

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2016

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
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INTRODUCTORY SECTION

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2016**

SCHOOL BOARD

<u>NAME</u>	<u>TERM ON BOARD EXPIRATION</u>	<u>BOARD POSITION</u>
Koukhasha Lee	June 30, 2019	Board Chair
Ge Yang	June 30, 2019	Vice Chair
Xouada Thaoyang	June 30, 2018	Treasurer
Alex Michenfelder	June 30, 2018	Secretary
Leng Vang	June 30, 2019	Member
Cindy Vang	June 30, 2018	Member

ADMINISTRATION

Neal Thao
Mai Yia Chang

Chief Executives Officer
Chief Academic Officer

School Office

Charter School No. 4171
Noble Academy
9477 Decatur Dr. N.
Brooklyn Park, MN 55445
(763) 592-7707

BUILDING COMPANY BOARD

Bao Vang
Sokunthea Bentley

President and CEO
Director of Operations

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors
Noble Academy
Charter School No. 4171
Brooklyn Park, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Noble Academy, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the entity'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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Noble Academy as of June 30, 2016, and the respective changes in financial position 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.

Report on Summarized Prior Year Information

We have previously audited Noble Academy's 2015 financial statements of the governmental activities and each major fund, and we expressed an unmodified opinion on those audited financial statements in our report dated November 19, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Noble Academy's basic financial statements. The Uniform Financial Accounting and Reporting Standards Compliance Table as listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Other Matters (Continued)

Supplementary Information

The individual fund statements and the Uniform Financial Accounting and Reporting Standards Compliance Table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic 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 November 14, 2016, on our consideration of Noble Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Noble Academy's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 14, 2016

REQUIRED SUPPLEMENTARY INFORMATION

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

This section of Noble Academy – Charter School No. 4171's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the School's financial statements, which immediately follow this section. Certain comparative information between the current year (2015-2016) and the prior year (2014-2015) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2015-2016 fiscal year include the following:

- Net position was \$4,069,230 as of June 30, 2016 compared to \$2,938,881 as of June 30, 2015.
- Total General Fund revenues were \$6,815,972 as compared to \$7,849,010 of expenditures.
- The fund balance of the General Fund decreased \$1,005,038 from the prior year for an ending total fund balance of \$5,357,569.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *School-wide financial statements* that provide both *short-term* and *long-term* information about the School's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School, reporting the School's operations in *more detail* than the School-wide statements.
- 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.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

School-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The School may establish other funds to control and manage money for a blended component unit.

The School has the following fund type:

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

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Assets

The School's *combined* net position was \$4,069,230 on June 30, 2016 (see Table A-1).

**Table A-1
The School's Net Position**

	Governmental Activities as of June 30,		Percentage Change
	2016	2015	
Current and Other Assets	\$ 8,517,974	\$ 14,693,554	(42.03)%
Capital and Non-Current Assets	19,949,639	16,648,624	19.83
Total Assets	<u>28,467,613</u>	<u>31,342,178</u>	(9.17)
Deferred Outflows of Resources	610,723	333,152	83.32
Current Liabilities	899,586	4,815,134	(81.32)
Long-Term Liabilities	23,708,526	23,268,129	1.89
Total Liabilities	<u>24,608,112</u>	<u>28,083,263</u>	(12.37)
Deferred Inflows of Resources	<u>400,994</u>	<u>653,186</u>	(38.61)
Net Position:			
Net Investment in Capital Assets	1,711,988	346,980	393.40
Restricted	34,542	8,219	320.27
Unrestricted	2,322,700	2,583,682	(10.10)
Total Net Position	<u>\$ 4,069,230</u>	<u>\$ 2,938,881</u>	38.46

The School's net position increased by \$1,130,349.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

Changes in Net Position

The School's total entity-wide revenues were \$8,145,886 for the year ended June 30, 2016 (see Table A-2). Unrestricted state formula aid accounted for 66.2% of total revenue for the year. The remaining 33.8% came from other general and program revenues.

**Table A-2
Change in Net Position**

	Governmental Activities for the Fiscal Year Ended June 30,		Total % Change
	2016	2015	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 5,525	\$ 10,561	(47.68)%
Operating Grants and Contributions	2,671,641	1,562,475	70.99
<u>General Revenues</u>			
Unrestricted State Aid	5,393,708	4,157,761	29.73
Investment Earnings	1,976	1,436	37.60
Other	73,036	21,828	234.60
Total Revenues	<u>8,145,886</u>	<u>5,754,061</u>	41.57
Expenses			
Administration	458,593	500,500	(8.37)
District Support Services	672,461	631,374	6.51
Regular Instruction	3,090,657	1,634,883	89.04
Special Education Instruction	220,062	260,429	(15.50)
Instructional Support Services	276,321	89,675	208.14
Pupil Support Services	506,406	388,986	30.19
Sites and Buildings	353,445	1,016,625	(65.23)
Fiscal and Other Fixed Cost Programs	26,617	51,839	(48.65)
Food Service	402,054	462,227	(13.02)
Interest and Fiscal Charges on Long-Term Liabilities	1,008,920	1,589,649	(36.53)
Total Expenses	<u>7,015,537</u>	<u>6,626,187</u>	5.88
Change in Net Position	1,130,349	(872,126)	
Beginning Net Position	2,938,881	3,811,007	
Ending Net Position	<u>\$ 4,069,230</u>	<u>\$ 2,938,881</u>	

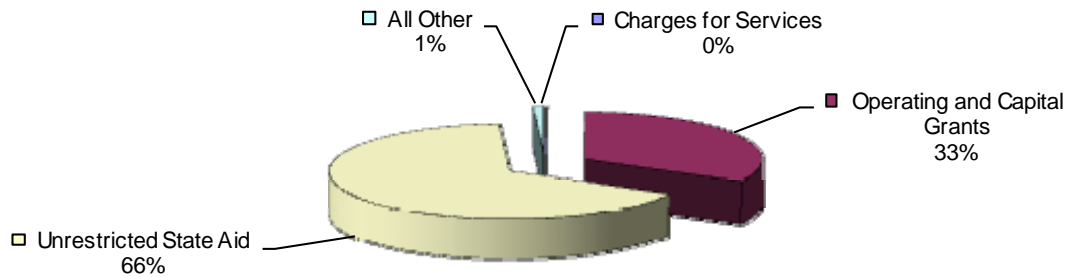
The total cost of all programs and services was \$7,015,537. Total revenues exceeded expenses, increasing net assets by \$1,130,349 from the prior year.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

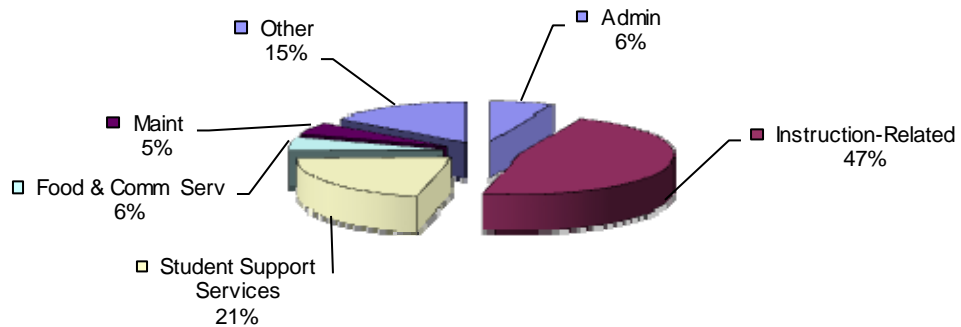
The cost of all *governmental* activities this year was \$7,015,537.

- Some of the cost was paid by the users of the School's programs (\$5,525).
- The federal government and private grant funds subsidized certain programs with grants and contributions (\$2,671,641).
- Most of the School's costs were paid for by unrestricted state aid.

**Figure A-1
Sources of School's Revenues for Fiscal 2016**



**Figure A-2
School Expenses for Fiscal 2016**



**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

**Table A-3
Program Expenses and Net Cost of Services**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2016	2015		2016	2015	
Administration	\$ 458,593	\$ 500,500	(8.37)%	\$ 458,593	\$ 500,500	(8.37)%
District Support Services	672,461	631,374	6.51	672,461	631,374	6.51
Regular Instruction	3,090,657	1,634,883	89.04	1,900,720	1,251,394	51.89
Special Education Instruction	220,062	260,429	(15.50)	12,910	796	1521.90
Instructional Support Services	276,321	89,675	208.14	276,321	89,675	208.14
Pupil Support Services	506,406	388,986	30.19	506,406	388,986	30.19
Sites and Buildings	353,445	1,016,625	(65.23)	353,445	461,986	(23.49)
Fiscal and Other Fixed Cost Programs	26,617	51,839	(48.65)	26,617	51,839	(48.65)
Food Service	402,054	462,227	(13.02)	(40,669)	86,952	(1.47)
Interest and Fiscal Charges on Long-Term Liabilities	1,008,920	1,589,649	(36.53)	171,566	1,589,649	(0.89)
Total	<u>\$ 7,015,537</u>	<u>\$ 6,626,187</u>	5.88	<u>\$ 4,338,371</u>	<u>\$ 5,053,151</u>	(14.15)

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

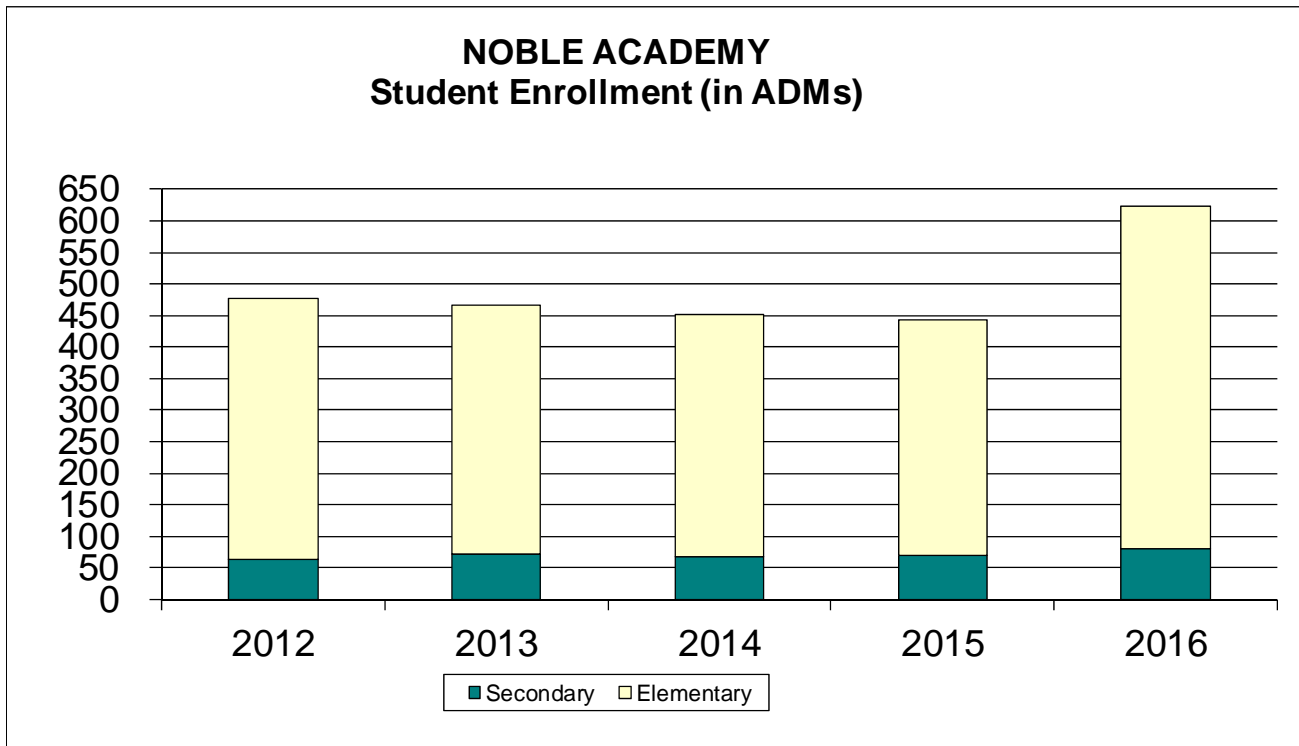
The financial performance of the School as a whole is reflected in its governmental funds. Revenues and other financing sources for the School's governmental funds were \$9,083,698 while total expenditures were \$11,279,046. This contributed to a combined ending fund balance of \$8,199,118, which is \$2,195,348 less than last year's ending fund balance of \$10,394,466.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

ENROLLMENT

Enrollment is a critical factor in determining revenue with a very high percentage of General Fund revenue being determined by enrollment. The following chart shows that the number of students had been consistent over the last four years and increased significantly in fiscal 2016 with the move to a new educational site.

**Table A-4
Five-Year Enrollment Trend
Average Daily Membership (ADM)**



GENERAL FUND

The General Fund includes the primary operations of the School in providing educational services to students from kindergarten through grade 8 including transportation activities and capital outlay projects.

A large percentage of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

The following schedule presents a summary of General Fund Revenues.

**Table A-5
General Fund Revenues**

	Year Ended		Change	
	June 30, 2016	June 30, 2015	Increase (Decrease)	Percent
Local Sources:				
Earnings on Investments	\$ -	\$ 476	\$ (476)	- %
Other	73,710	30,029	43,681	145.5
State Sources	6,452,830	5,011,603	1,441,227	28.8
Federal Sources	289,432	330,355	(40,923)	(12.4)
Total General Fund Revenue	<u>\$ 6,815,972</u>	<u>\$ 5,372,463</u>	<u>\$ 1,443,509</u>	26.9

Basic general education revenue is determined by multiple complex state formulas, largely enrollment driven, and consists of a specified minimum amount with variables such as socioeconomic indicators driving additional funding. For Minnesota charter schools the majority of all funding is made up of general education aid, special education aid and charter school lease aid. Other revenue consists of federal and private grant funding that is often expenditure driven.

Total General Fund Revenue increased by \$1,443,509 from the previous year. The primary driver for the increase in revenue was enrollment growth and the formula improvement provided by the Legislature.

The following schedule presents a summary of General Fund Expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2016	June 30, 2015		
Salaries	\$ 2,436,463	\$ 2,216,367	\$ 220,096	9.9 %
Employee Benefits	643,136	625,841	17,295	2.8
Purchased Services	2,029,364	1,534,319	495,045	32.3
Supplies and Materials	662,118	156,968	505,150	321.8
Capital Expenditures	2,050,083	214,948	1,835,135	853.8
Other Expenditures	27,846	38,818	(10,972)	(28.3)
Total Expenditures	<u>\$ 7,849,010</u>	<u>\$ 4,787,261</u>	<u>\$ 3,061,749</u>	64.0

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

Total General Fund Expenditures increased \$3,061,749 from the previous year. The majority of the increase is due to increased capital expenditures related to the new educational site.

In fiscal 2016, General Fund revenues and other financing sources were less than expenditures by \$1,005,038. Therefore, total fund balance decreased to \$5,357,569 at June 30, 2016.

Unassigned fund balance is the single best measure of overall financial health. The unassigned fund balance was \$1,759,840 at June 30, 2016, which represents 22.4% of General Fund expenditures. The total fund balance of \$5,357,569 includes \$199,698 of nonspendable fund balance for prepaid items and \$3,398,031 of assigned items.

General Fund Budgetary Highlights

The budget is approved prior to the beginning of the fiscal year. The School revised the annual operating budget in the Fall and then again mid-year. These budget amendments fall into two main categories:

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

Actual revenues were \$100,276 (or 1.4%) less than budgeted. This is largely due to actual special education aid being less than what was expected.

Actual expenditures were lower than the amount budgeted \$229,452 (or 2.8%).

While the School's final budget for the General Fund anticipated that revenues and other financing sources would be less than expenditures by \$1,134,214 the actual results for the year show fund balance in total decreased by \$1,005,038 for a net variance of \$129,176.

OTHER MAJOR FUNDS

Revenues exceeded expenditures in the Food Service Fund by \$26,323.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of the 2015-2016 fiscal year, the School had invested just over \$20.3 million in a broad range of capital assets, including the educational site, computer equipment, and administrative offices (see Table A-7). (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year was \$539,248.

**Table A-7
The School's Capital Assets**

	<u>2016</u>	<u>2015</u>	<u>Percentage Change</u>
Noble Academy and Building Company			
Equipment	\$ 1,596,062	\$ 330,138	383.5 %
Vehicles	-	37,169	(100.0)
Land	2,520,561	2,520,561	-
Construction in Progress	-	13,995,800	(100.0)
Buildings and Improvements	16,632,754	-	-
Less: Accumulated Depreciation	<u>(799,738)</u>	<u>(235,044)</u>	240.3
Total	<u>\$ 19,949,639</u>	<u>\$ 16,648,624</u>	19.8

Long-term Debt

**Table A-8
The School's Long-Term Liabilities**

	<u>2016</u>	<u>2015</u>	<u>Percentage Change</u>
Lease Revenue Bonds	\$ 20,985,000	\$ 20,985,000	-
Net Bond Premium and Discount	443,708	459,563	(3.5)
Pension Benefits Payable	<u>2,360,673</u>	<u>1,839,737</u>	28.3
Total	<u>\$ 23,789,381</u>	<u>\$ 23,284,300</u>	2.2
Long-Term Liabilities:			
Due Within One Year	\$ 80,855	\$ 16,171	
Due in More than One Year	<u>23,708,526</u>	<u>23,268,129</u>	
	<u>\$ 23,789,381</u>	<u>\$ 23,284,300</u>	

During FY15 CS Property Noble, LLC (an unaffiliated building company) issued bonds in the amount of \$20,985,000 to purchase land and construct a 94,000 square foot facility to house Noble Academy. The construction project was finalized as of September 2015.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

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 for most Minnesota schools. Fortunately, the School has sufficient fund balance which will allow it to maintain normal operations.

The School will strive to maintain its long-standing 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, Noble Academy, 9477 Decatur Dr. N., Brooklyn Park, MN 55445.

BASIC FINANCIAL STATEMENTS

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
STATEMENT OF NET POSITION
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	Governmental Activities	
	2016	2015
ASSETS		
Cash and Investments	\$ 4,742,616	\$ 5,893,377
Cash and Investments Held by Trustee	2,807,007	7,865,024
Receivables:		
Other Governments	762,028	549,790
Other	6,625	1,795
Prepaid Items	199,698	383,568
Land and Construction in Process	2,520,561	16,516,361
Capital Assets, Net of Depreciation	17,429,078	132,263
Total Assets	28,467,613	31,342,178
 DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferred Outflows	610,723	333,152
 LIABILITIES		
Salaries Payable	245,396	211,914
Accounts and Contracts Payable	73,460	4,087,174
Accrued Interest Payable	499,875	499,875
Long-Term Liabilities:		
Portion Due Within One Year	80,855	16,171
Portion Due in More Than One Year	23,708,526	23,268,129
Total Liabilities	24,608,112	28,083,263
 DEFERRED INFLOWS OF RESOURCES		
Pension Deferred Inflows	400,994	653,186
 NET POSITION		
Net Investment in Capital Assets	1,711,988	346,980
Restricted for:		
Food Service	34,542	8,219
Unrestricted	2,322,700	2,583,682
Total Net Position	\$ 4,069,230	\$ 2,938,881

See accompanying Notes to Basic Financial Statements.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

Functions	2016			Net (Expense) Revenue and Changes in Net Position	2015 Net (Expense) Revenue and Changes in Net Position	
	Expenses	Program Revenues		Total Governmental Activities	Total Governmental Activities	
		Charges for Services	Operating			
						Grants and Contributions
Governmental Activities						
Administration	\$ 458,593	\$ -	\$ -	\$ (458,593)	\$ (500,500)	
District Support Services	672,461	-	-	(672,461)	(631,374)	
Regular Instruction	3,090,657	5,525	1,184,412	(1,900,720)	(1,251,394)	
Special Education Instruction	220,062	-	207,152	(12,910)	(796)	
Instructional Support Services	276,321	-	-	(276,321)	(89,675)	
Pupil Support Services	506,406	-	-	(506,406)	(388,986)	
Sites and Buildings	353,445	-	-	(353,445)	(461,986)	
Fiscal and Other Fixed Cost Programs	26,617	-	-	(26,617)	(51,839)	
Food Service	402,054	-	442,723	40,669	(86,952)	
Interest and Fiscal Charges on Long-Term Liabilities	1,008,920	-	837,354	(171,566)	(1,589,649)	
Total School District	\$ 7,015,537	\$ 5,525	\$ 2,671,641	(4,338,371)	(5,053,151)	
General Revenues						
State Aid Not Restricted to Specific Purposes				5,393,708	4,157,761	
Earnings on Investments				1,976	1,436	
Gain on Sale of Capital Assets				4,851	-	
Miscellaneous				68,185	21,828	
Total General Revenues				5,468,720	4,181,025	
Change in Net Position				1,130,349	(872,126)	
Net Position - Beginning				2,938,881	3,811,007	
Net Position - Ending				\$ 4,069,230	\$ 2,938,881	

See accompanying Notes to Basic Financial Statements.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	Major Funds			Total Governmental Funds	
	General	Food Service	Building Company	2016	2015
ASSETS					
Cash and Investments	\$ 4,709,747	\$ 32,869	\$ -	\$ 4,742,616	\$ 5,893,377
Cash and Investments Held by Trustee	-	-	2,807,007	2,807,007	7,865,024
Receivables:					
Due from Minnesota Department of Education	627,802	-	-	627,802	214,317
Due from Federal through Minnesota Department of Education	107,359	5,082	-	112,441	335,473
Due from Other Governmental Units	21,785	-	-	21,785	-
Other Receivables	6,625	-	-	6,625	1,795
Prepaid Items	199,698	-	-	199,698	383,568
Total Assets	<u>\$ 5,673,016</u>	<u>\$ 37,951</u>	<u>\$ 2,807,007</u>	<u>\$ 8,517,974</u>	<u>\$ 14,693,554</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Salaries Payable	\$ 200,541	\$ -	\$ -	\$ 200,541	\$ 174,964
Payroll Deductions and Employer Contributions Payable	44,855	-	-	44,855	36,950
Accounts and Contracts Payable	70,051	3,409	-	73,460	4,087,174
Total Liabilities	<u>315,447</u>	<u>3,409</u>	<u>-</u>	<u>318,856</u>	<u>4,299,088</u>
Fund Balance:					
Nonspendable:					
Prepaid Items	199,698	-	-	199,698	383,568
Restricted:					
Building Construction	-	-	853,779	853,779	1,967,180
Food Service	-	34,542	-	34,542	8,219
Building Company Debt Service	-	-	1,953,228	1,953,228	2,056,460
Assigned	3,398,031	-	-	3,398,031	3,398,031
Unassigned	1,759,840	-	-	1,759,840	2,581,008
Total Fund Balance	<u>5,357,569</u>	<u>34,542</u>	<u>2,807,007</u>	<u>8,199,118</u>	<u>10,394,466</u>
Total Liabilities and Fund Balance	<u>\$ 5,673,016</u>	<u>\$ 37,951</u>	<u>\$ 2,807,007</u>	<u>\$ 8,517,974</u>	<u>\$ 14,693,554</u>

See accompanying Notes to Basic Financial Statements.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	2016	2015
Total Fund Balance for Governmental Funds	\$ 8,199,118	\$ 10,394,466
 Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	2,520,561	2,520,561
Construction in Progress	-	13,995,800
Buildings and Improvements, Net of Accumulated Depreciation	16,288,157	-
Equipment, Net of Accumulated Depreciation	1,140,921	132,263
 Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(499,875)	(499,875)
 The School's Net Pension Liability and related deferred inflows and outflows are recorded only on the Statement of Net Position. Balances at year-end are:		
Net Pension Liability	(2,360,673)	(1,839,737)
Deferred Inflows of Resources - Pensions	(400,994)	(653,186)
Deferred Outflows of Resources - Pensions	610,723	333,152
 Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of net assets. Balances at year-end are:		
Bonds Payable	(20,985,000)	(20,985,000)
Unamortized Premiums	(443,708)	(459,563)
Total Net Position of Governmental Activities	\$ 4,069,230	\$ 2,938,881

See accompanying Notes to Basic Financial Statements.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	Major Funds			Total Governmental Funds	
	General	Food Service	Building Company	2016	2015
REVENUES					
Local Sources:					
Earnings on Investments	\$ -	\$ -	\$ 1,976	\$ 1,976	\$ 1,436
Other	73,710	-	1,795,027	1,868,737	31,003
State Sources	6,452,830	37,855	-	6,490,685	5,035,622
Federal Sources	289,432	404,868	-	694,300	680,637
Total Revenues	6,815,972	442,723	1,797,003	9,055,698	5,748,698
EXPENDITURES					
Current:					
Administration	447,595	-	-	447,595	504,415
District Support Services	629,482	-	-	629,482	638,765
Regular Instruction	2,377,191	-	-	2,377,191	1,674,543
Special Education Instruction	218,635	-	-	218,635	264,213
Instructional Support Services	191,914	-	-	191,914	90,282
Pupil Support Services	505,683	-	-	505,683	389,323
Sites and Buildings	1,401,810	-	30,166	1,431,976	1,012,793
Fiscal and Other Fixed Cost Programs	26,617	-	-	26,617	21,479
Food Service	-	383,434	-	383,434	461,017
Capital Outlay	2,050,083	32,966	1,958,695	4,041,744	16,523,557
Debt Service:					
Interest, Fiscal Charges and Issuance Costs	-	-	1,024,775	1,024,775	1,101,902
Total Expenditures	7,849,010	416,400	3,013,636	11,279,046	22,682,289
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,033,038)	26,323	(1,216,633)	(2,223,348)	(16,933,591)
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Equipment	28,000	-	-	28,000	-
Insurance Recovery Proceeds	-	-	-	-	1,386
Bonds Proceeds	-	-	-	-	20,985,000
Bond Premium	-	-	-	-	471,691
Total Other Financing Sources (Uses)	28,000	-	-	28,000	21,458,077
Net Change in Fund Balances	(1,005,038)	26,323	(1,216,633)	(2,195,348)	4,524,486
Fund Balances - Beginning	6,362,607	8,219	4,023,640	10,394,466	5,869,980
Fund Balances - Ending	<u>\$ 5,357,569</u>	<u>\$ 34,542</u>	<u>\$ 2,807,007</u>	<u>\$ 8,199,118</u>	<u>\$ 10,394,466</u>

See accompanying Notes to Basic Financial Statements.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	2016	2015
Net Change in Fund Balance - Total Governmental Funds	\$ (2,195,348)	\$ 4,524,486
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital Outlays	3,902,878	16,516,361
Gain/(Loss) on Disposal of Capital Assets	4,851	-
Proceeds from Sales of Capital Assets	(28,000)	-
Depreciation Expense	(578,714)	(43,030)
<p>Pension expenditures on the governmental funds are measured by current year employee contributions. Pension expenses on the Statement of Activities are measured by the change in Net Pension Liability and the related deferred inflows and outflows of resources.</p>		
	8,827	74,495
<p>The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of long-term bonds and related items is as follows:</p>		
General Obligation Bond Proceeds	-	(20,985,000)
Bond Premium	-	(471,691)
Change in Accrued Interest Payable	-	(499,875)
Amortization of Bond Premium	15,855	12,128
	15,855	12,128
Change in Net Position of Governmental Activities	\$ 1,130,349	\$ (872,126)

See accompanying Notes to Basic Financial Statements.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Over (Under) Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Other	\$ 15,000	\$ 74,000	\$ 73,710	\$ (290)
State Sources	6,571,564	6,517,237	6,452,830	(64,407)
Federal Sources	413,200	325,011	289,432	(35,579)
Total Revenues	<u>6,999,764</u>	<u>6,916,248</u>	<u>6,815,972</u>	<u>(100,276)</u>
EXPENDITURES				
Current:				
Administration	514,454	472,162	447,595	(24,567)
District Support Services	646,267	636,263	629,482	(6,781)
Elementary and Secondary Regular Instruction	2,189,413	2,413,395	2,377,191	(36,204)
Special Education Instruction	291,545	291,377	218,635	(72,742)
Instructional Support Services	138,344	184,656	191,914	7,258
Pupil Support Services	587,606	519,241	505,683	(13,558)
Sites and Buildings	1,842,568	1,494,268	1,401,810	(92,458)
Fiscal and Other Fixed Cost Programs	49,950	30,000	26,617	(3,383)
Capital Outlay	525,000	2,037,100	2,050,083	12,983
Total Expenditures	<u>6,785,147</u>	<u>8,078,462</u>	<u>7,849,010</u>	<u>(229,452)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	214,617	(1,162,214)	(1,033,038)	129,176
OTHER FINANCING SOURCES				
Proceeds from Sale of Equipment	-	28,000	28,000	-
Net Change in Fund Balance	<u>\$ 214,617</u>	<u>\$ (1,134,214)</u>	(1,005,038)	<u>\$ 129,176</u>
FUND BALANCE				
Beginning of Year			<u>6,362,607</u>	
End of Year			<u>\$ 5,357,569</u>	

See accompanying Notes to Basic Financial Statements.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	\$ 500	\$ 500	\$ -	\$ (500)
State Sources	30,335	27,335	37,855	10,520
Federal Sources	397,665	397,965	404,868	6,903
Total Revenues	428,500	425,800	442,723	16,923
EXPENDITURES				
Current:				
Food Service	428,500	425,800	383,434	(42,366)
Capital Outlay	25,000	25,000	32,966	7,966
Total Expenditures	453,500	450,800	416,400	(34,400)
Net Change in Fund Balance	<u>\$ (25,000)</u>	<u>\$ (25,000)</u>	26,323	<u>\$ 51,323</u>
FUND BALANCE				
Beginning of Year			8,219	
End of Year			<u>\$ 34,542</u>	

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Charter School No. 4171 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. This financial report has been prepared in conformity with GASB Statement No. 34.

B. Financial Reporting Entity

Charter School No. 4171, also known as Noble Academy (the School), is a nonprofit corporation that was formed on July 20, 2005, in accordance with Minnesota Statutes. The Noble Academy is authorized by the Audubon Center of the North Woods through an authorizer agreement that extends through June 30, 2017.

The School's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the School is considered to be financially accountable.

Component units are legally separate entities for which the School is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are two organizations that are considered to be component units of the School. Educational Properties, Inc. is a Minnesota non-profit corporation holding IRS classification as a 501(c)(3) tax exempt organization. Educational Properties, Inc. is governed by a sole director, Neal Thao and has not yet had any financial activity and didn't have any balance sheet items as of June 30, 2016.

CS Property Noble, LLC (the Building Company) is a Minnesota nonprofit limited liability company holding IRS classification as a 501(c)(3) tax exempt organization. It owns the real estate and educational site that is leased to the School. Although it is legally separate from the School, the Building Company is reported as if it were part of the School (as a component unit) because its sole purpose was to acquire, construct and own an educational site. The sole member of CS Property Noble, LLC is Hmong American Partnership, a Minnesota nonprofit corporation and a tax-exempt organization headquartered in St. Paul, Minnesota (the "Sole Member"). The Sole Member is a social service and community development organization whose mission is to empower Hmong and other refugee communities, including through the provision of educational social programming and services.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial Reporting Entity (Continued)

Aside from its authorizer role, Audubon Center of the North Woods has no authority, control, power, or administrative responsibilities over Noble Academy. Therefore, the School is not considered a component unit of Audubon Center of the North Woods.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, school boards can elect to either control or not control extracurricular activities. The School Board has elected to control extracurricular activities; therefore, the extracurricular student activity accounts are included in the School's basic financial statements as part of the General Fund.

C. Basic Financial Statement Presentation

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

The School applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the School-wide financial statements.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Other miscellaneous revenues (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

Description of Funds

As required by state statute, the School operates as a nonprofit corporation under Minnesota Statutes §317A. However, state law also requires that the School comply with Uniform Financial Accounting and Reporting Standards for Minnesota School Districts (UFARS) which mandates the use of a governmental 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 balance, revenues, and expenditures. A description of the funds included in this report is as follows:

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Major Governmental Funds

General Fund

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

Food Service Fund

The Food Service Fund is a special revenue fund used to account for food service revenues and expenditures. Primary revenue sources in the Food Service Fund are meal sales and state and federal aids.

Building Company

Accounts for all activities of CS Property Noble Building Company. This includes accounting for the proceeds and uses of resources borrowed for the purpose of purchasing, renovating and constructing the school site, as well as the debt service payments required under the terms of the related long-term mortgage loans. Primary sources of revenue in the Building Company are from rent payments received from the School and investment earnings.

E. Income Taxes

The School is classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and comparable sections of the Minnesota income tax statutes.

F. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General Fund and for the Food Service Special Revenue Fund. A budget is not adopted for the Building Company Special Revenue Fund. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

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

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

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgeting (Continued)

Budgeted amounts include a mid-year budget amendment that changed revenue and expenditure budgets as follows:

<u>Revenues</u>	<u>Original Budget</u>	<u>Amendments</u>	<u>Amended Budget</u>
General Fund	\$ 6,999,764	\$ (83,516)	\$ 6,916,248
Special Revenue Fund:			
Food Service Fund	428,500	(2,700)	425,800
 <u>Expenditures</u>			
General Fund	\$ 6,785,147	\$ 1,293,315	\$ 8,078,462
Special Revenue Fund:			
Food Service Fund	453,500	(2,700)	450,800

At the end of each fiscal year, if the General Fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota schools which excludes certain restricted balances specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the Commissioner of the Department of Education.

G. Cash and Investments

Investments are stated at their fair value as determined by quoted market prices, except for money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less which are recorded at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are short-term, highly liquid debt instruments including commercial paper, bankers acceptances, and U.S. Treasury and agency obligations.

H. Accounts Receivable

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

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are allocated to expenditure or expense during the periods benefitted.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The School maintains a threshold level of \$1,500 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the School-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the School, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, from 3 to 20 years for vehicles, furniture and equipment.

The School does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

K. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Premiums and discounts are amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. 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.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Pensions (Continued)

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis, and Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 6.

M. Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaid items, inventories, long term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The School currently does not report any committed fund balances. The Board of Education passed a resolution authorizing the Administrative Director to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts in the General Fund.

At June 30, 2016, the School has assigned fund balance of \$3,398,031 which is intended to be used for technology updates, future enrollment expansion and teacher performance incentives.

In accordance with the School's fund balance policy, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the School's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the School's policy to use committed first, then assigned, and finally unassigned fund balance.

It is also the School's policy to strive to maintain a minimum unassigned General Fund balance of 30% of the annual expenditures in the General Fund.

N. Risk Management

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

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

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Deferred Inflows / Deferred Outflows

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Currently the School has one type of item that qualifies for reporting in this category. The School reports deferred outflows of resources related to pensions. See Note 6 for additional detail.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has one type of item which occurs related to pensions. See Note 6 for additional detail.

P. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources in the School-wide financial statements. Net position invested in capital assets consists of capital assets, net of accumulation depreciation. Net position is reported as restricted in the School-wide financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Q. Summarized Comparative Financial Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 DEPOSITS AND INVESTMENTS

A. Deposits

The School maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as "Cash and Investments." In accordance with applicable Minnesota Statutes, the School maintains deposits at depository banks authorized by the School's Board.

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

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

The School's carrying and bank balances of deposits at June 30, 2016 were \$4,742,617 and \$4,828,446, respectively. All deposits were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

The School may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less
- General obligations rated “A” or better; revenue obligations rated “AA” or better
- General obligations of the Minnesota Housing Finance Agency rated “A” or better
- Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers

Cash Investments Held by Trustee –

	Cost
CS Property Noble Building Company:	
Wells Fargo Advantage Government Money Market Fund	\$ 2,807,007

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The sole investment of the Building Company consists of the Wells Fargo Advantage Government Money Market Fund which is rated Aaa-mf by Moody’s Investor Service.

Interest Rate Risk and Credit Risk

The School does not have a formal investment policy to address these risks.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Concentration of Credit Risk

The School places no limit on the amount that the School may invest in any one issuer.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Land	\$ 2,520,561	\$ -	\$ -	\$ 2,520,561
Construction in Progress	13,995,800	-	(13,995,800)	-
Total Capital Assets, not being depreciated	16,516,361	-	(13,995,800)	2,520,561
Capital Assets, Being Depreciated:				
Furniture and Equipment	330,138	1,265,924	-	1,596,062
Vehicles	37,169	-	(37,169)	-
Buildings and Improvements	-	16,632,754	-	16,632,754
Total Capital Assets, Being Depreciated	367,307	17,898,678	(37,169)	18,228,816
Accumulated Depreciation for:				
Furniture and Equipment	(226,334)	(228,807)	-	(455,141)
Vehicles	(8,710)	(5,310)	14,020	-
Buildings and Improvements	-	(344,597)	-	(344,597)
Total Accumulated Depreciation	(235,044)	(578,714)	14,020	(799,738)
Governmental Activities Capital Assets, Net	<u>\$ 16,648,624</u>	<u>\$ 17,319,964</u>	<u>\$ (14,018,949)</u>	<u>\$ 19,949,639</u>

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

Governmental Activities	
Administration	\$ 6,929
Regular Instruction	536,302
Instructional Support Services	12,414
Sites and Buildings	20,131
Food Service	2,938
Total Depreciation Expense, Governmental Activities	<u>\$ 578,714</u>

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 LONG-TERM DEBT

Changes in long-term debt were as follows:

	June 30, 2015	Additions	Retirements	June 30, 2016
Building Company				
Lease Revenue Bonds Payable	\$ 20,985,000	\$ -	\$ -	\$ 20,985,000
Original Bond Premium	459,563	-	-	459,563
Total Long-Term Debt	<u>\$ 21,444,563</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,444,563</u>

Charter School Lease Revenue Bonds – City of Hugo, Minnesota – In March 2015, the CS Property Noble Building Company entered into an agreement for a \$20,985,000 loan from the City of Hugo, Minnesota to purchase and improve land and construct a facility to be used as a school site by the School. The loan is secured by a mortgage on the related land, building, and building contents, as well as the assignment of future lease revenue. The loan represents the proceeds of two charter school lease revenue bond issues sold by the City of Hugo. The first issue is the \$20,530,000 Charter School Lease Revenue Bonds, Series 2014A, which bear interest ranging from 4.00% to 5.00% and have a final maturity of July 1, 2044. The second issue is the \$455,000 Taxable Charter School Lease Revenue Bonds, Series 2015B, which bear an interest rate of 5.50% and have a final maturity of July 1, 2019. Through the terms of the loan agreement, the Building Company assumes all responsibility for the bonds issued by the City of Hugo, and must make loan payments sufficient to meet the scheduled semiannual debt service payments to retire the bonds. The School has, however, pledged certain revenues in order to provide additional security for the timely payments of amounts due under the Lease. These revenues consists of all funds received by the School from the State of Minnesota with respect to general student funding, state building lease aid payments, state distributions of federal Title I funds, or any other funding sources, after deduction of all such operating expenses of the School (including the current expenses for staff and administrative salaries and benefits) required under law to provide educational program expenditures.

The total pledged revenue reported by the School for the year ended June 30, 2016 amounted to \$6,363,483, of which \$954,451 (or 15.0%) was remitted during the current year as lease payments to the Building Company.

The School, in turn, entered into an operating lease agreement to rent the school site from the Building Company. The lease term covers a 30-year period ending July 1, 2044, and requires the School to make monthly base lease payments ranging from \$71,305 (beginning in August 2015) to \$127,458. The School's base lease payments are essentially the amount needed to cover the loan payments the Building Company is required to make on the loan from the City of Hugo plus certain specified ongoing costs. The School began paying rent during fiscal 2016 under the terms of this agreement.

**NOBLE ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 LONG-TERM DEBT (CONTINUED)

Following are maturities of long-term debt for the Building Company for each of the next five years and thereafter ending June 30:

<u>Year Ending June 30,</u>	Charter School Lease Revenue Bonds Payable	
	Principal	Interest
2017	\$ -	\$ 1,024,775
2018	65,000	1,024,775
2019	235,000	1,021,200
2020	425,000	1,008,275
2021	445,000	988,950
2022 - 2026	2,500,000	4,663,750
2027 - 2031	3,130,000	4,031,250
2032 - 2036	4,000,000	3,165,500
2037 - 2041	5,105,000	2,060,250
2042 - 2044	5,080,000	650,500
Total	\$ 20,985,000	\$ 19,639,225

NOTE 5 DEFINED BENEFIT PENSION PLANS

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

A. Plan Description

The District participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and Teachers Retirement Fund (TRA). PERA's and TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes. PERA's and TRA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (GERF)

PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. All full-time and certain part-time employees of the School other than teachers are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

2. Teachers Retirement Fund (TRA)

TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials.

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

B. Benefits Provided

PERA and TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

PERA: Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

TRA: Postretirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0%. After the TRA funded ratio exceeds 90% for two consecutive years, the annual postretirement benefit will increase to 2.5%.

**NOBLE ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. GERS Benefits

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

2. TRA Benefits

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 of Service 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

**NOBLE ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3.0% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

Tier II 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. 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.

**NOBLE ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions

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

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in fiscal year 2016. In fiscal year 2016, the School was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members. The School's contributions to the GERF for the plan's fiscal year ended June 30, 2016 were \$41,515. The School's contributions were equal to the required contributions for each year as set by state statute.

TRA Contributions

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

	Ended June 30, 2015		Ended June 30, 2016	
	Employee	Employer	Employee	Employer
Basic	11.00 %	11.50 %	11.00 %	11.50 %
Coordinated	7.5 %	7.5 %	7.5 %	7.5 %

The School's contributions to TRA for the plan's fiscal year ended June 30, 2016 were \$134,656. The School's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

1. GERF Pension Costs

At June 30, 2016, the School reported a liability of \$523,434 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the School's proportion was .00101%, which was a decrease of .0015% from its proportion measured as of June 30, 2015.

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERF Pension Costs (Continued)

GERF benefit provision changes during the measurement period included (1) the merger of the former Minneapolis Employees Retirement Fund division into GERF, effective January 1, 2015, and (2) revisions to Minnesota Statutes to make changes to contribution rates less prescriptive and more flexible.

The discount rate used to calculate liabilities for the June 30, 2015, measurement date was 7.9%. The Legislature has since set the discount rate in statute at 8% beginning with the June 30, 2016, measurement date the discount rate used when calculating liabilities based on GASB 68 accounting requirements will be increased to 8% to be consistent with the rate set in statute used for funding purposes.

For the year ended June 30, 2016, the School recognized pension expense of \$36,160 for its proportionate share of GERF's pension expense.

At June 30, 2016, the School reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 4,854	\$ 26,390
Changes in Actuarial Assumptions	32,598	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	49,551	96,146
Changes in Proportion and Differences Between School Contributions and Proportionate Share of Contributions	-	60,869
School Contributions Subsequent to the Measurement Date	41,515	-
Total	<u>\$ 128,518</u>	<u>\$ 183,405</u>

A total of \$41,515 reported as deferred outflows of resources related to pensions resulting from School contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

**NOBLE ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERF Pension Costs (Continued)

Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Pension Expenses Amount</u>
2016	\$ (30,021)
2017	(30,021)
2018	(48,747)
2019	12,387
2020	-
Thereafter	-

2. TRA Pension Costs

At June 30, 2016, the School reported a liability of \$1,837,239 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2015, 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 .0297% at the end of the measurement period and .0281% for the beginning of the period.

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:

<u>Description</u>	<u>Amount</u>
School's Proportionate Share of the TRA Net Pension Liability	\$ 1,837,239
State's Proportionate Share of TRA's Net Pension Liability Associated with the School	225,064

For the year ended June 30, 2016, the School recognized pension expense of \$133,603. It also recognized \$39,788 as pension expense for the support provided by direct aid.

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

At June 30, 2016, the School reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 94,140	\$ -
Changes in Actuarial Assumptions	141,235	-
Net Difference Between Projected and Actual Investment Earnings	-	140,516
Changes in Proportion and Differences Between School Contributions and Proportionate Share of Contributions	112,174	77,073
School Contributions Subsequent to the Measurement Date	134,656	-
Total	<u>\$ 482,205</u>	<u>\$ 217,589</u>

A total of \$134,656 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 ending June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expenses Amount
2016	\$ 278
2017	278
2018	278
2019	107,058
2020	22,068

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Merger of Duluth Teacher's Retirement Fund Association (DTRFA)

Legislation enacted in 2014 merged the Duluth Teachers Retirement Fund Association (DTRFA) with TRA effective June 30, 2015. The beginning balances of total pension liability and fiduciary net position were adjusted to reflect the merger of DTRFA.

	<u>6/30/14 CAFR</u>	<u>Restated</u>
Total Pension Liability (A)	\$ 24,901,612,000	\$ 25,299,564,000
Plan Fiduciary Net Position (B)	<u>20,293,684,000</u>	<u>20,519,756,000</u>
Net Pension Liability (A-B)	<u>\$ 4,607,928,000</u>	<u>\$ 4,779,808,000</u>

F. Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

<u>Assumptions</u>	<u>GERF</u>	<u>TRA</u>
Inflation	2.75% per Year	3.00%
Active Member Payroll Growth	3.50% per Year	3.5 - 12% Based on Years of Service
Investment Rate of Return	7.90%	8.0%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments.

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies. The actuarial experience study in the GERF was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually. The actuarial experience study for TRA was for the period July 1, 2004 through June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB 67 valuation.

The following changes in actuarial assumptions for GERF occurred in 2015: the discount rate was changed from 8.0% through June 30, 2017 and 8.5% thereafter to 8.0% for all years, the inflation assumption was changed from 3.0% to 2.75%, the payroll growth assumption was changed from 3.75% to 3.5%, assumed increases in member salaries were decreased by .25% at all ages and the assumed postretirement benefit increase rate was changed from 1.0% per year through 2026 and 2.5% thereafter to 1.0% per year through 2034 and 2.5% per year thereafter.

There was a change in actuarial assumptions that affected the measurement of the total liability for TRA since the prior measurement date. Postretirement benefit adjustments are now assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria are met. This is estimated to occur July 1, 2034.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.9% for GERF and 8.25% for TRA. 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 on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

The target allocation and best estimates of arithmetic 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 Equity	45 %	5.50%
International Equity	15	6.00%
Bonds	18	1.45%
Alternative Assets	20	6.40%
Cash	2	0.50%
Totals	<u>100 %</u>	

G. Discount Rate

The discount rate used to measure the total pension liability was 7.9% for GERF and 8.25% for TRA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

The following presents the School's proportionate share of the net pension liability 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 one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
GERF Discount Rate	6.90%	7.90%	8.90%
District's Proportionate Share of the GERF Net Pension Liability	\$ 823,025	\$ 523,434	\$ 276,019
TRA Discount Rate	7.00%	8.00%	9.00%
District's Proportionate Share of the TRA Net Pension Liability	\$ 2,796,515	\$ 1,837,239	\$ 1,036,695

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

I. Pension Plan Fiduciary Net Position

Detailed information about GERP's fiduciary's net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-652-9026.

NOTE 6 COMMITMENTS AND CONTINGENCIES

A. Federal and State Programs

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

B. Lease Commitments and Terms – School Site

During fiscal 2015, the School entered into a lease agreement for educational space with the CS Property Noble, LLC (a blended component unit). Under the terms of the lease agreement, the lease term is for the period beginning August 1, 2015 and ending June 30, 2044. The School has the option to extend the lease term ten times for 5-year lease periods either on the same lease term or as agreed upon by the Building Company.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 COMMITMENTS AND CONTINGENCIES (CONTINUED)

B. Lease Commitments and Terms – School Site (Continued)

The following is a schedule of the future lease payments related to the education site and building lease:

<u>Year Ending June 30.</u>	<u>Amount</u>
2017	\$ 1,124,775
2018	1,351,200
2019	1,528,275
2020	1,528,950
2021	1,526,150
2022 - 2026	7,638,350
2027 - 2031	7,639,750
2032 - 2036	7,640,536
2037 - 2041	7,640,000
2042 - 2046	7,638,000
2047 - 2050	6,113,000
Total	<u>\$ 51,368,986</u>

For fiscal 2016, the School incurred total lease costs of \$1,007,327 of which \$930,394 were considered to be MDE-approved. Prior to leasing from the Building Company starting in August 2015, the School paid rent during 2015 to MCA Holdings, Inc. for the School's educational site at 4021 Thomas Avenue North, Minneapolis, Minnesota. The School qualified for state charter school lease aid of \$837,354 based on a statutory cap of 90% of the MDE-approved amount incurred. This entitlement is subject to proration by the Minnesota Department of Education to the extent the overall funding that has been provided is insufficient to meet all amounts owed to Minnesota charter schools. Future amounts to be requested for state lease aid from the Minnesota Department of Education may vary due to financing arrangements, which are subject to change.

The School's ability to make payments under these lease agreements is dependent on its revenues which are in turn, largely dependent on sufficient enrollments being served at the School and on sufficient state aids per student being authorized and received from the State of Minnesota. The School believes that its enrollments and aid entitlements will be sufficient to meet the lease obligations as they become due.

REQUIRED SUPPLEMENTARY INFORMATION

**NOBLE ACADEMY
 CHARTER SCHOOL NO. 4171
 TRA SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 LAST TEN FISCAL YEARS ***

	Measurement Date June 30,	
	2015	2014
School's Proportion of the Net Pension Liability	0.0297%	0.0281%
School's Proportionate Share of the Net Pension Liability	\$ 1,837,239	\$ 1,294,827
State's Proportionate Share of the Net Pension Liability Associated with School	225,064	91,160
Total	<u>\$ 2,062,303</u>	<u>\$ 1,385,987</u>
School's Covered-Employee Payroll	\$ 1,519,560	\$ 1,213,080
School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	120.91%	106.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.80%	81.50%

*This schedule presents information for the years available, and will eventually include ten years of information

**NOBLE ACADEMY
 CHARTER SCHOOL NO. 4171
 TRA SCHEDULE OF THE SCHOOL CONTRIBUTIONS
 LAST TEN FISCAL YEARS ***

	Year Ended June 30,	
	2016	2015
Statutorily Required Contribution	\$ 134,656	\$ 113,967
Contributions in Relation to the Statutorily Required Contribution	(134,656)	(113,967)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
School's Covered-Employee Payroll	\$ 1,795,413	\$ 1,519,560
Contributions as a Percentage of Covered Employee Payroll	0.075	0.075

*This schedule presents information for the years available, and will eventually include ten years of information

**NOBLE ACADEMY
 CHARTER SCHOOL NO. 4171
 PERA SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 LAST TEN FISCAL YEARS ***

	Measurement Date June 30,	
	2015	2014
School's Proportion of the Net Pension Liability	0.0101%	0.0116%
School's Proportionate Share of the Net Pension Liability	\$ 523,434	\$ 544,910
School's Covered-Employee Payroll	599,051	605,369
School's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	87.38%	90.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.20%	78.70%

*This schedule presents information for the years available, and will eventually include ten years of information

**NOBLE ACADEMY
 CHARTER SCHOOL NO. 4171
 PERA SCHEDULE OF THE SCHOOL CONTRIBUTIONS
 LAST TEN FISCAL YEARS ***

	Year Ended June 30,	
	2016	2015
Statutorily Required Contribution	\$ 41,515	\$ 44,180
Contributions in Relation to the Statutorily Required Contribution	(41,515)	(44,180)
Contribution Deficiency (Excess)	\$ -	\$ -
 School's Covered-Employee Payroll	 \$ 553,533	 \$ 599,051
 Contributions as a Percentage of Covered Employee Payroll	 7.50%	 7.38%

*This schedule presents information for the years available, and will eventually include ten years of information

SUPPLEMENTARY INFORMATION

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
GENERAL FUND
BALANCE SHEET
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and Investments	\$ 4,709,747	\$ 5,854,386
Receivables:		
Accounts and Interest Receivable	6,625	1,795
Due from Minnesota Department of Education	638,972	211,399
Due from Federal through the Minnesota Department of Education	107,359	329,839
Due from Other Governmental Units	21,785	-
Prepaid Items	<u>199,698</u>	<u>383,568</u>
Total Assets	<u>\$ 5,684,186</u>	<u>\$ 6,780,987</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Salaries Payable	\$ 200,541	\$ 174,964
Payroll Deductions and Employer Contributions Payable	44,855	36,950
Accounts and Contracts Payable	<u>70,051</u>	<u>206,466</u>
Total Liabilities	315,447	418,380
 Fund Balance:		
Nonspendable:		
Prepaid Items	199,698	383,568
Assigned	3,398,031	3,398,031
Unassigned	<u>1,771,010</u>	<u>2,581,008</u>
Total Fund Balance	<u>5,368,739</u>	<u>6,362,607</u>
Total Liabilities and Fund Balance	<u>\$ 5,684,186</u>	<u>\$ 6,780,987</u>

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	2016		Over (Under) Final Budget	2015
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Earnings on Investments	\$ -	\$ -	\$ -	\$ 476
Other	74,000	73,710	(290)	30,029
State Sources	6,517,237	6,452,830	(64,407)	5,011,603
Federal Sources	325,011	289,432	(35,579)	330,355
Total Revenues	6,916,248	6,815,972	(100,276)	5,372,463
EXPENDITURES				
Current:				
Administration:				
Salaries	324,000	320,211	(3,789)	366,798
Employee Benefits	96,812	86,661	(10,151)	90,521
Purchased Services	17,100	12,942	(4,158)	20,480
Supplies and Materials	6,000	1,474	(4,526)	37
Other Expenditures	28,250	26,307	(1,943)	26,579
Total Administration	472,162	447,595	(24,567)	504,415
District Support Services:				
Salaries	255,268	235,708	(19,560)	232,283
Employee Benefits	132,499	132,712	213	173,042
Purchased Services	183,000	201,173	18,173	186,263
Supplies and Materials	64,996	59,514	(5,482)	46,379
Capital Expenditures	52,100	39,984	(12,116)	-
Other Expenditures	500	375	(125)	798
Total District Support Services	688,363	669,466	(18,897)	638,765
Elementary and Secondary Regular Instruction:				
Salaries	1,592,689	1,607,425	14,736	1,313,209
Employee Benefits	350,574	327,366	(23,208)	272,439
Purchased Services	21,750	15,366	(6,384)	10,950
Supplies and Materials	447,632	426,284	(21,348)	71,686
Capital Expenditures	272,150	264,446	(7,704)	-
Other Expenditures	750	750	-	6,259
Total Elementary and Secondary Regular Instruction	2,685,545	2,641,637	(43,908)	1,674,543

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	2016		Over (Under) Final Budget	2015
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Special Education Instruction:				
Salaries	\$ 111,182	\$ 112,323	\$ 1,141	\$ 145,209
Employee Benefits	28,895	28,895	-	33,405
Purchased Services	142,300	69,165	(73,135)	84,265
Supplies and Materials	9,000	8,252	(748)	1,334
Total Special Education Instruction	291,377	218,635	(72,742)	264,213
Instructional Support Services:				
Salaries	3,200	3,200	-	42,550
Employee Benefits	1,244	1,244	-	10,712
Purchased Services	50,787	65,779	14,992	16,322
Supplies and Materials	129,425	121,691	(7,734)	16,010
Capital Expenditures	400,198	390,192	(10,006)	-
Other Expenditures	-	-	-	4,688
Total Instructional Support Services	584,854	582,106	(2,748)	90,282
Pupil Support Services:				
Salaries	57,520	56,930	(590)	10,596
Employee Benefits	22,425	22,426	1	3,561
Purchased Services	438,796	422,287	(16,509)	371,160
Supplies and Materials	-	3,626	3,626	3,512
Other Expenditures	500	414	(86)	494
Total Pupil Support Services	519,241	505,683	(13,558)	389,323

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	2016		Over (Under) Final Budget	2015
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Sites and Buildings:				
Salaries	\$ 100,000	\$ 100,666	\$ 666	\$ 105,722
Employee Benefits	56,115	43,832	(12,283)	42,161
Purchased Services	1,295,461	1,216,035	(79,426)	823,400
Supplies and Materials	42,692	41,277	(1,415)	18,010
Capital Expenditures	<u>1,312,652</u>	<u>1,355,461</u>	<u>42,809</u>	<u>214,948</u>
Total Sites and Buildings	2,806,920	2,757,271	(49,649)	1,204,241
Fiscal and Other Fixed Cost Programs:				
Purchased Services	<u>30,000</u>	<u>26,617</u>	<u>(3,383)</u>	<u>21,479</u>
Total Expenditures	<u>8,078,462</u>	<u>7,849,010</u>	<u>(229,452)</u>	<u>4,787,261</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,162,214)	(1,033,038)	129,176	585,202
OTHER FINANCING SOURCES				
Proceeds from Sale of Equipment	28,000	28,000	-	-
Insurance Recovery Proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,386</u>
Total Other Financing Sources	<u>28,000</u>	<u>28,000</u>	<u>-</u>	<u>1,386</u>
Net Change in Fund Balance	<u><u>\$ (1,134,214)</u></u>	(1,005,038)	<u><u>\$ 129,176</u></u>	586,588
FUND BALANCE				
Beginning of Year		<u>6,362,607</u>		<u>5,776,019</u>
End of Year		<u><u>\$ 5,357,569</u></u>		<u><u>\$ 6,362,607</u></u>

**NOBLE ACADEMY
 CHARTER SCHOOL NO. 4171
 FOOD SERVICE SPECIAL REVENUE FUND
 BALANCE SHEET
 JUNE 30, 2016
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	2016	2015
ASSETS		
Cash and Investments	\$ 32,869	\$ 38,991
Receivables:		
Due from Minnesota Department of Education	-	2,918
Due from Federal through the Minnesota Department of Education	5,082	5,634
Total Assets	\$ 37,951	\$ 47,543
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts and Contracts Payable	\$ 3,409	\$ 39,324
Fund Balance:		
Restricted for Food Service	34,542	8,219
Total Liabilities and Fund Equity	\$ 37,951	\$ 47,543

**NOBLE ACADEMY
 CHARTER SCHOOL NO. 4171
 FOOD SERVICE SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2016
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	2016		Over (Under) Final Budget	2015
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	\$ 500	\$ -	\$ (500)	\$ 974
State Sources	27,335	37,855	10,520	24,019
Federal Sources	397,965	404,868	6,903	350,282
Total Revenues	425,800	442,723	16,923	375,275
EXPENDITURES				
Current:				
Purchased Services	-	59	59	233
Supplies and Materials	425,800	383,375	(42,425)	460,784
Capital Outlay	25,000	32,966	7,966	-
Total Expenditures	450,800	416,400	(34,400)	461,017
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (25,000)	26,323	\$ 51,323	(85,742)
FUND BALANCE				
Beginning of Year		8,219		93,961
End of Year		\$ 34,542		\$ 8,219

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2016**

	AUDIT	UFARS	Difference
01 GENERAL FUND			
Total Revenue	\$ 6,815,972	\$ 6,815,971	\$ 1
Total Expenditures	7,849,010	7,849,008	2
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	199,698	199,699	(1)
<i>Restricted/Reserved:</i>			
403 Staff Development	-	-	-
405 Deferred Maintenance	-	-	-
406 Health & Safety	-	-	-
407 Capital Project Levy	-	-	-
408 Cooperative Programs	-	-	-
411 Severance Pay	-	-	-
413 Project Funded by COP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maint	-	-	-
423 Certain Teacher Programs	-	-	-
424 Operating Capital	-	-	-
426 \$25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning & Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alt. Programs	-	-	-
436 State Approved Alt. Program	-	-	-
438 Gifted & Talented	-	-	-
441 Basic Skills Programs	-	-	-
445 Career and Technical Programs	-	-	-
446 First Grade Preparedness	-	-	-
449 Safe Schools Crime	-	-	-
450 Prekindergarten	-	-	-
451 QZAB Payments	-	-	-
452 OPEB Liab Not In Trust	-	-	-
453 Unfunded Sev & Retirement Levy	-	-	-
<i>Restricted:</i>			
464 Restricted Fund Balance	-	-	-
<i>Committed:</i>			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
<i>Assigned:</i>			
462 Assigned Fund Balance	3,398,031	3,398,031	-
<i>Unassigned:</i>			
422 Unassigned Fund Balance	1,759,840	1,759,840	-
02 FOOD SERVICE			
Total Revenue	442,723	442,723	-
Total Expenditures	416,400	416,400	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
452 OPEB Liab Not In Trust	-	-	-
464 Restricted Fund Balance	34,542	34,542	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-
04 COMMUNITY SERVICE			
Total Revenue	-	-	-
Total Expenditures	-	-	-
<i>Restricted/Reserved:</i>			
426 \$25 Taconite	-	-	-
431 Community Education	-	-	-
432 E.C.F.E.	-	-	-
444 School Readiness	-	-	-
447 Adult Basic Education	-	-	-
452 OPEB Liab Not In Trust	-	-	-
<i>Restricted:</i>			
464 Restricted Fund Balance	-	-	-
<i>Unreserved:</i>			
463 Unassigned Fund Balance	-	-	-

OTHER REQUIRED REPORTS



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

Members of the Board of Directors
Noble Academy
Charter School No. 4171
Brooklyn Park, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Noble Academy, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Noble Academy's basic financial statements, and have issued our report thereon dated November 14, 2016.

Internal Control Over Financial Reporting

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

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


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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Noble Academy'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 Noble Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Noble Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 14, 2016

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the Board of Directors
Noble Academy
Charter School No. 4171
Brooklyn Park, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Noble Academy as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated November 14, 2016.

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

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

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the School's compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 14, 2016