SPERO ACADEMY (FKA FRASER ACADEMY)
Charter School No. 4113
Minneapolis, Minnesota

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

bergan KDV
CPAS | ADVISORS

SPERO ACADEMY (FKA FRASER ACADEMY)
Charter School No. 4113

TABLE OF CONTENTS

SPERO ACADEMY (FKA FRASER ACADEMY)
Charter School No. 4113

BOARD OF DIRECTORS AND ADMINISTRATION
For the Year Ended June 30, 2015

Board of Directors	Position
Donna Piazza	Chair
Kirk Wahlstrom	Vice Chairperson
Janelle Erickson	Treasurer
Meggie Martin	Co-Secretary
Susan Scheller	Co-Secretary
Crystal Dobson-Totten	Member
Wendy Ehlert	Member
Terra Hyatt	Member
Neil Nye	Member
Erica Weber	Member
Chipp Windham	Member (Nonvoting)
Administration	
Chipp Windham	Director of Academy

BerganKDV, Ltd.

Cedar Falls
602 Main Street
Suite 100
P.O. Box 489
Cedar Falls, IA
50613-0026
T 319.268.1715
F 319.268.1720

Cedar Rapids
2720 1st Avenue NE
Suite 300
P.O. Box 10200
Cedar Rapids, IA
52402-0200
T 319.294.8000
F 319.294.9003

Coralville
2530 Corridor Way
Suite 301
P.O. Box 5267
Coralville, IA
52241-0267
T 319.248.0367
F 319.248.0582

Des Moines
9207 Northpark Drive
Johnston, IA
50131-2933
T 515.727.5700
F 515.727.5800

Minneapolis
3800 American Blvd W
Suite 1000
Bloomington, MN
55431-4420
T 952.563.6800
F 952.563.6801

St. Cloud
220 Park Avenue S
P.O. Box 1304
St. Cloud, MN
56302-3713
T 320.251.7010
F 320.251.1784

Waterloo
100 East Park Avenue
Suite 300
P.O. Box 2100
Waterloo, IA
50704-2100
T 319.234.6885
F 319.234.6287

bergankdv.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Spero Academy (FKA Fraser Academy)
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Spero Academy (FKA Fraser Academy), Minneapolis, Minnesota, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the Academy'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 Academy'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 Academy'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.

bergankdv

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Spero Academy (FKA Fraser Academy), Minneapolis, Minnesota, as of June 30, 2015, and the respective changes in financial position thereof, and the respective budgetary comparison for the General and Food Service Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB 68 and GASB 71

As discussed in Note 9 to the financial statements, the Academy has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is 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, which follows this report letter, Schedule of Academy's and Non-Employer Proportionate Share of Net Pension Liability GERF Retirement Funds on page 50, Schedule of Academy's and Non-Employer Proportionate Share of Net Pension Liability TRA Retirement Funds on page 50, Schedule of Academy Contributions of GERF Retirement Funds on page 51 and Schedule of Academy Contributions of TRA Retirement Funds on page 51 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2015, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 the Academy's internal control over financial reporting and compliance.

BerganKDV Ltd.

BerganKDV, Ltd.
Minneapolis, Minnesota
November 17, 2015

SPERO ACADEMY
(FKA FRASER ACADEMY)
Charter School No. 4113

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

This section of Fraser Academy's (the "Academy") annual financial report presents the discussion and analysis of the Academy's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the Academy's financial statements, which immediately follows this section. The Management's Discussion and Analysis (MD&A) is a required element of Required Supplementary Information specified in the GASB Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2014-2015) and the prior year (2013-2014) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2014-2015 fiscal years include the following:

- The Academy ended the year with a $ 101,079 annual net income for an ending fund balance amount of $ 593,292, or 17.13% of expenditures.
- Overall General Fund revenues were $ 3,563,253 as compared to $ 3,461,223 of expenditures.
- Total net position at June 30, 2015 was ($ 734,525).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

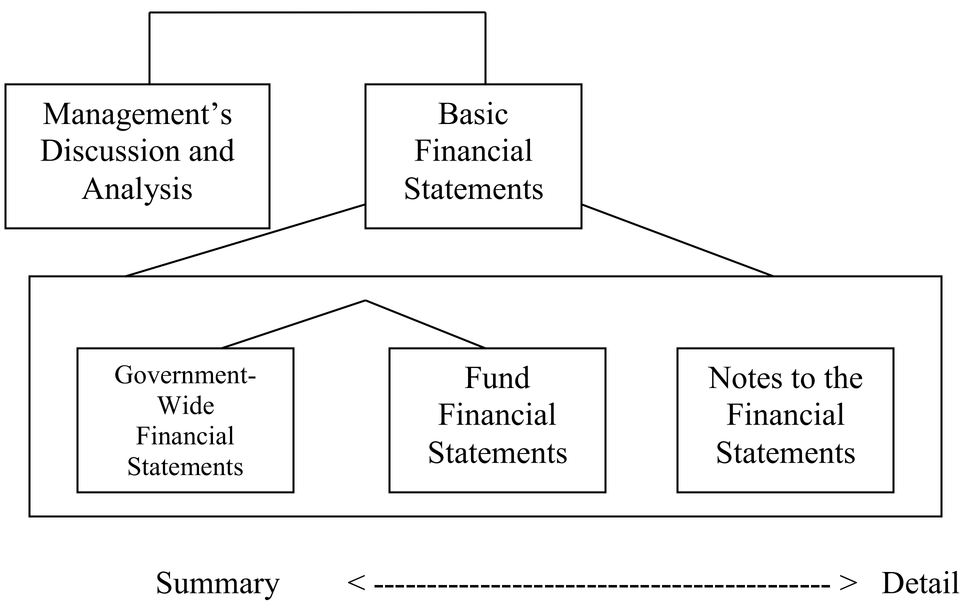
The governmental fund statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

SPERO ACADEMY
(FKA FRASER ACADEMY)
Charter School No. 4113

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the financial statements. The diagram below shows how the various parts of this annual report are arranged and related to one another.



OVERVIEW OF THE FINANCIAL STATEMENTS

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

Fund Financial Statements			
	Government-Wide Statements	**Governmental Funds**	**Fiduciary Funds**
Scope	Entire school (except fiduciary funds)	The activities of the Academy that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the Academy administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	· Statement of Net Position · Statement of Activities	· Balance Sheet · Statement of Revenues, Expenditures and Changes in Fund Balances	· Statement of fiduciary Net Position · Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.
Type of Assets/Liability Information	All assets and liabilities, 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.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Statements

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

The two government-wide statements report the Academy's net position and how they have changed. Net position, the difference between the Academy's assets and liabilities, is one way to measure the Academy's financial health or position.

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

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

- Governmental Activities – All of the Academy's basic services will be included here, such as regular and special education, transportation and administration. State and federal aids, federal grants and donations financed these activities.

FUND FINANCIAL STATEMENTS

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

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

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Net Position

The Academy's combined net position was ($ 734,525) on June 30, 2015. (See Table A-1.)

Table A-1
Net Position

	Governmental Activities		Percent
	2015	2014	Change
ASSETS			
Current and Other Assets	$ 836,014	$ 643,344	30%
Capital Assets	40,783	26,001	57%
Total Assets	$ 876,797	$ 669,345	31%
DEFERRED OUTFLOWS OF RESOURCES	$ 231,665	$ -	N/A
LIABILITIES			
Current Liabilities	$ 252,460	$ 151,131	67%
Non-Current Liabilities - Compensated Absences Payable	22,722	10,853	109%
Net Pension Liability	1,191,941	-	N/A
Total Liablities	$ 1,467,123	$ 161,984	806%
DEFERRED INFLOWS OF RESOURCES	$ 375,864	$ -	N/A
NET POSITION			
Net Investment in Capital Assets	40,783	26,001	57%
Unassigned	(775,308)	481,360	-261%
Total Net Position	$ (734,525)	$ 507,361	-245%

SPERO ACADEMY
(FKA FRASER ACADEMY)
Charter School No. 4113

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Changes in Net Position

The Academy's total revenues were $ 3,566,347 for the period ended June 30, 2015. (See Figure A-2.)

Table A-2
Change in Net Position

	Governmental Activities for the Fiscal Year Ended June 30,		Total Percent Change
	2015	2014	
REVENUES			
Program Revenues:			
Charges for Services	$ 86,183	$ 46,328	86%
Operating Grants and Contributions	2,904,571	2,616,815	11%
General Revenues:			
Unrestricted State Aid	559,027	498,917	12%
Other	16,566	18,132	-9%
Total Revenues	3,566,347	3,180,192	12%
EXPENSES			
Administration	139,894	167,709	-17%
District Support Services	88,903	82,362	8%
Regular Instruction	54,442	84,911	-36%
Special Education Instruction	2,437,833	2,032,238	20%
Instructional Support Services	7,173	1,271	464%
Pupil Support Services	377,606	382,681	-1%
Sites, Buildings and Equipment	301,943	283,500	7%
Fiscal and Other Fixed Cost Programs	14,120	12,284	15%
Food Service	1,627	1,245	31%
Interest and Fiscal Charges on Long-Term Debt	-	-	0%
Total Expenses	3,423,541	3,048,201	12%
Increase in Net Position	142,806	131,991	8%
Beginning Net Position	507,361	375,370	35%
Change in Accounting Principle (Note 9)	(1,384,692)	-	
Beginning Net Position Restated	(877,331)	375,370	-334%
Ending Net Position	$ (734,525)	$ 507,361	-245%

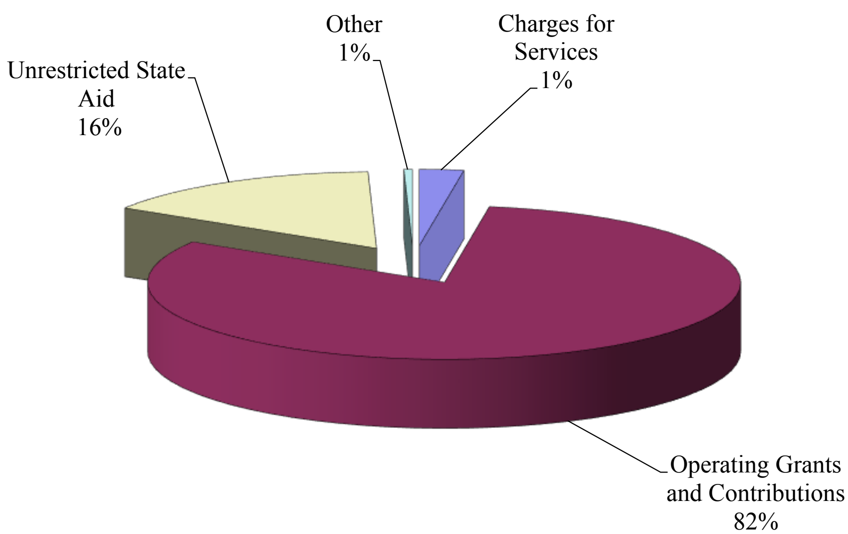
The total cost of all programs and services was $ 3,423,541. Total revenues exceeded expenses by $ 142,806.

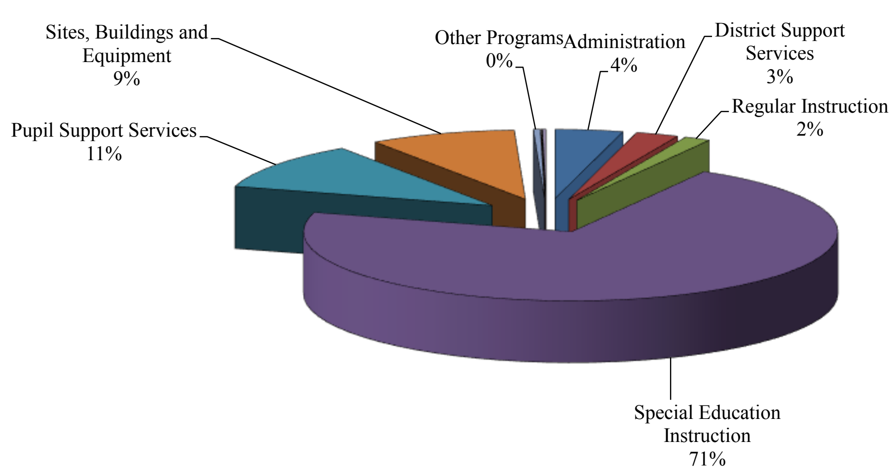
FRASER ACADEMY
Charter School No. 4113

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Figure A-3
Sources of Academy's Revenue for Fiscal Year 2015





FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Table A-3
Program Expenses and Net Cost of Services

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2015	2014	Change	2015	2014	Change
Administration	$ 139,894	$ 167,709	-17%	$ 53,711	$ 121,381	-56%
District Support Services	88,903	82,362	8%	88,903	82,362	8%
Regular Instruction	54,442	84,911	-36%	51,628	83,608	-38%
Special Education Instruction	2,437,833	2,032,238	20%	(359,639)	(491,746)	-27%
Instructional Support Services	7,173	1,271	464%	7,173	1,271	464%
Pupil Support Services	377,606	382,681	-1%	377,606	382,681	-1%
Sites, Buildings and Equipment	301,943	283,500	7%	198,334	192,384	3%
Fiscal and Other Fixed Cost Programs	14,120	12,284	15%	14,120	12,284	15%
Food Service	1,627	1,245	31%	951	833	14%
Total	$ 3,423,541	$ 3,048,201	12%	$ 432,787	$ 385,058	12%

The following chart presents these enrollment numbers as Average Daily Membership (ADM) for state funding purposes.

	2015
Kindergarten Handicapped	9.69
Kindergarten	4.15
Elementary	65.01
Total Students for Aid	78.85

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

The financial performance of the Academy as a whole is reflected in its governmental funds as well. As the Academy completed the year, its governmental funds reported a combined fund balance of $ 593,292.

Revenues for the Academy's governmental funds were $ 3,563,253 while total expenditures were $ 3,461,223

GENERAL FUND

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

In fiscal year 2015, the Academy generated state revenue along with tuition billing from other Minnesota districts, 97% of total revenue, through its education program. Federal grants and other local revenue made up most of the remaining 3%. Table A-5 presents a summary of General Fund revenues.

Table A-5
General Fund Revenues

	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014	Change Increase (Decrease)	Change Percent
Other Local and County Revenue	$ 102,749	$ 64,460	$ 38,289	59%
State Sources	3,418,506	3,069,220	349,286	11%
Federal Sources	41,998	46,100	(4,102)	-9%
Total General Fund Revenue	$ 3,563,253	$ 3,179,780	$ 383,473	12%

Of the total expenditures, about 51% were personnel salaries and benefits. Another 47% of total expenditures were purchased services to continue developing the educational program, provide facility and administrative services and direct services to students. Table A-6 presents a summary of General Fund expenditures.

Table A-6
General Fund Expenditures

	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	$ 1,567,223	$ 1,248,933	$ 318,290	25%
Employee Benefits	386,246	301,218	85,028	28%
Purchased Services	1,421,544	1,433,641	(12,097)	-1%
Supplies and Materials	46,663	35,220	11,443	32%
Capital Expenditures	29,936	24,276	5,660	23%
Other Expenditures	9,611	10,477	(866)	-8%
Total Expenditures	$ 3,461,223	$ 3,053,765	$ 407,458	13%

In the 2014-2015 fiscal year, General Fund revenue exceeded expenditures and transfers out by $ 101,079 increasing the fund balance to $ 593,292.

FRASER ACADEMY
Charter School No. 4113

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over from the prior fiscal year.

- Enrollment changes, legislation passes subsequent to budget adoption, changes necessitated by employment agreements and increases in appropriations for significant unbudgeted costs.

Actual revenues were less than budgeted revenues by $ 171,368. Actual expenditures were less than budgeted expenditures by $ 237,407.

Capital Assets

By the end of 2015, the Academy had invested $ 135,592 in capital assets, including computers and furniture. (See Table A-7.) (More detailed information about capital assets can be found in Note 4 in the financial statements.) Total depreciation expense for the year was $ 6,299.

Table A-7
Capital Assets

	2015	2014	Percentage Change
Machinery and Equipment	$ 135,592	$ 120,549	12%
Less Accumulated Depreciation	(94,809)	(94,548)	0%
Total	$ 40,783	$ 26,001	57%

FACTORS BEARING ON THE ACADEMY'S FUTURE

The Academy is dependent on the State of Minnesota for its revenue authority. In the past, legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. There have been recent legislative changes to attempt to correct this in the short-term.

The stability of the state special education program is vital to the Academy's future. Currently, the Academy is largely dependent on sufficient funding of the special education program. If funding were to be decreased in the future the continuation of the Academy may be in jeopardy. The Academy has been persistent when reviewing the allocations to ensure full coverage of the special education costs.

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

FRASER ACADEMY
Charter School No. 4113

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our constituents, state oversight agencies, lenders, customers, legislative leaders and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Spero Academy (FKA Fraser Academy) Charter School, 1534 6th Street NE, Minneapolis, Minnesota 55413.

(THIS PAGE LEFT BLANK INTENTIONALLY)

BASIC FINANCIAL STATEMENTS

SPERO ACADEMY (FKA FRASER ACADEMY)
Charter School No. 4113

STATEMENT OF NET POSITION
June 30, 2015

		Governmental Activities
ASSETS		
Cash	$	734,262
Accounts Receivable		5,120
Due from Department of Education		38,584
Due from Federal Government through Department of Education		4,724
Due from Other Governmental Units		8,290
Prepaid Items		45,034
Capital Assets:		
Equipment		135,592
Less Accumulated Depreciation		(94,809)
Total Assets		876,797
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		231,665
Total Assets and Deferred Outflows of Resources	$	1,108,462
LIABILITIES		
Accounts Payable	$	93,258
Salaries and Benefits Payable		69,817
Due to Other Governmental Units		79,647
Compensated Absences Payable:		
Payable Within One Year		9,738
Payable After One Year		22,722
Net Pension Liability		1,191,941
Total Liabilities		1,467,123
Deferred Inflows of Resources		
Deferred Inflows Related to Pensions		375,864
NET POSITION		
Net Investment in Capital Assets		40,783
Unrestricted		(775,308)
Total Net Position		(734,525)
Total Liabilities, Deferred Inflows of Resources and Net Position	$	1,108,462

The Notes to the Financial Statements are an integral part of this statement.

SPERO ACADEMY (FKA FRASER ACADEMY)
Charter School No. 4113

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities				
Administration	$ 139,894	$ 86,183	$ -	$ (53,711)
District Support Services	88,903	-	-	(88,903)
Elementary and Secondary Regular Instruction	54,442	-	2,814	(51,628)
Special Education Instruction	2,437,833	-	2,797,472	359,639
Instructional Support Services	7,173	-	-	(7,173)
Pupil Support Services	377,606	-	-	(377,606)
Sites and Buildings	301,943	-	103,609	(198,334)
Fiscal and Other Fixed Cost Programs	14,120	-	-	(14,120)
Food Service	1,627	-	676	(951)
Total Governmental Activities	$ 3,423,541	$ 86,183	$ 2,904,571	(432,787)
General Revenues				
State Aid-Formula Grants				559,027
Other General Revenues				16,566
Total General Revenues				575,593
Change in Net Position				142,806
Net Position - Beginning, as Previously Stated				507,361
Change in Accounting Principle (Note 9)				(1,384,692)
Net Position - Beginning, as Restated				(877,331)
Net Position - Ending				$ (734,525)

The Notes to the Financial Statements are an integral part of this statement.

SPERO ACADEMY (FKA FRASER ACADEMY)
Charter School No. 4113

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

	General	Food Service	Total Governmental Funds
ASSETS			
Cash	$ 734,250	$ 12	$ 734,262
Accounts Receivable	5,120	-	5,120
Due from Department of Education	38,584	-	38,584
through Department of Education	4,666	58	4,724
Due from Other Governmental Units	8,290	-	8,290
Prepaid Items	45,034	-	45,034
Total Assets	$ 835,944	$ 70	$ 836,014
LIABILITIES			
Accounts Payable	$ 93,188	$ 70	$ 93,258
Salaries and Benefits Payable	69,817	-	69,817
Due to Other Governmental Units	79,647	-	79,647
Total Liabilities	242,652	70	242,722
FUND BALANCES			
Nonspendable	45,034	-	45,034
Unassigned	548,258	-	548,258
Total Fund Balances	593,292	-	593,292
Total Liabilities and Fund Balances	$ 835,944	$ 70	$ 836,014

SPERO ACADEMY (FKA FRASER ACADEMY)
Charter School No. 4113

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
June 30, 2015

Total Fund Balances - Governmental Funds	$ 593,292
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of Capital Assets	135,592
Less Accumulated Depreciation	(94,809)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Compensated Absences Payable	(32,460)
Net Pension Liability	(1,191,941)
Deferred Outflows of Resources and Deferred Inflows of Resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred Outflows of Resources Related to Pensions	231,665
Deferred Inflows of Resources Related to Pensions	(375,864)
Total Net Position - Governmental Activities	$ (734,525)

The Notes to the Financial Statements are an integral part of this statement.

SPERO ACADEMY (FKA FRASER ACADEMY)
Charter School No. 4113

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General	Food Service	Total Governmental Funds
REVENUES			
Other Local Revenues	$ 102,749	$ -	$ 102,749
Revenue from State Sources	3,418,506	-	3,418,506
Revenue from Federal Sources	41,998	676	42,674
Total Revenues	3,563,253	676	3,563,929
EXPENDITURES			
Current			
Administration	139,280	-	139,280
District Support Services	88,862	-	88,862
Elementary and Secondary Regular Instruction	56,912	-	56,912
Special Education Instruction	2,448,344	-	2,448,344
Instructional Support Services	7,160	-	7,160
Pupil Support Services	377,642	-	377,642
Sites and Buildings	298,967	-	298,967
Fiscal and Other Fixed Cost Programs	14,120	-	14,120
Food Service	-	1,627	1,627
Capital Outlay			
District Support Services	2,116	-	2,116
Elementary and Secondary Regular Instruction	733	-	733
Special Education Instruction	26,989	-	26,989
Pupil Support Services	57	-	57
Sites and Buildings	41	-	41
Total Expenditures	3,461,223	1,627	3,462,850
Excess of Revenues Over (Under) Expenditures	102,030	(951)	101,079
OTHER FINANCING SOURCES (USES)			
Transfers In	-	951	951
Transfers Out	(951)	-	(951)
Total Other Financing Sources (Uses)	(951)	951	-
Net Change in Fund Balances	101,079	-	101,079
FUND BALANCES			
Beginning of Year	492,213	-	492,213
End of Year	$ 593,292	$ -	$ 593,292

The Notes to the Financial Statements are an integral part of this statement.

SPERO ACADEMY (FKA FRASER ACADEMY)
Charter School No. 4113

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	$	101,079
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital Outlays		21,082
		(6,299)
Compensated absences and severance are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.		(21,608)
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.		
State Aid related to Pension Expense		2,418
Pension Expense		46,134
Change in Net Position - Governmental Activities	$	142,806

SPERO ACADEMY (FKA FRASER ACADEMY)
Charter School No. 4113

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
REVENUES				
Other Local Revenues	$ 65,000	$ 61,200	$ 102,749	$ 41,549
Revenue from State Sources	3,488,330	3,631,377	3,418,506	(212,871)
Revenue from Federal Sources	46,434	42,044	41,998	(46)
Total Revenues	3,599,764	3,734,621	3,563,253	(171,368)
EXPENDITURES				
Current				
Administration	176,228	135,368	139,280	3,912
District Support Services	95,911	108,780	88,862	(19,918)
Regular Instruction	94,337	77,628	56,912	(20,716)
Special Education Instruction	2,343,817	2,602,574	2,448,344	(154,230)
Instructional Support Services	4,119	14,592	7,160	(7,432)
Pupil Support Services	453,211	383,454	377,642	(5,812)
Sites and Buildings	309,228	306,605	298,967	(7,638)
Fiscal and Other Fixed Cost Programs	16,467	15,294	14,120	(1,174)
Capital Outlay				
District Support Services	1,500	3,000	2,116	(884)
Regular Instruction	7,441	5,537	733	(4,804)
Special Education Instruction	39,606	44,798	26,989	(17,809)
Pupil Support Services	-	-	57	57
Sites and Buildings	1,500	1,000	41	(959)
Total Expenditures	3,543,365	3,698,630	3,461,223	(237,407)
Excess of Revenues Over Expenditures	56,399	35,991	102,030	66,039
OTHER FINANCING USE				
Transfers Out	(928)	(928)	(951)	(23)
Net Change in Fund Balance	$ 55,471	$ 35,063	101,079	$ 66,016
FUND BALANCE				
Beginning of Year			492,213	
End of Year			$ 593,292	

The Notes to the Financial Statements are an integral part of this statement.

SPERO ACADEMY (FKA FRASER ACADEMY)
Charter School No. 4113

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - FOOD SERVICE FUND
For the Year Ended June 30, 2015

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES				
Revenue from Federal Sources	$ 500	$ 500	$ 676	$ 176
EXPENDITURES				
Current				
Food Service	1,428	1,428	1,627	199
Excess of Revenues Under Expenditures	(928)	(928)	(951)	(23)
OTHER FINANCING SOURCE				
Transfers In	928	928	951	23
Net Change in Fund Balance	$ -	$ -	-	$ -
FUND BALANCE				
Beginning of Year			-	
End of Year			$ -	

(THIS PAGE LEFT BLANK INTENTIONALLY)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Academy is a nonprofit corporation that was formed and began operating on October 3, 2003, in accordance with *Minnesota Statutes* 317A as Fraser Academy. The School changed its name to Spero Academy during the current fiscal year. The Academy was authorized by Fraser under a contract commencing on June 1, 2011, and extending through June 30, 2015. As of June 30, 2015 the Academy is authorized by the University of St. Thomas and operates under a three year contract commencing on June 30, 2015, and extending through June 30, 2018. The primary objectives of the Academy are to increase learning opportunities for pupils and encourage the use of different and innovative teaching methods. The governing body consists of a Board of Directors composed of up to 11 members elected by votes of the general membership of the Academy to serve a three-year term.

A. Reporting Entity

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

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

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

Aside from its role as authorizer, Fraser has no authority, control, power or administrative responsibilities over the Academy. Therefore, the Academy is not considered a component unit of Fraser.

The Academy does not have any student activity accounts.

B. Basic Financial Statement Information

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Basic Financial Statement Information (Continued)

The Academy applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted Net Position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of that function.

C. Measurement Focus and Basis of Accounting

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

1. Revenue Recognition

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

2. Recording of Expenditures

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

Description of Funds

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

Major Funds:

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Deposits and Investments

Cash and investments include balances from both funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the cash are allocated to the General Fund.

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

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. According to the Academy's deposit and investment policy, deposit type securities shall be collateralized as required by *Minnesota Statutes* 118A.03 for any amount exceeding FDIC, SAIF, BIF, FCUA or other federal deposit coverage.

Interest Rate Risk: This is the risk that market values of a security in a portfolio would decrease due to changes in market interest rates. The Academy's investment policy states its investment maturities shall be scheduled to coincide with projected Academy cash flow needs, taking into account large routine or scheduled expenditures as well as anticipated receipt dates of anticipated revenues. Maturities for short-term and long-term investments shall be timed according to anticipated need.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Statutes limit investments in the top two ratings issued by nationally recognized statistical rating organizations. The Academy's investment policy indicates the Academy may invest in those instruments specified in *Minnesota Statutes* 118A.04 and 118A.05.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. According to the Academy's investment policy, the Academy shall diversify its investments to avoid incurring unreasonable risks inherent to over investing in specific instruments, individual financial institutions or maturities.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Academy's investment policy states all investment securities purchased by the Academy shall be held in third party safekeeping by an institution designated as a custodial agent. The custodial agent may be any Federal Reserve Bank, any bank authorized under the laws of the United States or any state to exercise corporate trust powers, a primary reporting dealer in United States government securities to the Federal Reserve Bank of New York or a securities broker-dealer defined in *Minnesota Statutes* 118A.06. The institution or dealer shall issue a safekeeping receipt to the Academy listing the specific instruments, the name of the issuer, the name in which the security is held, the rate, the maturity, serial number, other distinguishing marks and other pertinent information.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Prepaid Items

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

F. Capital Assets

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

Capital assets are defined by the Academy as assets with an initial individual cost of more than $ 500. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

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

Capital assets are depreciated using the half-year convention straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the Academy, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from three to five years for equipment.

G. Compensated Absences

Certain Academy employees earn paid time off (PTO) based upon the employee's status (exempt, nonexempt and full-time versus school year). The Academy compensates employees for unused vacation upon termination of employment. PTO is recorded as an expenditure when it is used.

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The Academy has one item that qualifies for reporting in this category. A deferred outflow related to pension activity results from the net effect of the change in proportionate share, differences between expected and actual economic experience, changes in actuarial assumptions and employer contributions subsequent to the measurement date.

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy has one item which qualifies for reporting in this category: deferred inflows related to pension activity is a result of the net difference between projected and actual earnings on plan investments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Pensions

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. Additional information can be found in the TRA Note 7.F.

J. Risk Management

The Academy is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the Academy carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the Academy's insurance coverage during the year ending June 30, 2015.

K. Tax Status

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

The Academy is required to assess whether an uncertain tax position exists and if there should be recognition of a related benefit or liability in the financial statements. The Academy has determined there are not amounts to record as assets or liabilities related to uncertain tax positions. Generally, the Academy is no longer subject to examination by tax authorities for years before 2012.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Fund Equity

1. Classification

In the fund financial statements, the governmental fund reports fund classifications that comprise a hierarchy based primarily on the extent to which the Academy is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. Nonspendable fund balances include amounts that cannot be spent because they are not in spendable form. Amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors or laws or regulations of other governments or b) imposed by law through enabling legislation are classified as restricted fund balances. Amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of Directors (highest level of decision making authority) through resolution are classified as committed fund balances. Amounts that are constrained by the Academy's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to a specific purpose in the General Fund.

2. Minimum Fund Balance

At June 30, 2015, the Academy does not have a minimum fund balance goal.

M. Net Position

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

N. Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

1. Prior to July 1, the Executive Director submits to the Academy's Board of Directors, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

2. The Executive Director is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Academy's Board of Directors.

3. Formal budgetary integration is employed as a management control device during the year for the General and Food Service Funds.

4. Budgets for the General and Food Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

5. Budgets are as originally adopted or as amended by the Academy's Board of Directors. Budgeted expenditure appropriations lapse at year-end.

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

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

Deposits are presented in the Statement of Net Position at June 30, 2015 as follows:

Cash	$ 734,262

Deposits were insured by FDIC or had adequate pledge of collateral for them from the depository institution.

SPERO ACADEMY (FKA FRASER ACADEMY)
Charter School No. 4113

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets being Depreciated:				
Equipment	$ 120,549	$ 21,081	$ 6,038	$ 135,592
Less Accumulated Depreciation for:				
Equipment	94,548	6,299	6,038	94,809
Total Capital Assets being Depreciated, Net	$ 26,001	$ 14,782	$ -	$ 40,783

Depreciation expense for the year ended June 30, 2015 was charged to the following functions:

Distric Support Services	$ 99
Regular Instruction	539
Special Education Instruction	2,795
Sites, Buildings and Equipment	2,866
Total Depreciation Expense	$ 6,299

NOTE 5 – INTERFUND ACTIVITY

The General Fund transferred $ 951 to the Food Service Fund to eliminate the operating deficit.

NOTE 6 – LONG-TERM DEBT

A. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-Term Liabilities:					
Compensated Absences Payable	$ 10,853	$ 95,207	$ 73,600	$ 32,460	$ 9,738

The General Fund is used to liquidate compensated absences when they are due.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association

A. Plan Description

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

Teachers employed in Minnesota's public elementary and secondary school, 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.

B. Benefits Provided

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

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

Tier 1 Benefits

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier I Benefits (Continued)

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- 3% per year early retirement reduction factor for all years under normal retirement age.
- Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

Tier II Benefits

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

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

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

C. Contribution Rate

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year 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 following is a reconciliation of employer contributions in TRA's CAFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	$ 299,299,837
Deduct Employer contributions not related to future contribution efforts	(398,798)
Deduct TRA's contributions not included in allocation	(370,701)
Employer contributions reported in schedule of employer and non-employer pension allocations	$ 298,530,338

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Measurement Date	June 30, 2014
Valuation Date	July 1, 2014
Experience Study	October 30, 2009
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Investment Rate of Return	8.25%
Wage Inflation	3.00%
Projected Salary Increase	3.5-12%, based on years of service
Cost of Living Adjustment	2.0% until year 2034, 2.5% thereafter
Mortality Assumption	
Pre-retirement	RP 2000 non-annuitant generational mortality, white collar adjustment, male rates set back five years and female rates set back seven years
Post-retirement	RP 2000 annuitant generational mortality, white collar adjustment, male rates set back two years and female rates set back three years
Post-disability	RP 2000 disabled retiree mortality, without adjustment

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 August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB 67 valuation.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

Asset Class	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
Unallocated Cash	2	0.50
Total	100 %	

E. Discount Rate

The discount rate used to measure the total pension liability was 8.25%. The projection of cash flows used to determine the discount rate was assumed that employee contributions will be made at the fiscal 2015 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was 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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

F. Net Pension Liability

On June 30, 2015, the Academy reported a liability of $ 787,956 for its proportionate share of the net pension liability. The net pension liability was measure 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 Academy's proportion of the net pension liability was based on the Academy's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. Academy proportionate share was 0.0171% at the end of the measurement period and 0.0175% for the beginning of the year.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the Academy 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 Academy were as follows:

Academy's proportionate share of net pension liability	$	787,956
State's proportionate share of the net pension liability associated with the Academy		55,423

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. Section C contains the rate information.

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

For the year ended June 30, 2015, the Academy recognized pension expense of $ 38,161. It also recognized $ 2,418 as an increase to pension expense for the support provided by direct aid.

On June 30, 2015, the Academy had deferred resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 67,234	$ -
Net difference between projected and actual earnings on plan investments		247,725
Change in proportion	-	18,983
Academy's Contributions to TRA Subsequent to the Measurement Date	73,839	-
Total	$ 141,073	$ 266,708

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

$ 73,839 reported as deferred outflows of resources related to pensions resulting from academy contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

2016	$ (51,858)
2017	(51,858)
2018	(51,858)
2019	(51,858)
2020	7,958

G. Pension Liability Sensitivity

The following presents the Academy's proportionate share of the net pension liability calculated using the discount rate of 8.25% as well as the liability measured using 1% lower and 1% higher.

District proportionate share of NPL		
1% decrease (7.25%)	Current (8.25%)	1% increase (9.25%)
$ 1,302,221	$ 787,956	$ 359,236

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

H. Pension Plan Fiduciary Net Position

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association

A. Plan Description

The Academy participates in the following cost-sharing multiple-employer defined benefit pension plans administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes. PERA'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.

All full-time and certain part-time employees of the Academy other than teachers are covered by the 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.

B. Benefits Provided

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

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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

C. 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 Academy 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 Academy's contributions to the GERF for the plan's fiscal year ended June 30, 2015, were $ 42,757. The Academy's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

GERF Pension Costs

At June 30, 2015, the Academy reported a liability of $ 403,985 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 Academy's proportion of the net pension liability was based on the Academy'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 Academy's proportion was 0.0086%.

For the year ended June 30, 2015, the Academy recognized pension expense of $ 29,990 for its proportionate share of GERF's pension expense.

At June 30, 2015, the Academy reported its proportionate share of GERF'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
Differences Between Expected and Actual Economic Experience	$ 6,200	$ -
Changes in Actuarial Assumptions	41,635	-
Difference Between Projected and Actual Investments Earnings	-	109,156
Academy's Contributions to GERF Subsequent to the Measurement Date	42,757	-
Total	$ 90,592	$ 109,156

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

$ 42,757 reported as deferred outflows of resources related to pensions resulting from Academy contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2016	$ (11,344)
2017	(11,344)
2018	(11,344)
2019	(27,289)

E. 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:

GERF

Assumptions	GERF
Inflation	2.75 % Per Year
Active Member Payroll Growth	3.50 Per Year
Investment Rate of Return	7.90

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 experience study in the GERF was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

The 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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	45%	5.50 %
International Stocks	15%	6.00
Bonds	18%	1.45
Alternative Assets	20%	6.40
Cash	2%	0.50
Total	100%	

F. Discount Rates

The discount rate used to measure the total pension liability was 7.9% for GERF. 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.

G. Pension Liability Sensitivity

The following table presents the Academy'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 Academy'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:

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

G. Pension Liability Sensitivity

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF Discount Rate	6.9%	7.9%	8.9%
Academy's Proportionate share of the GERF net pension liability	$ 651,240	$ 403,985	$ 200,552

H. 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.

NOTE 8 – COMMITMENTS

A. Lease Commitments and Terms

In May 2010, the Academy signed a lease with NE Lutheran Ministry Center, Minneapolis, Minnesota, commencing July 1, 2010 and expiring on June 30, 2018. Rent on this space was $ 147,616 for 2015 and paid in 12 equal installments. On July 1 of each of the following years, rent will increase by 2%.

For 2015, the Academy qualified for state charter school lease aid which equaled the lesser of 90% of the approved lease costs or $ 1,314 per pupil unit served, or $ 103,609. Greater enrollment is needed to maximize the aid available in support of the amount paid for the lease.

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

B. Operating Lease Obligations

In May 2013, the Academy entered into an operating lease agreement with Apple®, Inc. for the acquisition of computers, servers and networking equipment. The operating lease obligation totaled $ 60,258. The future operating lease obligation totaled $ 20,086 for the year ending June 30, 2016.

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2015, the Academy implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This resulted in an adjustment to the beginning net position on the Statement of Activities of $ (1,384,692) to add the beginning net pension liability.

NOTE 10 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

Accounting Standards Board (GASB) has issued GASB statement 75 relating to accounting and financial reporting for postemployment benefits other than pensions. The new statement requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about OPEB liabilities.

(THIS PAGE LEFT BLANK INTENTIONALLY)

REQUIRED SUPPLEMENTARY INFORMATION

SPERO ACADEMY (FKA FRASER ACADEMY)

SCHEDULE OF ACADEMY'S AND NON-EMPLOYER PROPORTIONATE SHARE OF NET PENSION LIABILITY LAST TEN YEARS GERF RETIREMENT FUNDS

For Fiscal Year Ended June 30,	Academy's Proportion of the Net Pension Liability (Asset)	Academy's Proportionate Share of the Net Pension Liability (Asset)	Academy's Covered-Employee Payroll	Academy's 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	0.0086%	$ 403,985	$ 452,055	89.37%	78.75%

SCHEDULE OF ACADEMY'S AND NON-EMPLOYER PROPORTIONATE SHARE OF NET PENSION LIABILITY LAST TEN YEARS TRA RETIREMENT FUNDS

For Fiscal Year Ended June 30,	Academy's Proportion of the Net Pension Liability (Asset)	Academy's Proportionate Share of the Net Pension Liability (Asset)	Academy's Proprtionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liablility and Academy's Share of the State of Minnesota's Share of the Net Pension Liability	Academy's Covered-Employee Payroll	Academy's 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	0.0171%	$ 787,956	$ 55,423	$ 843,379	$ 780,470	101.0%	81.5%

SPERO ACADEMY (FKA FRASER ACADEMY)

SCHEDULE OF ACADEMY CONTRIBUTIONS
GERF RETIREMENT FUNDS
LAST TEN YEARS

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Academy's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2014	$ 32,774	$ 32,774	$ -	$ 452,055	7.25%

SCHEDULE OF ACADEMY CONTRIBUTIONS
TRA RETIREMENT FUNDS
LAST TEN YEARS

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Academy's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2014	$ 54,633	$ 54,633	$ -	$ 780,470	7.0%

(THIS PAGE LEFT BLANK INTENTIONALLY)

SUPPLEMENTARY INFORMATION

SPERO ACADEMY (FKA FRASER ACADEMY)
Charter School No. 4113

UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
For the Year Ended June 30, 2015

		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				
Total Revenue		$ 3,563,253	$ 3,563,256	$ (3)
Total Expenditures		3,461,223	3,461,224	1
Nonspendable:				
460	Nonspendable Fund Balance	45,034	45,034	-
Restricted/Reserved:				
403	Staff Development	-	-	-
405	Deferred Maintenance	-	-	-
407	Capital Projects Levy	-	-	-
408	Cooperative Programs	-	-	-
409	Alternative Facility Program	-	-	-
414	Operating Debt	-	-	-
416	Levy Reduction	-	-	-
417	Taconite Building Maintenance	-	-	-
424	Operating Capital	-	-	-
426	$ 25 Taconite	-	-	-
427	Disabled Accessibility	-	-	-
428	Learning and Development	-	-	-
434	Area Learning Center	-	-	-
435	Contracted Alternative Programs	-	-	-
436	State Approved Alternative Program	-	-	-
438	Gifted and Talented	-	-	-
440	Teacher Development and Evaluation	-	-	-
441	Basic Skills Programs	-	-	-
445	Career Technical Programs	-	-	-
448	Achievement and Integration Revenue	-	-	-
449	Safe School Crime	-	-	-
450	Transition for Pre-Kindergarten	-	-	-
451	QZAB and QSCB Payments	-	-	-
452	OPEB Liabilities not in Trust	-	-	-
453	Unfunded Severance and Retirement Levy	-	-	-
Restricted:				
464	Restricted Fund Balance	-	-	-
Committed:				
418	Committed for Separation	-	-	-
461	Committed	-	-	-
Assigned:				
462	Assigned Fund Balance	-	-	-
Unassigned:				
422	Unassigned Fund Balance	548,258	548,259	(1)
02 FOOD SERVICES FUND				
Total Revenue		$ 676	$ 676	$ -
Total Expenditures		1,627	1,627	-
Nonspendable:				
460	Nonspendable Fund Balance	-	-	-
Restricted/Reserved:				
452	OPEB Liabilities not Held in Trust	-	-	-
Restricted:				
464	Restricted Fund Balance	-	-	-
Unassigned:				
463	Unassigned Fund Balance	-	-	-
04 COMMUNITY SERVICE FUND				
Total Revenue		$ -	$ -	$ -
Total Expenditures		-	-	-
Reserved:				
Nonspendable:				
460	Nonspendable Fund Balance	-	-	-
Restricted/Reserved:				
426	$ 25 Taconite	-	-	-
431	Community Education	-	-	-
432	ECFE	-	-	-
444	School Readiness	-	-	-
447	Adult Basic Education	-	-	-
452	OPEB Liabilities not in Trust	-	-	-
Restricted:				
464	Restricted Fund Balance	-	-	-
Unassigned:				
463	Unassigned Fund Balance	-	-	-

		Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION FUND				
Total Revenue		$ -	$ -	$ -
Total Expenditures		-	-	-
Nonspendable:				
460	Nonspendable Fund Balance	-	-	-
Restricted/Reserved:				
407	Capital Projects Levy	-	-	-
409	Alternative Facility Program	-	-	-
413	Building Projects Funded by COP/LP	-	-	-
Restricted:				
464	Restricted Fund Balance	-	-	-
Unassigned:				
463	Unassigned Fund Balance	-	-	-
07 DEBT SERVICE FUND		$ -	$ -	$ -
Total Revenue		-	-	-
Total Expenditures				
Nonspendable:				
460	Nonspendable Fund Balance	-	-	-
Restricted/Reserved:				
425	Bond Refunding	-	-	-
451	QZAB and QSCB Payments	-	-	-
Restricted:				
464	Restricted Fund Balance	-	-	-
Unassigned:				
463	Unassigned Fund Balance	-	-	-
08 TRUST FUND		$ -	$ -	$ -
Total Revenue		-	-	-
Total Expenditures				
Unassigned:				
422	Unassigned Fund Balance (Net Position)	-	-	-
20 INTERNAL SERVICE FUND		$ -	$ -	$ -
Total Revenue		-	-	-
Total Expenditures				
Unassigned:				
422	Unassigned Fund Balance (Net Position)	-	-	-
25 OPEB REVOCABLE TRUST		$ -	$ -	$ -
Total Revenue		-	-	-
Total Expenditures				
Unassigned:				
422	Unassigned Fund Balance (Net Position)	-	-	-
45 OPEB IRREVOCABLE TRUST		$ -	$ -	$ -
Total Revenue		-	-	-
Total Expenditures				
Unassigned:				
422	Unassigned Fund Balance (Net Position)	-	-	-
47 OPEB DEBT SERVICE		$ -	$ -	$ -
Total Revenue		-	-	-
Total Expenditures				
Nonspendable:				
460	Nonspendable Fund Balance	-	-	-
Restricted:				
425	Bond Refunding	-	-	-
464	Restricted Fund Balance			
Unassigned:		-	-	-
422	Unassigned Fund Balance			

BerganKDV, Ltd.

Cedar Falls
602 Main Street
Suite 100
P.O. Box 489
Cedar Falls, IA
50613-0026
T 319.268.1715
F 319.268.1720

Cedar Rapids
2720 1st Avenue NE
Suite 300
P.O. Box 10200
Cedar Rapids, IA
52402-0200
T 319.294.8000
F 319.294.9003

Coralville
2530 Corridor Way
Suite 301
P.O. Box 5267
Coralville, IA
52241-0267
T 319.248.0367
F 319.248.0582

Des Moines
9207 Northpark Drive
Johnston, IA
50131-2933
T 515.727.5700
F 515.727.5800

Minneapolis
3800 American Blvd W
Suite 1000
Bloomington, MN
55431-4420
T 952.563.6800
F 952.563.6801

St. Cloud
220 Park Avenue S
P.O. Box 1304
St. Cloud, MN
56302-3713
T 320.251.7010
F 320.251.1784

Waterloo
100 East Park Avenue
Suite 300
P.O. Box 2100
Waterloo, IA
50704-2100
T 319.234.6885
F 319.234.6287

bergankdv.com

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Spero Academy (FKA Fraser Academy)
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 and each major fund of Spero Academy (FKA Fraser Academy), Minneapolis, Minnesota, as of and for the year ending June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated November 17, 2015.

Internal Control over Financial Reporting

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

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

Our consideration of 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

BerganKDV Ltd.

BerganKDV, Ltd.
Minneapolis, Minnesota
November 17, 2015

BerganKDV

REPORT ON LEGAL COMPLIANCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Spero Academy (FKA Fraser Academy)
Minneapolis, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Spero Academy (FKA Fraser Academy), Minneapolis, Minnesota, 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 17, 2015.

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

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

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

BerganKDV Ltd.

BerganKDV, Ltd.
Minneapolis, Minnesota
November 17, 2015

BerganKDV, Ltd.

Cedar Falls
602 Main Street
Suite 100
P.O. Box 489
Cedar Falls, IA
50613-0026
T 319.268.1715
F 319.268.1720

Cedar Rapids
2720 1st Avenue NE
Suite 300
P.O. Box 10200
Cedar Rapids, IA
52402-0200
T 319.294.8000
F 319.294.9003

Coralville
2530 Corridor Way
Suite 301
P.O. Box 5267
Coralville, IA
52241-0267
T 319.248.0367
F 319.248.0582

Des Moines
9207 Northpark Drive
Johnston, IA
50131-2933
T 515.727.5700
F 515.727.5800

Minneapolis
3800 American Blvd W
Suite 1000
Bloomington, MN
55431-4420
T 952.563.6800
F 952.563.6801

St. Cloud
220 Park Avenue S
P.O. Box 1304
St. Cloud, MN
56302-3713
T 320.251.7010
F 320.251.1784

Waterloo
100 East Park Avenue
Suite 300
P.O. Box 2100
Waterloo, IA
50704-2100
T 319.234.6885
F 319.234.6287

bergankdv.com