 2,100	$ -	$ 29,999	7.00%
2015	25,066	25,066	-	334,213	7.50%
2016	26,043	26,043	-	347,240	7.50%
2017	32,394	32,394	-	431,920	7.50%
2018	47,274	47,274	-	630,320	7.50%
2019	62,106	62,106	-	805,525	7.71%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Bdote Learning Center
Charter School No. 4226
Notes to the Required Supplementary Information

TRA Retirement Fund

2018 Changes

Changes in Actuarial Assumptions

- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes

Changes in Actuarial Assumptions

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

TRA Retirement Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions

- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the 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.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes

Changes of Benefit Terms

- The DTRFA was merged into TRA on June 30, 2015.

Changes in Actuarial Assumptions

- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. 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%.

Bdote Learning Center
Charter School No. 4226
Notes to the Required Supplementary Information

General Employees Fund

2018 Changes
Changes in Actuarial Assumptions:
- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions:
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes
Changes in Actuarial Assumptions
- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes
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, the inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Bdote Learning Center
Charter School No. 4226
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2015 Changes

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

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SUPPLEMENTARY INFORMATION

Bdote Learning Center
Charter School No. 4226
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2019

	Audit	UFARS	Audit UFARS
01 General Fund			
Total revenue	$ 2,726,961	$ 2,726,961	$ -
Total expenditures	2,728,866	2,728,866	-
Nonspendable:			
460 Nonspendable fund balance	16,205	16,205	-
Restricted/reserved:			
403 Staff development	-	-	-
406 Health and safety	-	-	-
407 Capital projects levy	-	-	-
408 Cooperative programs	-	-	-
409 Alternative facility program	-	-	-
413 Building Projects Funded by COP/LOP	-	-	-
414 Operating debt	-	-	-
416 Levy reduction	-	-	-
417 Taconite building maintenance	-	-	-
424 Operating capital	-	-	-
426 $25 taconite	-	-	-
427 Disabled accessibility	-	-	-
428 Learning and development	-	-	-
434 Area learning center	-	-	-
435 Contracted alternative programs	-	-	-
436 State approved alternative program	-	-	-
438 Gifted and talented	-	-	-
440 Teacher development and evaluation	-	-	-
441 Basic skills programs	-	-	-
445 Career technical programs	-	-	-
446 First grade preparedness	-	-	-
448 Achievement and integration revenue	-	-	-
449 Safe school crime	-	-	-
450 Transition for pre-kindergarten	-	-	-
451 QZAB Payments	-	-	-
452 OPEB Liabilities not Held in Trust	-	-	-
453 Unfunded Severance and Retirement Levy	-	-	-
459 Basic Skills Extended Time	-	-	-
467 Long-term Facilities Maintenance	-	-	-
472 Medical Assistance	-	-	-
475 Title VII - Impact Aid	-	-	-
476 Payments in Lieu of Taxes	-	-	-
Restricted:			
464 Restricted fund balance	-	-	-
Committed:			
418 Committed for separation	-	-	-
461 Committed	-	-	-
Assigned:			
462 Assigned fund balance	-	-	-
Unassigned:			
422 Unassigned fund balance	(61,975)	(61,975)	-
02 Food Services Fund			
Total revenue	$ 77,367	$ 77,367	$ -
Total expenditures	91,629	91,629	-
Nonspendable:			
460 Nonspendable fund balance	-	-	-
Restricted/reserved:			
452 OPEB Liabilities Not Held in Trust	-	-	-
Restricted:			
464 Restricted fund balance	-	-	-
Unassigned:			
463 Unassigned fund balance	(14,262)	(14,262)	-
04 Community Service Fund			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Nonspendable:			
460 Nonspendable fund balance	-	-	-
Restricted/reserved:			
426 $25 Taconite	-	-	-
431 Community Education	-	-	-
432 ECFE	-	-	-
440 Teacher Development And Evaluation	-	-	-
444 School Readiness	-	-	-
447 Adult Basic Education	-	-	-
452 OPEB Liabilities Not Held in Trust	-	-	-
Restricted:			
464 Restricted fund balance	-	-	-
Unassigned:			
463 Unassigned fund balance	-	-	-

	Audit	UFARS	Audit UFARS
06 Building Construction Fund			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Nonspendable:			
460 Nonspendable fund balance	-	-	-
Restricted/reserved:			
407 Capital projects levy	-	-	-
409 Alternative facility program	-	-	-
413 Building projects funded by COP/LP	-	-	-
Restricted:			
464 Restricted fund balance	-	-	-
Unassigned:			
463 Unassigned fund balance	-	-	-
07 Debt Service Fund			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Nonspendable:			
460 Nonspendable fund balance	-	-	-
Restricted/reserved:			
425 Bond refunding	-	-	-
433 Maximum effort loan aid	-	-	-
451 QZAB payments	-	-	-
Restricted:			
464 Restricted fund balance	-	-	-
Unassigned:			
463 Unassigned fund balance	-	-	-
08 Trust Fund			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
422 Net position	-	-	-
20 Internal Service Fund			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
422 Net position	-	-	-
25 OPEB Revocable Trust			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
422 Net position	-	-	-
45 OPEB Irrevocable Trust			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
422 Net position	-	-	-
47 OPEB Debt Service			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Nonspendable:			
460 Nonspendable fund balance	-	-	-
Restricted:			
425 Bond refundings	-	-	-
464 Restricted fund balance			
Unassigned:	-	-	-
463 Unassigned fund balance	-	-	-

**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***

Independent Auditor′s Report

To the Board of Directors
Bdote Learning Center
Minneapolis, 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 Bdote Learning Center, Minneapolis, Minnesota, as of and for the year ending June 30, 2019, and the related notes to financial statements, which collectively comprise the School′s basic financial statements and have issued our report thereon dated September 6, 2019.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the 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 the School′s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the 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 result of that testing, and not to provide an opinion on the effectiveness of the School′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 School′s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BerganKDV Ltd.

Minneapolis, Minnesota
September 6, 2019

Minnesota Legal Compliance

Independent Auditor′s Report

To the Board of Directors
Bdote Learning Center
Minneapolis, 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 Bdote Learning Center, Minneapolis, Minnesota, as of and for the year ended June 30, 2019, and the related notes to financial statements, and have issued our report thereon dated September 6, 2019.

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

In connection with our audit, nothing came to our attention that caused us to believe that the School failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Charter Schools*, except as described in the accompanying Schedule of Findings and Corrective Action Plan on Legal Compliance. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the School′s noncompliance with the above referenced provisions.

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

BerganKDV Ltd.

Minneapolis, Minnesota
September 6, 2019

Bdote Learning Center
Charter School No. 4226
Schedule of Finding and Corrective Action Plan
on Legal Compliance

CURRENT AND PRIOR YEAR LEGAL COMPLIANCE FINDING:

Prompt Payment of Bills
Minnesota Statutes 471.425, subd. 2 requires that bills are to be paid within the time period set by the terms of the contract or within the standard payment period. The standard payment period is 35 days from receipt of goods or services or invoice, whichever is later, for governing boards that meet at least once a month.

During our audit, we noted multiple disbursements that were paid over 35 days after the invoice was received during the year ended June 30, 2019.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   Administration will look to improve operations to ensure that bills are paid in a timely manner as required by *Minnesota Statutes* 471.425, subd. 2.

3. Official Responsible for Ensuring CAP
   Graham Hartley, Treasurer, is the official responsible for ensuring corrective action of the finding.

4. Planned Completion Date for CAP
   The planned completion date for the CAP is June 30, 2020.

5. Plan to Monitor Completion of CAP
   The School Board will be monitoring this CAP.