

**VENTURE ACADEMIES
MINNEAPOLIS, MINNESOTA
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2015**

**SCHLENNER WENNER & CO.
Certified Public Accountants
& Business Consultants**

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MINNEAPOLIS, MINNESOTA
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**INTRODUCTORY
SECTION**

**VENTURE ACADEMIES
BOARD OF EDUCATION AND ADMINISTRATION
FOR THE YEAR ENDED JUNE 30, 2015**

BOARD OF EDUCATION

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Eric Herron	Chairperson	June 2016
Brian Peterson	Treasurer	June 2016
Betsy Ohrn	Secretary	June 2016
Adam Carter	Director	June 2017
Jason Davis	Director	June 2017
Bethany Franz	Director	June 2017
Lorena Montano Silva	Director	June 2017
Jeff Robbins	Director	June 2016
Wendy Swanson-Choi	Director	June 2016
Bre Vollrath	Director	January 2017

ADMINISTRATION

<u>Name</u>	<u>Title</u>
Jon Bacal	Chief Entrepreneurship Officer
Kerry Muse	Chief Learning Officer

**FINANCIAL
SECTION**

INDEPENDENT AUDITORS' REPORT

November 5, 2015

Members of the School Board
Venture Academies
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the remaining fund information of Venture Academies, Minneapolis, Minnesota (the "School"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Maple Lake

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P.O. Box 385
Maple Lake, MN 55358
320.963.5414

Monticello

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Monticello, MN 55362
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the remaining fund information of Venture Academies, Minneapolis, Minnesota, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1.F. to the financial statements, Venture Academies, Minneapolis, Minnesota has adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2015 on our consideration of Venture Academies' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Venture Academies' internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with Minnesota Statutes, we have also issued our report dated November 5, 2015, on our consideration of Venture Academies' compliance with provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65. The purpose of the report is to determine if the School has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.

St. Cloud, Minnesota

**REQUIRED SUPPLEMENTARY
INFORMATION**

**VENTURE ACADEMIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

As management of Venture Academies (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2015.

FINANCIAL HIGHLIGHTS

- During the current year, the School adopted accounting principles discussed in further detail in Notes 1.F. and 5.C. in the Notes to the Basic Financial Statements. Such accounting principles have been adopted prospectively, and therefore, comparative information in this section has not been restated to reflect the effect of the adoption of these accounting principles.
- The assets and deferred outflows of resources of the School exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$134,539 (net position). Of this amount, \$76,443 (*unrestricted net position*) may be used to meet the School's ongoing obligations to students and creditors.
- The School's total net position decreased \$38,396 as a result of current year operations.
- At the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$277,415, an increase of \$29,420 in comparison with the prior year. Approximately 61 percent of this amount, \$169,687, is available for spending at the School's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$169,687, or 6 percent of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The major features of the School's financial statements, including the portion of the School's activities they cover and the types of information they contain are summarized in the following table. The remainder of the overview section of the Management Discussion and Analysis highlights the structure and contents of each of the statements.

**VENTURE ACADEMIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

	Government-Wide	Fund Financial Statements
		Governmental Funds
Scope	Entire Charter School	All of the activities of the School, such as regular instruction, special education, support services, building lease, and food service
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/deferred outflows/liability/deferred inflows information	All assets, deferred outflows, liabilities, and deferred inflows both financial and capital short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the School's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the School that are principally supported by intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the School include administration, School support services, regular instruction, exceptional instruction, instructional support services, pupil support services, sites and buildings, and fiscal and other fixed cost programs. The School currently does not report any business-type activities.

The government-wide financial statements start on page 13 of this report.

**VENTURE ACADEMIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Although governments often report multiple types of funds, all of the funds of the School are classified as governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The School maintains one individual major governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from other nonmajor governmental funds is generally combined into a single, aggregated presentation. However, because the School has only one nonmajor governmental fund, this fund is also presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance.

The School adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 15 of this report.

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 19 of this report.

**VENTURE ACADEMIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets and deferred outflows exceeded liabilities and deferred inflows by \$134,539 at the close of the most recent fiscal year.

A significant portion of the School's net position (43 percent) reflects its investment in capital assets (e.g., leasehold improvements and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The School has no such debt as of June 30, 2015. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

**Net Position
Table 1**

	Governmental Activities		
	2015	2014	Increase (Decrease)
Assets			
Current and Other Assets	\$ 544,191	\$ 506,266	\$ 37,925
Capital Assets	58,096	65,322	(7,226)
Total Assets	602,287	571,588	30,699
Deferred Outflows of Resources	710,432	-	710,432
Liabilities			
Current and Other Liabilities	266,776	258,271	8,505
Noncurrent Liabilities	698,932	-	698,932
Total Liabilities	965,708	258,271	707,437
Deferred Inflows of Resources	212,472	-	212,472
Net Position			
Net Investment in Capital Assets	58,096	65,322	(7,226)
Unrestricted	76,443	247,995	(171,552)
Total Net Position	<u>\$ 134,539</u>	<u>\$ 313,317</u>	<u>\$ (178,778)</u>

The remaining balance of unrestricted net position may be used to meet the School's ongoing obligations to students and creditors. The balance of unrestricted net position was \$76,443 at year end.

**VENTURE ACADEMIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position

The School's net position decreased \$38,396 during the most recent fiscal year. Key elements of this increase are as follows:

Changes in Net Position

Table 2

	Governmental Activities		
	2015	2014	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services	\$ 1,823	\$ 2,144	\$ (321)
Operating Grants and Contributions	1,116,775	574,500	542,275
General Revenues			
State Aid Not Restricted to Specific Programs	1,728,603	1,135,116	593,487
Gifts and Donations	37,075	508,491	(471,416)
Miscellaneous	22,705	63	22,642
Total Revenues	2,906,981	2,220,314	686,667
Expenses			
Administration	269,086	230,404	38,682
District Support Services	290,186	283,986	6,200
Regular Instruction	781,431	624,520	156,911
Exceptional Instruction	578,229	247,494	330,735
Instructional Support Services	151,536	52,254	99,282
Pupil Support Services	459,307	250,917	208,390
Sites and Buildings	404,515	312,508	92,007
Fiscal and Other Fixed Costs Programs	11,087	7,996	3,091
Total Expenses	2,945,377	2,010,079	935,298
Change in Net Position	(38,396)	210,235	(248,631)
Net Position - Beginning of Year	313,317	103,082	210,235
Change in Accounting Principle	(140,382)	-	(140,382)
Net Position - End of Year	<u>\$ 134,539</u>	<u>\$ 313,317</u>	<u>\$ (178,778)</u>

Some significant items to note include the following:

- The year ended June 30, 2015 was the School's second full year of operations as an educational entity. Therefore, both revenues and expenditures have experienced increases from those of the prior year as a result of increases in pupil enrollment.
- A significant fluctuation from the prior year not related to the change in enrollment is the significant decrease in revenues from Gifts and Donations noted above. Such decrease is the result of the School recognizing revenue from two large grants in the prior year that were received to assist the School with start-up expenses.

**VENTURE ACADEMIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Total and Net Cost of Governmental Activities

The net cost of governmental activities is their total costs less program revenues applicable to each category. The following table presents these total and net costs.

Total and Net Costs of Services

Table 3

	Total Cost of Services			Net Cost of Services		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Administration	\$ 269,086	\$ 230,404	\$ 38,682	\$ 269,086	\$ 230,404	\$ 38,682
District Support Services	290,186	283,986	6,200	290,186	283,986	6,200
Regular Instruction	781,431	624,520	156,911	722,938	569,020	153,918
Exceptional Instruction	578,229	247,494	330,735	(89,207)	2,270	(91,477)
Instructional Support Services	151,536	52,254	99,282	151,536	52,254	99,282
Pupil Support Services	459,307	250,917	208,390	328,925	174,751	154,174
Sites and Buildings	404,515	312,508	92,007	142,228	112,754	29,474
Fiscal and Other Fixed Costs Programs	11,087	7,996	3,091	11,087	7,996	3,091
Totals	\$ 2,945,377	\$ 2,010,079	\$ 935,298	\$ 1,826,779	\$ 1,433,435	\$ 393,344

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$277,415, an increase of \$29,420 in comparison with prior year. The following is a summary of the School's major funds:

Major Funds	Fund Balance June 30,		Increase (Decrease)
	2015	2014	
General	\$ 277,415	\$ 247,995	\$ 29,420

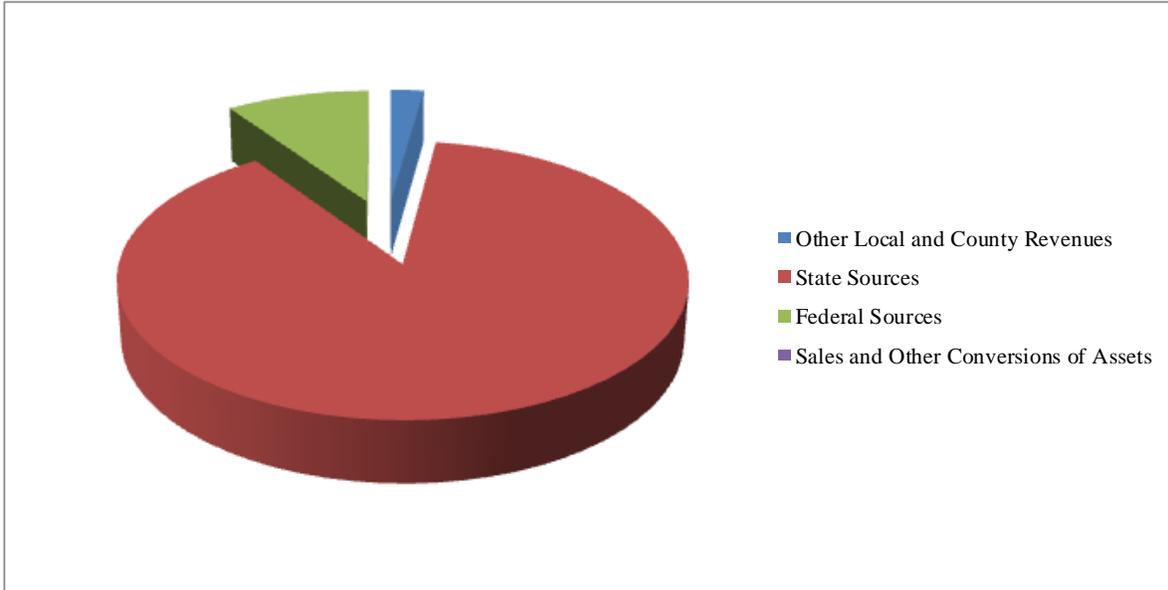
The fund balance of the General Fund increased by \$29,420. Revenues increased approximately 29.4 percent from prior year, while expenditures increased approximately 37.2 percent.

**VENTURE ACADEMIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS (Continued)

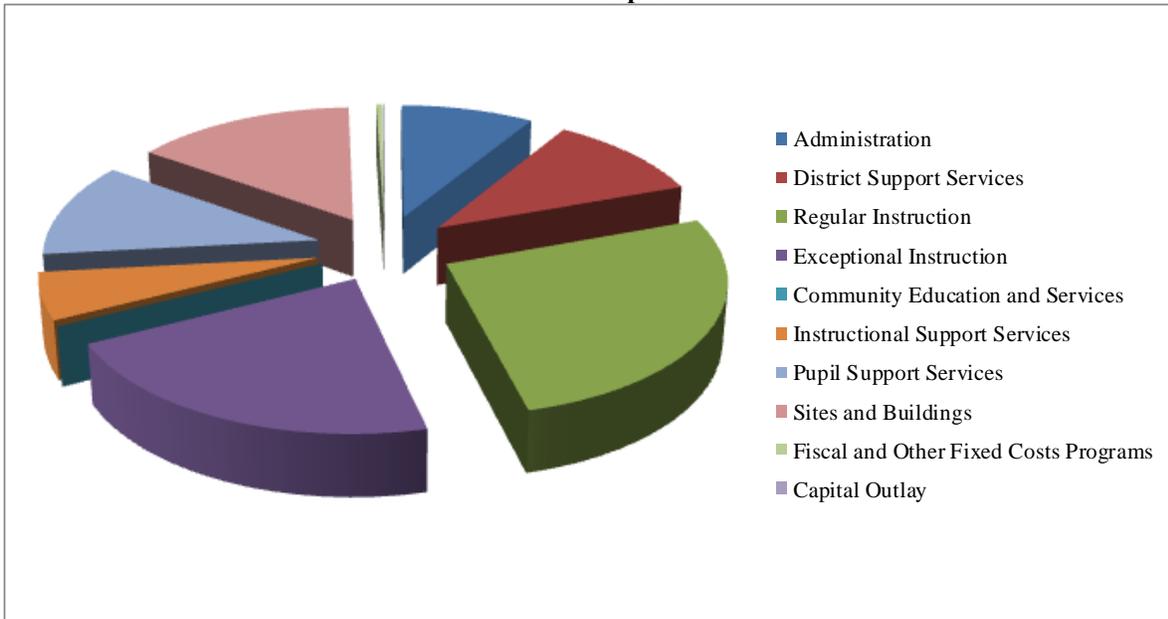
Governmental Funds (Continued)

General Fund Revenue



The School receives the vast majority of its funding in the General Fund in the State of Minnesota (88 percent), which is subject to fluctuation based on the number of pupils served by the School and changes in State legislation. In addition, the School receives approximately 10 percent of its General Fund revenues from federal sources.

General Fund Expenditures



A significant portion of the School's General Fund expenditures are used for regular and exceptional instruction (48 percent). Expenditures for various support services total 28 percent, and the remaining 24 percent consists of expenditures for administration, sites and buildings, and other items.

**VENTURE ACADEMIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS (Continued)

General Fund Budgetary Highlights

The School's General Fund budget was amended during the year. The revenues budget was increased by \$122,535, and the expenditures budget was changed in several functions for an overall increase of \$146,995 from original to final. The final budget called for expenditures of \$2,579,061 and an increase in fund balance of \$23,103.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The School's investment in capital assets for its governmental activities as of June 30, 2015, amounts to \$58,096 (net of accumulated depreciation). This investment in capital assets consists of equipment and furniture. The total decrease in the School's investment in capital assets for the current fiscal year was approximately 11 percent.

Capital Assets Net of Depreciation

Table 4

	Governmental Activities		
	2015	2014	Increase (Decrease)
Equipment and Furniture	\$ 58,096	\$ 65,322	\$ (7,226)

Additional information on the School's capital assets can be found in Note 3.B. on page 25 of this report.

Long-Term Debt

At the end of the current fiscal year, the School had no long-term debt outstanding. However, a noncurrent liability was recorded in the Statement of Net Position for the School's proportionate share of the statewide pension plans net pension liability. See additional information in Note 4 on page 26 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The School's appointed and elected officials considered many factors when setting the fiscal year 2016 budget. These factors included the following:

- The school anticipates a continued increase in enrollment.
- Budgets include normal inflationary increases in expenditures, with more significant increases expected in salaries/benefits, contracted services, and food costs, mainly due to the increase in enrollment.

REQUESTS FOR INFORMATION

This financial report is designed to provide our students, taxpayers, customers, investors, and creditors with general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Venture Academies, 315 27th Avenue SE, Minneapolis, MN 55414.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

Government-wide financial statements:

Statement of Net Position

Statement of Activities

Fund financial statements:

Governmental funds

Balance Sheet

Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Position

Statement of Revenues, Expenditures, and Changes in Fund Balances

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds to the Statement of Activities

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

**VENTURE ACADEMIES
STATEMENT OF NET POSITION
JUNE 30, 2015**

ASSETS	<u>Governmental Activities</u>
Cash and Temporary Investments	\$ 65,443
Accounts Receivable	16,644
Due from Government Agencies	354,376
Prepays and Deposits	107,728
Capital Assets Being Depreciated (Net)	<u>58,096</u>
TOTAL ASSETS	602,287
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	710,432
LIABILITIES	
Accounts Payable	63,801
Salaries Payable	39,315
Payroll Deductions and Employer Contributions	13,660
Short-Term Debt	150,000
Noncurrent Liabilities:	
Net Pension Liability	<u>698,932</u>
TOTAL LIABILITIES	965,708
DEFERRED INFLOWS OF RESOURCES	
Pensions	212,472
NET POSITION	
Net Investment in Capital Assets	58,096
Unrestricted	<u>76,443</u>
TOTAL NET POSITION	<u><u>\$ 134,539</u></u>

**VENTURE ACADEMIES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Administration	\$ 269,086	\$ -	\$ -	\$ (269,086)
District Support Services	290,186	-	-	(290,186)
Regular Instruction	781,431	1,240	57,253	(722,938)
Exceptional Instruction	578,229	-	667,436	89,207
Instructional Support Services	151,536	-	-	(151,536)
Pupil Support Services	459,307	583	129,799	(328,925)
Sites and Buildings	404,515	-	262,287	(142,228)
Fiscal and Other Fixed Costs Programs	11,087	-	-	(11,087)
Total Governmental Activities	\$ 2,945,377	\$ 1,823	\$ 1,116,775	(1,826,779)
General Revenues:				
State Aid Not Restricted to Specific Programs				1,728,603
Gifts and Donations				37,075
Miscellaneous				22,705
Total General Revenues				1,788,383
CHANGE IN NET POSITION				(38,396)
NET POSITION - BEGINNING OF YEAR				313,317
CHANGE IN ACCOUNTING PRINCIPLE				(140,382)
NET POSITION - END OF YEAR				\$ 134,539

**VENTURE ACADEMIES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Fund</u>	<u>Nonmajor Food Service</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Temporary Investments	\$ 65,443	\$ -	\$ 65,443
Accounts Receivable	16,644	-	16,644
Due from Other Funds	3,496	-	3,496
Due from Government Agencies	340,200	14,176	354,376
Prepays and Deposits	<u>107,728</u>	<u>-</u>	<u>107,728</u>
TOTAL ASSETS	<u>\$ 533,511</u>	<u>\$ 14,176</u>	<u>\$ 547,687</u>
LIABILITIES			
Accounts Payable	\$ 53,121	\$ 10,680	\$ 63,801
Salaries Payable	39,315	-	39,315
Payroll Deductions and Employer Contributions	13,660	-	13,660
Due to Other Funds	-	3,496	3,496
Short-Term Debt	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Total Liabilities	256,096	14,176	270,272
FUND BALANCES			
Nonspendable	107,728	-	107,728
Unassigned	<u>169,687</u>	<u>-</u>	<u>169,687</u>
Total Fund Balances	<u>277,415</u>	<u>-</u>	<u>277,415</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 533,511</u>	<u>\$ 14,176</u>	<u>\$ 547,687</u>

**VENTURE ACADEMIES
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total fund balances - governmental funds	\$	277,415
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds:		
Capital Assets	\$	75,334
Accumulated Depreciation		<u>(17,238)</u>
Capital Assets (Net)		58,096
The net pension liability and related inflows/outflows represent the allocation of the pension obligations of the statewide plans to the District. Such balances are not reported in the funds:		
Net Pension Liability		(698,932)
Deferred Outflows - Pensions		710,432
Deferred Inflows - Pensions		<u>(212,472)</u>
		<u>(200,972)</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>134,539</u>

VENTURE ACADEMIES
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Nonmajor Food Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Other Local and County Revenues	\$ 61,020	\$ -	\$ 61,020
State Sources	2,449,822	3,321	2,453,143
Federal Sources	264,119	126,478	390,597
Sales and Other Conversions of Assets	-	583	583
TOTAL REVENUES	<u>2,774,961</u>	<u>130,382</u>	<u>2,905,343</u>
EXPENDITURES			
Current:			
Administration	240,940	-	240,940
District Support Services	292,110	-	292,110
Regular Instruction	726,475	-	726,475
Exceptional Instruction	584,575	-	584,575
Instructional Support Services	155,890	-	155,890
Pupil Support Services	314,106	147,189	461,295
Sites and Buildings	401,181	-	401,181
Fiscal and Other Fixed Costs Programs	11,087	-	11,087
Capital Outlay	2,370	-	2,370
TOTAL EXPENDITURES	<u>2,728,734</u>	<u>147,189</u>	<u>2,875,923</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	46,227	(16,807)	29,420
OTHER FINANCING SOURCES (USES)			
Transfers In	-	16,807	16,807
Transfers Out	(16,807)	-	(16,807)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(16,807)</u>	<u>16,807</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	29,420	-	29,420
FUND BALANCES - BEGINNING	<u>247,995</u>	<u>-</u>	<u>247,995</u>
FUND BALANCES - ENDING	<u>\$ 277,415</u>	<u>\$ -</u>	<u>\$ 277,415</u>

VENTURE ACADEMIES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds	\$	29,420
Amounts reported for governmental activities in the Statement of Activities are different due to the following:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense:		
Capital Outlay	\$	2,370
Depreciation Expense		<u>(9,596)</u>
		(7,226)
The net pension liability does not represent the impending use of current resources. Therefore, the change in this liability and the related deferrals is not reported in the governmental funds:		
		<u>(60,590)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(38,396)</u>

VENTURE ACADEMIES
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.A. FINANCIAL REPORTING ENTITY

Venture Academies (the School) was established in 2011 in accordance with Minnesota Statutes and began operations as an educational entity in August 2013. The School is authorized by Innovative Quality Schools and is operating under a contract extending through the 2017-2018 school year. The School is directed by a ten member Board of Education (the Board). The Board exercises legislative authority and determines all matters of policy. The Board appoints personnel responsible for the proper administration of all affairs relating to the School. The accompanying financial statements present the government entities for which the School is considered to be financially accountable.

The School has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Based on these criteria, there are currently no entities considered to be component units of the School.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. In accordance with Minnesota State Statutes, the School's Board has elected to control and exercise oversight responsibility with respect to the underlying student activities. Accordingly, the student activity accounts are included in the basic financial statements as part of the General Fund.

1.B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary activities of the primary government. For the most part, interfund activities have been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operations or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements of Venture Academies have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

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 as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenses are classified by function for governmental activities.

VENTURE ACADEMIES
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION
(Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measureable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character	Current (further classified by function)
	Debt Service
	Capital Outlay

Intergovernmental revenue and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measureable and available only when received by the School.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measureable and become available.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements and donations. On an accrual basis, revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The School reports the following major governmental fund:

The *General Fund* is the School’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

The *Special Revenue Fund* accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

1.D. USE OF ESTIMATES

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

VENTURE ACADEMIES
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND EQUITY

Deposits and Investments

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable participation by each of the funds. Temporary cash investments are stated at cost which approximates fair value. Investments in external investment pools, if any, are valued at the pool's share price.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

Due from Other Governments

Amounts due from the Minnesota Department of Education, from the federal government through the Department of Education and from other governmental units for general education aids and reimbursements under various specific programs are reported at the estimated amounts to be received based on available information at the date of this report. In some instances, adjustments and proration by these agencies, which are dependent upon the amount of funds available for distribution, and may result in differing amounts actually being received. Any such differences will be absorbed into operations as of the subsequent period.

Prepays and Deposits

Prepays and deposits represent amounts paid in advance for goods and services not yet received, such as services and supplies purchased for use in subsequent periods. Also included in this account is a \$75,000 security deposit paid to the School's landlord. Such amount is to be returned to the School upon termination of the lease, dependent upon the School's compliance with the provisions of the lease agreement.

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 \$500 or more for capitalizing capital assets. The system for accumulation of capital assets cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

Capital assets are recorded in the government-wide financial statements, 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 purposes by the School, no salvage value is taken into consideration for depreciation purposes. Capital assets consist of equipment owned by the School which is being depreciated over useful lives varying from five to twenty years.

Accrued Payroll Liabilities

Salaries pertaining to the school year ended June 30, 2015, which are payable in July and August 2015, are accrued as of June 30, 2015, and are shown as a liability on the accompanying financial statements. Liabilities for payroll taxes, amounts withheld from payroll checks and benefits accrued are also included.

Short Term Debt

The School's short-term debt consists of a line of credit held with a local financial institution to assist in financing immediate operating expenditures.

VENTURE ACADEMIES
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND EQUITY (Continued)

Compensated Absences Payable

Unused paid time off at year end does not carry forward to subsequent years, and employees are not compensated for unused paid time off upon termination. Therefore, no amount has been accrued for accrued paid time off in the financial statements.

Net Pension Liability

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.

Interfund Transactions and Balances

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. If short-term in nature or incurred through goods and service type transactions, such interfund balances are reported as "due to/from other funds." Long-term interfund loans are reported as "advances to/from other funds." Interfund transactions and balances between governmental funds are eliminated in the Statement of Net Position.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods, and therefore, will not be recognized as an outflow of resources (expense) until that time. The School reports deferred outflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds in which School employees participate.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This element represents an acquisition of net position that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. The School reports deferred inflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds in which School employees participate.

See Note 4 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for pension activities.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or they are legally or contractually required to be maintained intact. Nonspendable fund balance in the General Fund consists of prepaids and deposits.

Restricted – Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

VENTURE ACADEMIES
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND EQUITY (Continued)

Fund Balance (Continued)

Committed – Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board of Education (the Board), which is the School’s highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution.

Assigned – Amounts that are neither restricted or committed but are constrained by the School’s intent to be used for specific purposes. The Board currently has the authority to assign as it has not delegated this ability to an official.

Unassigned – The residual classification for the General Fund and also negative residual amounts in other funds, if any.

When both restricted and unrestricted resources are available for use, it is the School’s practice to first use restricted resources, and then use unrestricted resources as they are needed. If resources from more than one fund balance classification could be spent, the School will spend the resources from fund balance classifications in the following order: committed, assigned and unassigned, in accordance with the School’s policy.

The School has formally adopted a policy under which it strives to maintain a minimum unassigned General Fund balance equal to approximately 20 percent of annual General Fund expenditures by the end of the School’s fifth year of operations, which will be June 30, 2018.

Net Position

Net position represents the difference between assets and liabilities. Net position is displayed in three components:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquiring the capital assets.

Restricted – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Unrestricted – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

It is the School’s policy to consider restricted net position to its depletion before unrestricted net position is applied.

1.F. RECENTLY ISSUED ACCOUNTING STANDARDS

Effective June 30, 2015, the School adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements incorporated the School’s share of the Public Employees Retirement Association and the Teachers Retirement Association unfunded liability into the Statement of Net Position.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature, the School is subject to various federal, state, and local laws and contractual regulations. The School complies with all state and local laws and regulations requiring the use of separate funds.

VENTURE ACADEMIES
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

2.A. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general and special revenue fund. Formal budgetary integration is employed as a management control device. All annual appropriations lapse at fiscal year-end. The School Board must approve revisions to budgeted amounts.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve the portion of the applicable appropriations, is employed by the School to assure effective budgetary control and to facilitate effective cash planning and control. All appropriations lapse at year-end. Encumbrance information, however, has not been incorporated into the financial statements.

NOTE 3 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

3.A. DEPOSITS AND INVESTMENTS

Deposits

In accordance with applicable Minnesota Statutes, the School maintains deposits in financial institutions designated by the School Board. Minnesota Statutes require that all School deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The School complies with such laws.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated "A" or better;
- A revenue obligation of a state or local government, with taxing powers, rated "AA" or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank's public debt is rated "AA" or better by Moody's or Standard and Poor's; or
- Time deposits insured by any federal agency.

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a 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 selection should be approved by the School.

At June 30, 2015, the School's deposits were not exposed to custodial credit risk. The School's deposits were sufficiently covered by federal depository insurance or by collateral held by the School's agent in the School's name.

VENTURE ACADEMIES
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.A. DEPOSITS AND INVESTMENTS (Continued)

Investments

The School may also invest idle funds as authorized by *Minnesota Statutes* as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The School does not have any investment policies that would further limit investment choices.

The School does not hold any investments as of June 30, 2015.

3.B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated				
Equipment and Furniture	\$ 72,964	\$ 2,370	\$ -	\$ 75,334
Less Accumulated Depreciation for Equipment and Furniture	<u>7,642</u>	<u>9,596</u>	<u>-</u>	<u>17,238</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 65,322</u>	<u>\$ (7,226)</u>	<u>\$ -</u>	<u>\$ 58,096</u>

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

Governmental Activities	
District Support Services	\$ 1,027
Regular Instruction	4,999
Exceptional Instruction	236
Sites and Buildings	<u>3,334</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 9,596</u>

VENTURE ACADEMIES
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.C. SHORT-TERM DEBT

During the current year, the School issued a short-term promissory note for up to \$172,000 for the purpose of facilitating cash flows. Such note carries an interest rate of 7.0% and is to be repaid in monthly installments of interest only, with the full outstanding principal balance due in increments by October 31, 2015. Collateral pledged to secure the note consists of virtually all the assets of the School. Principal activity on the note during the year ended June 30, 2015 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Short-Term Promissory Note	\$ 75,000	\$ 275,000	\$ (200,000)	\$ 150,000

3.D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers consist of the following for the year ended June 30, 2015:

Transfer From	Transfer To	Amount	Reason
General	Food Service	\$ 16,807	Eliminate deficit Food Service Fund balance

Transfers are used to (a) move revenues from the fund in which statute or budget requires the revenue be collected to the fund in which statute or budget requires the dollars be expended and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund balances at June 30, 2015 are as follows:

Due To Fund	Due From Fund	Amount	Reason
General	Food Service	\$ 3,496	Eliminate negative Food Service Fund cash

The interfund balance above is to be repaid as cash flows become available in the Food Service Fund.

NOTE 4 DEFINED BENEFIT PENSION PLANS - STATEWIDE

Plan Descriptions

The School participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and Teachers Retirement Association (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.

General Employees Retirement Fund (GERF)

PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

VENTURE ACADEMIES
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Plan Descriptions (Continued)

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.

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 cities of Duluth and 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.

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: Post-retirement 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%.

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

GERF 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.

**VENTURE ACADEMIES
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Benefits Provided (Continued)

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 I Benefits

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

With these provisions:

- (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 is used. 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.

**VENTURE ACADEMIES
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Contributions

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

GERF Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5% of pay in 2015. In calendar year 2014, the School was required to contribute 11.78% of pay for Basic Plan members and 7.25% for Coordinated Plan members. In 2015, employer rates increased to 7.5% in the Coordinated Plan. The School's contributions to the GERF for the plan's fiscal year ended June 30, 2015, were \$25,807. 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:

	Ending June 30, 2014		Ending June 30, 2015	
	Employee	Employer	Employee	Employer
Basic	10.5%	11.0%	11.0%	11.5%
Coordinated	7.0%	7.0%	7.5%	7.5%

The School's contributions to TRA for the plan's fiscal year ended June 30, 2015, were \$69,032. The School's contributions were equal to the required contributions for each year as set by state statute.

Pension Costs

GERF Pension Costs

At June 30, 2015, the School reported a liability of \$164,412 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2014, the School's proportion was 0.0035 percent.

For the year ended June 30, 2015, the School recognized pension expense of \$12,205 for its proportionate share of GERF's pension expense.

TRA Pension Costs

At June 30, 2015, the School reported a liability of \$534,520 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2014, 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 School. The School's proportionate share was 0.0116 percent at the end of the measurement period and 0.0000 percent for the beginning of the period.

VENTURE ACADEMIES
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Pension Costs (Continued)

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

School's proportionate share of net pension liability	\$534,520
State's proportionate share of the net pension liability associated with the School	\$37,554

A change in benefit provisions that affected the measurement of the total pension liability since the prior measurement date was an increase of the contribution rates for both the member and employer.

For the year ended June 30, 2015, the School recognized pension expense of \$143,506. It also recognized \$1,638 as pension expense for the support provided by direct aid.

GERF and TRA Pension Costs

At June 30, 2015, the School reported its proportionate share of GERF's and TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	GERF	TRA	GERF	TRA
Differences between expected and actual economic experience	\$ 2,523	\$ 45,609	\$ -	\$ -
Changes in actuarial assumptions	16,944	-	-	-
Differences between projected and actual investment earnings	-	-	44,424	168,048
Changes in proportion and differences between contributions made and the School's proportionate share of contributions	-	550,517	-	-
School's contributions subsequent to the measurement date	25,807	69,032	-	-
Subtotals	\$ 45,274	\$ 665,158	\$ 44,424	\$ 168,048
Total Deferred Inflows/Outflows		\$ 710,432		\$ 212,472

VENTURE ACADEMIES
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Pension Costs (Continued)

A total of \$94,839 reported as deferred outflows of resources related to pensions resulting from School contributions to GERF and TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF and TRA pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expense		Total Pension
	GERF	TRA	Expense
2016	\$ (4,617)	\$ 82,440	\$ 77,823
2017	\$ (4,617)	\$ 82,440	\$ 77,823
2018	\$ (4,617)	\$ 82,440	\$ 77,823
2019	\$ (11,106)	\$ 82,440	\$ 71,334
2020	\$ -	\$ 98,318	\$ 98,318

Actuarial Assumptions

The total pension liability in the June 30, 2014, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.75% per year	3.00%
Active Member Payroll Growth	3.50% per year	3.50-12.00% based on years of service
Investment Rate of Return	7.90%	8.25%

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, 2014 valuation were based on the results of actuarial experience studies. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004, to June 30, 2008, and a limited scope experience study dated 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 2014: As of July 1, 2013, the postretirement benefit increase rate was assumed to increase from 1.0% to 2.5% on January 1, 2046. As of July 1, 2014, the postretirement benefit increase rate was assumed to increase from 1.0% to 2.5% on January 1, 2031.

There was a change in actuarial assumptions that affected the measurement of the total liability for TRA since the prior measurement date. Post-retirement 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.

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 and TRA, 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.

VENTURE ACADEMIES
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Actuarial Assumptions (Continued)

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 Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	<u>2%</u>	0.50%
Total	<u>100%</u>	

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 rates specified in statute. Based on those assumptions, 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.

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF Discount Rate	6.90%	7.90%	8.90%
School's proportionate share of the GERF net pension liability	\$265,040	\$164,412	\$81,620
TRA Discount Rate	7.25%	8.25%	9.25%
School's proportionate share of the TRA net pension liability	\$883,378	\$534,520	\$243,692

Pension Plan Fiduciary Net Position

Detailed information about GERF's fiduciary 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, Suite 400, St. Paul, Minnesota, 55103-4000; or by calling (651) 296-2409 or 800-657-3669.

VENTURE ACADEMIES
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 OTHER INFORMATION

5.A. COMMITMENTS AND CONTINGENCIES

Building Lease

The School currently rents a building under a 10 year lease effective through the year ended June 30, 2023. Under the terms of the lease, annual rent shall be the greater of the minimum rent as defined below or the product of the average number of enrolled pupil units for the year multiplied by the effective rate for lease aid per pupil (as determined by the Minnesota Department of Education) at that time. At the end of the initial 10 year term, the School will have the option to extend the lease for an additional 10 year period, with a revised monthly base rent approximating market rates.

At June 30, 2015, estimated future minimum rent payments are as follows:

Year Ended June 30,	Amount
2016	\$ 360,000
2017	413,000
2018	408,000
2019	442,570
2020	458,895
2021-2023	1,376,685
	\$ 3,459,150

For the year ended June 30, 2015, rent expenditures under the building lease total \$291,387.

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. However, management of the School expects such amounts, if any, to be immaterial.

5.B. RISK MANAGEMENT – CLAIMS AND JUDGMENTS

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the School purchases commercial insurance. The School retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years.

5.C. CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2015, the School determined adjustments to beginning net position were necessary to conform to the financial statement presentation prescribed under newly adopted standards previously discussed in Note 1.F. Adjustments were made to record the School's proportionate share of the Public Employees Retirement Association's and Teachers Retirement Association's net pension liability at the beginning of the year and to record deferred outflows for the School's contributions to these pension plans for the year ended June 30, 2014.

VENTURE ACADEMIES
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 OTHER INFORMATION (Continued)

5.C. CHANGE IN ACCOUNTING PRINCIPLE (Continued)

The following table depicts the impact of the change in accounting principle on government-wide beginning net position:

Beginning Net Position	\$ 313,317
School's Net Pension Liability at 7/1/14	(190,543)
Deferred Outflows for Prior Year Pension Contributions	<u>50,161</u>
Beginning Net Position - Restated	<u>\$ 172,935</u>

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements.

Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of School's and Non-Employer Proportionate Share of Net Pension Liability
- Schedule of School Contributions – PERA/TRA Retirement Funds

**VENTURE ACADEMIES
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget
	Original	Final	Basis	Over (Under)
REVENUES				
Other Local and County Revenues	\$ 60,600	\$ 52,208	\$ 61,020	\$ 8,812
State Sources	2,150,312	2,291,391	2,449,822	158,431
Federal Sources	285,000	274,848	264,119	(10,729)
TOTAL REVENUES	<u>2,495,912</u>	<u>2,618,447</u>	2,774,961	156,514
EXPENDITURES				
Administration	252,387	237,890	240,940	3,050
District Support Services	313,415	299,248	294,480	(4,768)
Regular Instruction	878,267	731,167	726,475	(4,692)
Exceptional Instruction	331,980	533,726	584,575	50,849
Instructional Support Service	62,426	139,007	155,890	16,883
Pupil Support Services	211,791	211,120	314,106	102,986
Site and Buildings	369,800	414,903	401,181	(13,722)
Fiscal and Other Fixed Costs Programs	12,000	12,000	11,087	(913)
TOTAL EXPENDITURES	<u>2,432,066</u>	<u>2,579,061</u>	<u>2,728,734</u>	<u>149,673</u>
EXCESS OF REVENUES OVER EXPENDITURES	63,846	39,386	46,227	6,841
OTHER FINANCING USES				
Transfers Out	(10,769)	(16,283)	(16,807)	(524)
NET CHANGE IN FUND BALANCES	<u>\$ 53,077</u>	<u>\$ 23,103</u>	29,420	<u>\$ 6,317</u>
FUND BALANCES - BEGINNING			<u>247,995</u>	
FUND BALANCES - ENDING			<u>\$ 277,415</u>	

VENTURE ACADEMIES
SCHEDULE OF SCHOOL'S AND NON-EMPLOYER PROPORTIONATE
SHARE OF NET PENSION LIABILITY
LAST TEN YEARS (Presented Prospectively)

For the Fiscal Year Ended June 30	School's Proportion of the Net Pension Liability (Asset)	School's Proportionate Share of the Net Pension Liability (Asset) (a)	School's Proportionate Share of the Net Pension Liability (if Applicable) (b)	Proportionate Share of the Net Pension Liability and School's Share of the State of Minnesota's Share of the Net Pension Liability (if Applicable) (a+b)	School's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014 PERA	0.0035%	\$ 164,412	\$ -	\$ 164,412	\$ 189,872	86.6%	78.7%
2014 TRA	0.0116%	\$ 534,520	\$ 37,554	\$ 572,074	\$ 527,914	101.3%	81.5%

SCHEDULE OF SCHOOL CONTRIBUTIONS
PERA/TRA RETIREMENT FUNDS
LAST TEN YEARS (Presented Prospectively)

For the Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	School's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2015 PERA	\$ 25,807	\$ 25,807	\$ -	\$ 344,093	7.5%
2015 TRA	\$ 69,032	\$ 69,032	\$ -	\$ 913,886	7.6%

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

Uniform Financial Accounting and Reporting Standards Compliance Table

**VENTURE ACADEMIES
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2015**

<u>01 GENERAL FUND</u>	Audited	UFARS	Difference	<u>06 BUILDING CONSTRUCTION</u>	Audited	UFARS	Difference
Total Revenue	2,774,961	2,774,962	(1)	Total Revenue	-	-	-
Total Expenditures	2,728,734	2,728,735	(1)	Total Expenditures	-	-	-
Non Spendable:				Non Spendable:			
460 Non Spendable Fund Balance	107,728	107,728	-	460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:				Restricted/Reserve:			
403 Staff Development	-	-	-	407 Capital Projects Levy	-	-	-
405 Deferred Maintenance	-	-	-	409 Alternative Facility Program	-	-	-
406 Health & Safety	-	-	-	413 Projects Funded by COP	-	-	-
407 Capital Projects Levy	-	-	-	Restricted:			
408 Cooperative Revenue	-	-	-	464 Restricted Fund Balance	-	-	-
409 Alternative Fac Program	-	-	-	Unassigned:			
413 Project Funded by COP	-	-	-	463 Unassigned Fund Balance	-	-	-
414 Operating Debt	-	-	-				
416 Levy Reduction	-	-	-	<u>07 DEBT SERVICE</u>			
417 Taconite Building Maint	-	-	-	Total Revenue	-	-	-
423 Certain Teacher Programs	-	-	-	Total Expenditures	-	-	-
424 Operating Capital	-	-	-	Non Spendable:			
426 \$25 Taconite	-	-	-	460 Non Spendable Fund Balance	-	-	-
427 Disabled Accessibility	-	-	-	Restricted/Reserve:			
428 Learning & Development	-	-	-	425 Bond Refundings	-	-	-
434 Area Learning Center	-	-	-	451 QZAB Payments	-	-	-
435 Contracted Alt. Programs	-	-	-	Restricted:			
436 St. Approved Alt. Program	-	-	-	464 Restricted Fund Balance	-	-	-
438 Gifted & Talented	-	-	-	Unassigned:			
441 Basic Skills Programs	-	-	-	463 Unassigned Fund Balance	-	-	-
445 Career & Tech Programs	-	-	-				
448 Achievement & Integration	-	-	-	<u>08 TRUST</u>			
449 Safe Schools Levy	-	-	-	Total Revenue	-	-	-
450 Prekindergarten	-	-	-	Total Expenditures	-	-	-
451 QZAB Payments	-	-	-	422 Net Assets	-	-	-
452 OPEB Liab Not in Trust	-	-	-				
453 Unfunded Sev. & Retirement	-	-	-	<u>20 INTERNAL SERVICE</u>			
Restricted:				Total Revenue	-	-	-
464 Restricted Fund Balance	-	-	-	Total Expenditures	-	-	-
Committed:				422 Net Assets	-	-	-
418 Committed for Separation	-	-	-				
461 Committed Fund Balance	-	-	-	<u>25 OPEB REVOCABLE TRUST FUND</u>			
Assigned:				Total Revenue	-	-	-
462 Assigned Fund Balance	-	-	-	Total Expenditures	-	-	-
Unassigned:				422 Net Assets	-	-	-
422 Unassigned Fund Balance	169,687	169,686	1				
				<u>45 OPEB IRREVOCABLE TRUST FUND</u>			
<u>02 FOOD SERVICE</u>				Total Revenue	-	-	-
Total Revenue	130,382	130,382	-	Total Expenditures	-	-	-
Total Expenditures	147,189	147,190	(1)	422 Net Assets	-	-	-
Non Spendable:							
460 Non Spendable Fund Balance	-	-	-	<u>47 OPEB DEBT SERVICE FUND</u>			
Restricted/Reserve:				Total Revenue	-	-	-
452 OPEB Liab. Not in Trust	-	-	-	Total Expenditures	-	-	-
Restricted:				Non Spendable:			
464 Restricted Fund Balance	-	-	-	460 Non Spendable Fund Balance	-	-	-
Unassigned:				Restricted:			
463 Unassigned Fund Balance	-	-	-	425 Bond Refundings	-	-	-
				464 Restricted Fund Balance	-	-	-
<u>04 COMMUNITY SERVICE</u>				Unassigned:			
Total Revenue	-	-	-	463 Unassigned Fund Balance	-	-	-
Total Expenditures	-	-	-				
Non Spendable:							
460 Non Spendable Fund Balance	-	-	-				
Restricted/Reserve:							
426 \$25 Taconite	-	-	-				
431 Community Education	-	-	-				
432 E.C.F.E.	-	-	-				
444 School Readiness	-	-	-				
447 Adult Basic Education	-	-	-				
452 OPEB Liab. Not in Trust	-	-	-				
Restricted:							
464 Restricted Fund Balance	-	-	-				
Unassigned:							
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**

November 5, 2015

Members of the Board of Education
Venture Academies
Minneapolis, 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, the major fund, and the remaining fund information of Venture Academies (the School) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Venture Academies' basic financial statements, and have issued our report thereon dated November 5, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Venture Academies' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

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Albany

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Maple Lake

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320.963.5414

Monticello

114 W. 3rd St.
P.O. Box 755
Monticello, MN 55362
763.295.5070

Compliance and Other Matters

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

Purpose of this Report

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

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota

**INDEPENDENT AUDITORS' REPORT ON
MINNESOTA LEGAL COMPLIANCE**

November 5, 2015

Members of the Board of Education
Venture Academies
Minneapolis, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the remaining fund information of Venture Academies, Minneapolis, Minnesota (the School) as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65, contains two categories of compliance to be tested during audits of charter schools: uniform financial accounting and reporting standards and charter schools. Our audit considered both of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the School failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivision*, except as described in the accompanying *Schedule of Findings and Responses* as finding 2015-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, matters may have come to our attention regarding the School's noncompliance with the above referenced provisions.

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

Schlenger Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota

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**VENTURE ACADEMIES
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

LEGAL COMPLIANCE FINDINGS

Finding 2015-001 Annual Delegation of Authority for Electronic Funds Transfers

Condition: The School failed to complete the annual delegation of authority to make electronic funds transfers.

Criteria: Under the provisions of Minnesota Statute 471.38, subdivision 3a, the School Board is required to annually delegate the authority to make electronic funds transfers on behalf of the School to an appropriate School Business Administrator.

Cause: The School failed to make such delegation on an annual basis.

Effect: The failure to make the annual delegation described above has resulted in noncompliance with Minnesota Statute 471.38, subdivision 3a.

Recommendation: We recommend this annual delegation be added to the School Board's list of pertinent policies and approvals that are revisited on an annual basis. This will ensure that the delegation is approved on a consistent, annual basis in the future.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The School will begin completing the annual delegation of authority for initiating electronic funds transfers on an annual basis.
3. Official Responsible
Mr. Jon Bacal, Chief Entrepreneurship Officer, is the official responsible for ensuring corrective action.
4. Planned Completion Date
June 30, 2016
5. Plan to Monitor Completion
Ongoing.