

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2024



**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
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INTRODUCTORY SECTION

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2024**

SCHOOL BOARD

Name	Term of Board Expires	Board Position
Patrick Exner	June 2024	Board Chair
Jeremy Gharineh	June 2024	Board Member
Malaney Peterson	June 2024	Board Member
Abdirashid Abdi	June 2024	Board Member
Jenabo Tourre	June 2024	Board Member
James Cosgrove	June 2024	Board Member
Paige Lund	June 2024	Board Member

ADMINISTRATION

Jason Stockwell	Principal/Executive Director
School Office:	Charter School No.4239
	Twin Lakes STEM Academy,
	6201 Noble Avenue,
	Brooklyn Center,
	Minnesota 55429.

FINANCIAL SECTION



Thomas & Company, CPA, PA

Certified Public Accountants and Business Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Twin Lakes STEM Academy
Charter School No. 4239
Brooklyn Center, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Twin Lakes STEM Academy (the school) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the school's basic financial statements, as listed in the table of contents.

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 Twin Lakes STEM Academy, as of June 30, 2024, and the respective changes in financial position and the respective budgetary comparison for the General Fund, Food Service Fund and Community Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Twin Lakes STEM Academy to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the school's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the school's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the school's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, TRA Schedule of the School's Proportionate Share of the Net Pension Liability, TRA Schedule of School Contributions, GERS Schedule of the School's Proportionate Share of the Net Pension Liability, and GERS Schedule of School Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Required Supplementary Information (Continued)

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) compliance table is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The information as identified in the table of contents has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2024, on our consideration of the school's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the school's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the school's internal control over financial reporting and compliance.

Thomas & Company CPA PA
Cooper City, Florida
December 17, 2024

REQUIRED SUPPLEMENTARY INFORMATION

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

This section of Twin Lakes STEM Academy– Charter School No. 4239’s (the School) annual financial statements present our discussion and analysis of the school’s financial performance during the fiscal year ended June 30, 2024. Please read it in conjunction with the school’s financial statements which immediately follow this section. Certain comparative information between the current year (2023-2024) and the prior year (2022-2023) is required to be presented in the Management’s Discussion and Analysis.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2023-2024 fiscal year include the following:

- The fund balance of the General Fund decreased \$282,434 from the prior year for an ending fund balance of \$143,108 on June 30, 2024.
- Net position decreased by \$360,208 during fiscal year ending June 30, 2024.
- Total General Fund revenues were \$ 3,743,617 as compared to \$ 3,839,701 of expenditures.
- Government-wide total revenues were \$ 4,082,738 as compared to \$4,442,946 of expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

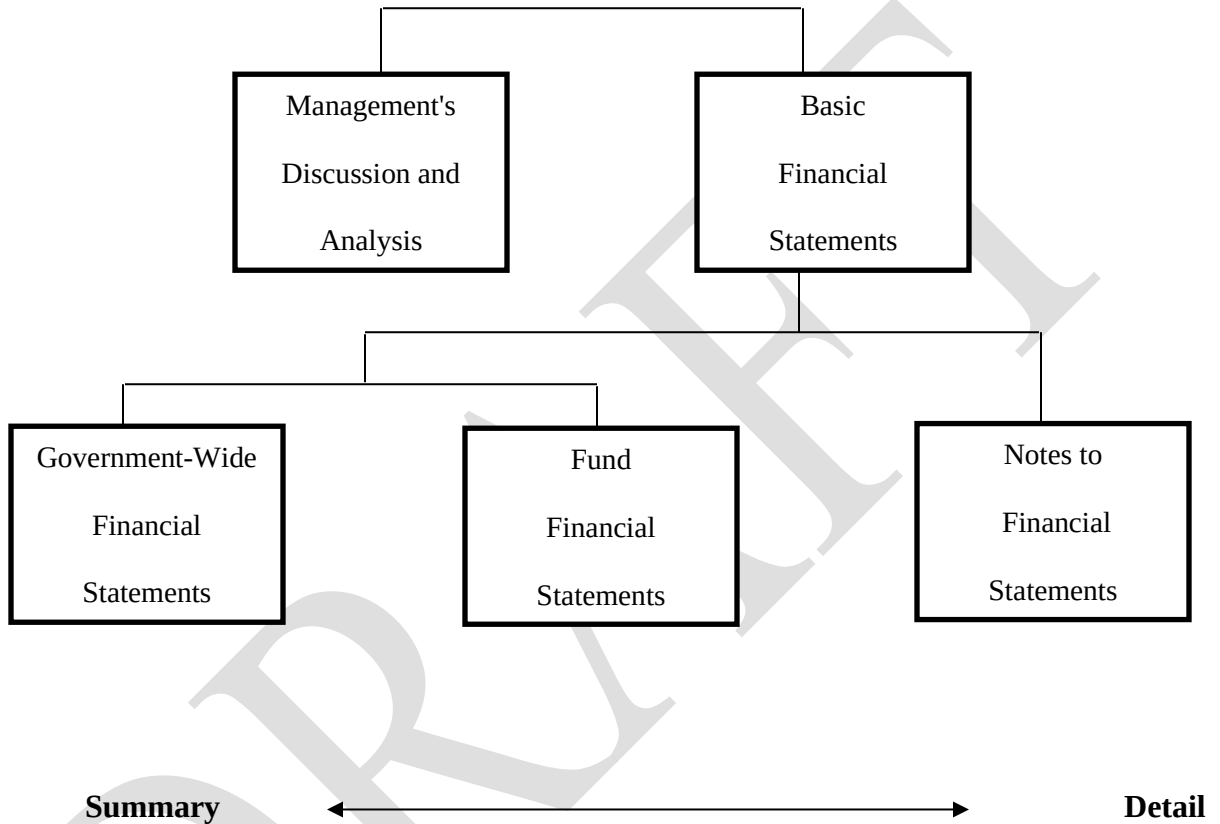
The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the financial statements.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

**Table A-1
Annual Report Format**



**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Fund Financial Statements		
	Government-Wide Statements	Governmental Funds
Scope	Entire School	The activities of the school
Required financial statements	* Statement of Net Position * Statement of Activities	* Balance Sheet * Statement of Revenues, Expenditures and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.
Type of assets/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, the assets that are expected to be used up and the liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.
Type of inflow/outflow information	All revenues and expenses during the 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.

GOVERNMENT-WIDE STATEMENTS

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

The two government-wide statements report the school’s *net position* and how they have changed. Net position—the difference between the school’s assets, deferred outflows of resources, liabilities and deferred inflows of resources—is one way to measure the school’s financial health or *position*.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

GOVERNMENT-WIDE STATEMENTS (CONTINUED)

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

In the government-wide financial statements, the school’s activities are all shown in one category:

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

FUND FINANCIAL STATEMENTS

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

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

The school has the following fund types:

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

The school uses or may use the following types of Governmental Funds:

- General Fund - is the school’s primary operating fund. It accounts for all financial resources of the school, except those required to be accounted for in another fund.
- Special Revenue Funds – account for specific revenue, such as federal grants, that is legally restricted to expenditures for particular purposes.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The school's combined net position was a deficit of \$ 2,191,085 on June 30, 2024 (see Table A-1).

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

	Governmental Activities as of June 30,		Percentage Change
	2024	2023	
Assets and Deferred Outflows of Resources			
Assets			
Current and Other Assets	\$ 542,784	\$ 662,499	-18.07%
Capital and Right-to-use Assets, Net	11,271,332	11,593,253	-2.78%
Total Assets	11,814,116	12,255,752	-3.60%
Deferred Outflows of Resources			
Deferred Outflows - Pension Payments	938,880	1,404,329	-33.14%
Total Assets and Deferred Outflows of Resources	12,752,996	13,660,081	-6.64%
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Current Liabilities	518,397	490,644	5.66%
Long-Term Liabilities	14,042,381	14,518,100	-3.28%
Total Liabilities	14,560,778	15,008,744	-2.98%
Deferred Inflows of Resources			
Deferred Inflows - Pension Payments	383,303	482,214	-20.51%
Net Position			
Net Investment in Capital Assets	(922,452)	(694,040)	32.91%
Unrestricted	(1,271,133)	(1,136,837)	11.81%
Total Net Position	(2,191,085)	(1,830,877)	19.67%
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 12,752,996	\$ 13,660,081	-6.64%

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (Continued)

Changes in Net Position

The school's total government-wide revenues were \$ 4,082,738 for the year ended June 30, 2024 (see Table A-2). State formula aid accounted for 67% of total revenue for the year. The remaining 33% came from other general and program revenues.

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

	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2024	2023	
Revenues			
Program Revenues			
Charges for services	\$ 144	\$ 71,963	-99.80%
Operating Grants and Contributions	1,047,284	1,179,108	13.61%
General Revenues			
Unrestricted State Aid	2,723,252	2,215,472	9.73%
Investment earnings	55	-	
Other Revenues	312,003	96,642	222.84%
Total Revenues	4,082,738	3,563,185	14.58%
Expenses			
Administration	289,217	206,094	40.33%
District Support Services	328,640	319,451	2.88%
Regular Instruction	1,205,756	1,438,077	-16.15%
Special Education Instruction	514,242	380,332	35.21%
Instructional Support Services	16,944	11,371	49.01%
Pupil Support Services	608,390	524,158	16.07%
Sites And Buildings	682,919	305,454	123.58%
Fiscal and Other Fixed Cost Programs	30,985	25,124	23.33%
Food Service	335,617	176,004	90.69%
Community education and services	180,056	196,523	-8.38%
Interest on Long-Term Liabilities	250,180	462,857	-45.95%
Total Expenses	4,442,946	4,045,445	9.83%
Change in Net Position	(360,208)	(482,260)	
Net Position – Beginning, as previously stated	(1,830,877)	(1,348,617)	
Net Position – Ending of the year	\$ (2,191,085)	\$ (1,830,877)	

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

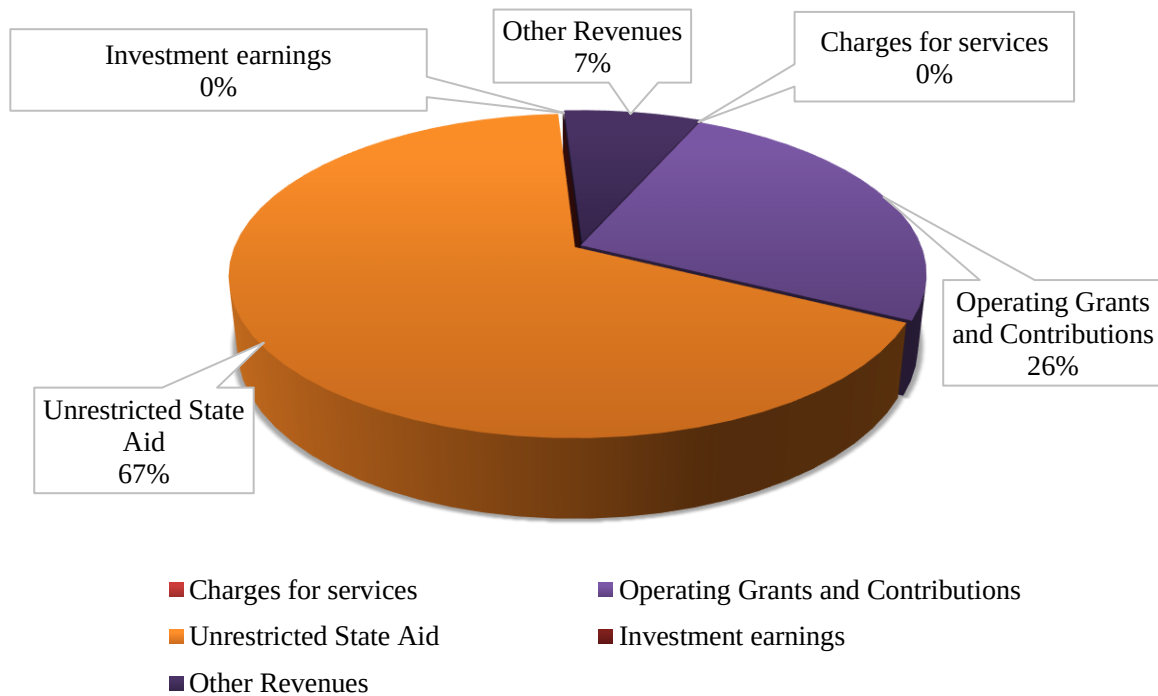
FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)

Total expenses exceed revenues resulting in a decrease in net position by \$ 360,208, Total revenues increased by 14.58 % and total expenses increased by 9.83%.

The cost of all governmental activities this year was \$ 4,442,946:

- The state and federal government subsidized certain programs with grants and contributions (\$1,047,428).
- Most of the School's costs were paid for by unrestricted state aid and other general revenue (\$ 3,035,310).

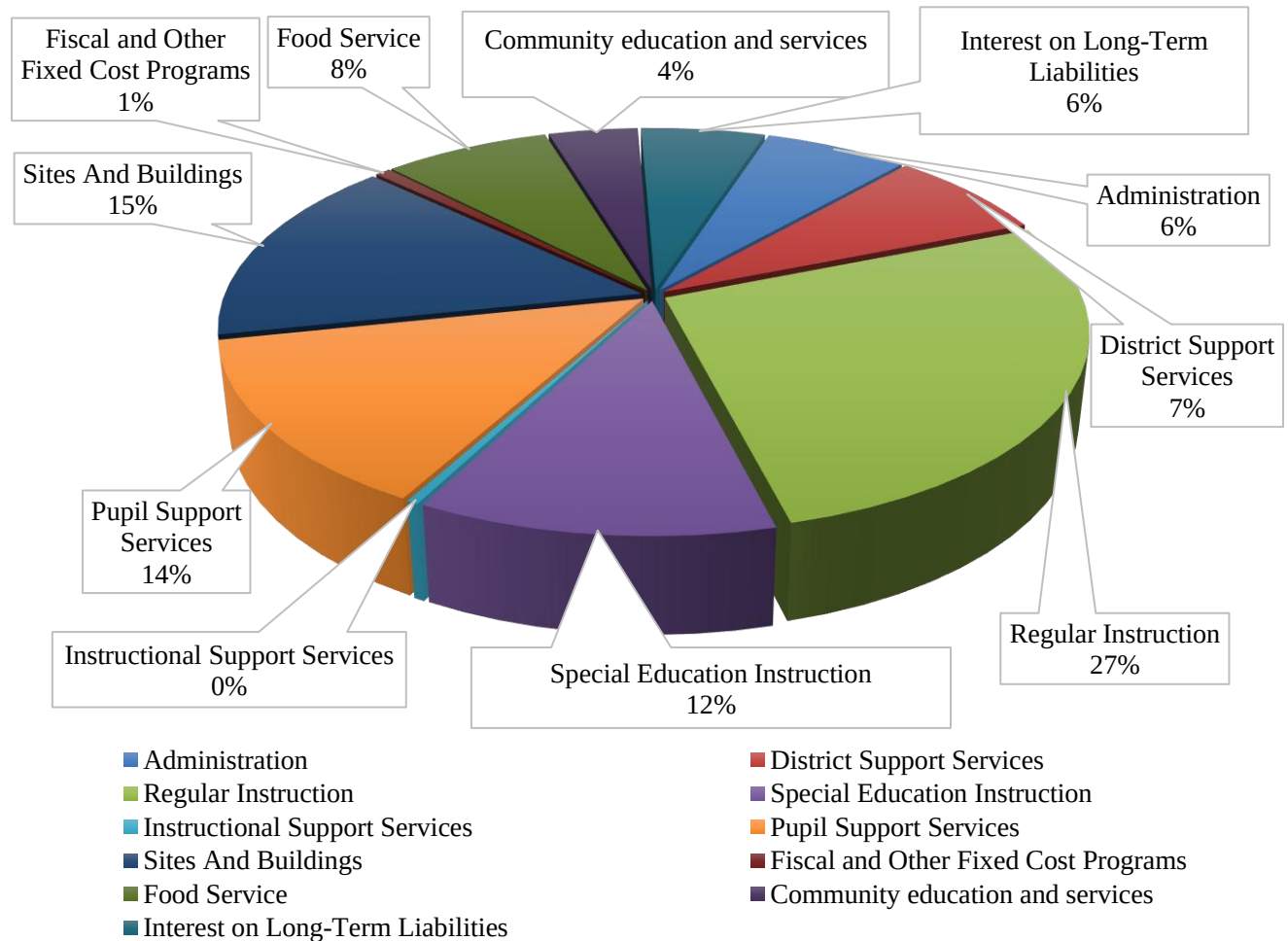
**Figure A-1
School Revenues for Fiscal 2024**



**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)

**Figure A-3
School Expenses for Fiscal 2024**



All governmental funds include not only funds received for the general operation of the School, which are used for classroom instruction, but also include resources from the entrepreneurial type fund of Food Service. Funding for the general operation of the School is controlled by the state and the School does not have the latitude to allocate money received in Food Service to enhance classroom instruction resources. The School cannot take funds from this restricted area and use the funds to hire teachers to enhance instruction.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)

**Table A-3
Program Expenses and Net Cost of Services for Fiscal 2024**

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2024	2023	Change	2024	2023	Change
Administration	\$ 289,217	\$ 206,094	40.33%	\$ 289,217	\$ 206,094	40.33%
District Support Services	328,640	319,451	2.88%	328,640	317,125	3.63%
Regular Instruction	1,205,756	1,438,077	-16.15%	1,044,038	998,180	4.59%
Special Education Instruction	514,242	380,332	35.21%	(48,597)	15,736	-408.83%
Instructional Support Services	16,944	11,371	49.01%	16,944	11,371	49.01%
Pupil Support Services	608,390	524,158	16.07%	608,390	524,158	16.07%
Sites and Buildings	682,919	305,454	123.58%	682,919	305,454	123.58%
Fiscal and Other Fixed Cost Programs	30,985	25,124	23.33%	30,985	25,124	23.33%
Food Service	335,617	176,004	90.69%	96,296	31,165	208.99%
Community education and services	180,056	196,523	-8.38%	96,506	104,972	-8.07%
Interest on Long-Term Liabilities	250,180	462,857	-45.95%	250,180	254,995	-1.89%
Total	\$ 4,442,946	\$ 4,045,445		\$ 3,395,518	\$ 2,794,374	

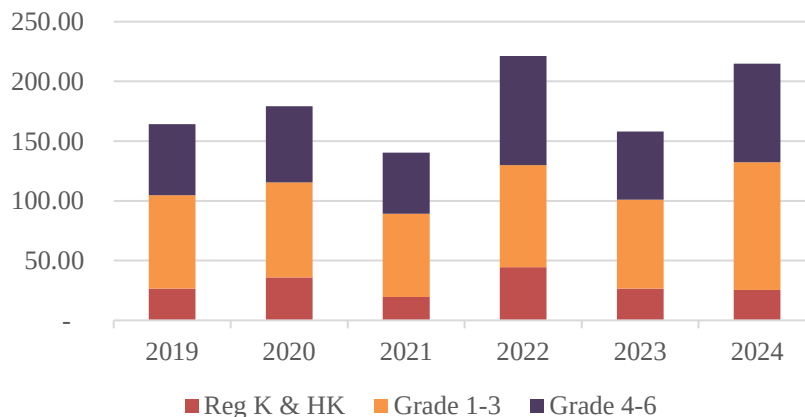
FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The financial performance of the school as a whole is reflected in its governmental funds. Revenues for the School's governmental funds were \$ 4,066,488 while total expenditures were \$ 4,348,922. This contributed to a combined fund balance of \$ 143,108 which is \$ 282,434 less than last year's ending fund balance of \$ 425,542.

Enrollment

Enrollment is a critical factor in determining revenue with a very high percentage of General Fund revenue being determined by enrollment. The following chart shows that the number of students has increased approximately 57 ADM from the fiscal year 2023 to 2024.

**Figure A-4
Enrollment Trend
Average Daily Membership (ADM)**



**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

Enrollment (Continued)

It is hoped that the school will maintain a steady enrollment. All staff members need to assume an active role in retention and recruitment efforts. The school will continue to pursue creative and thoughtful marketing strategies to encourage families to consider the school as the option of choice.

The school's average enrollment in 2023-2024 was 215 students compared to 158 in the prior year.

GENERAL FUND

The General Fund includes the primary operations of the school in providing educational services to students from kindergarten through grade 6, including activities and capital outlay projects.

A significant portion of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board not having meaningful authority to determine the level of resources.

The following schedule presents a summary of General Fund Revenues.

	Table A-4 General Fund Revenues			
	2024	2023	Increase (Decrease)	Percentage Change
Federal Sources	\$ 213,039	\$ 467,639	\$(254,600)	-54.44%
State Sources	3,218,520	2,806,563	411,957	14.68%
Local Sources:				
Other	312,058	96,642	215,416	222.90%
Total General Fund Revenue	<u>\$3,743,617</u>	<u>\$ 3,370,844</u>	<u>\$ 372,773</u>	

Total General Fund Revenue was \$ 3,743,617 for the year. Basic general education revenue is determined by multiple complex state formulas, largely enrollment driven, and consists of a specified minimum amount with variables such as socioeconomic indicators driving additional funding. For Minnesota charter schools the most of all funding consists of general education aid, special education aid and charter school lease aid. Other revenue consists of federal and private grant funding that is often expenditure driven.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Expenditures.

**Table A-5
General Fund Expenditures**

	Year Ended June 30,		Change	
	2024	2023	Increase (Decrease)	Percentage Change
Salaries and Wages	\$ 1,672,137	\$ 1,534,732	\$ 137,405	8.95%
Employee Benefits	418,281	428,776	(10,495)	-2.45%
Purchased Service	980,491	941,394	39,097	4.15%
Supplies and Materials	167,438	194,925	(27,487)	-14.10%
Capital Expenditures	94,782	-	94,782	
Other Expenditures	2,705	24,314	(21,609)	-88.87%
Debt Service	503,867	396,988	106,879	26.92%
Total General Fund Expenditures	\$ 3,839,701	\$ 3,521,129	\$ 318,572	

Total General Fund Expenditures were \$ 3,839,701 for the year which is an increase of \$ 318,572 or 9.05 % from the prior year. Salaries and Wages (44%), employee benefits (11%), purchased services (26%) and Debt Service (13%) made up 93% of all the expenditures incurred.

Ending fund balance is the single best measure of overall financial health. The fund balance of the General Fund at June 30, 2024 is \$ 143,108 or 3.73% of annual expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

Total General Fund revenues were \$78,315 (or 2.14%) higher than the final amended budget. Total General Fund expenditures were more than the final amended budget by \$1,064 (or 0.03%). The majority of this is found in the areas of Administration, District Support Services and Regular Instruction.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

OTHER MAJOR FUNDS

Expenditures exceeded revenues in the Food Service Fund by \$ 96,296. A transfer from the General Fund was necessary to cover the deficit as required by rules and regulations.

Expenditures exceeded revenues in the Community Service Fund by \$ 90,054. A transfer from the General Fund was necessary to cover the deficit as required by rules and regulations.

CAPITAL ASSETS

By the end of the 2023-2024 fiscal year, the school had \$ 12,374,898 in capital assets, consisting equipment, furniture and fixtures and right-to-use lease (see Table A-7). More detailed information about capital assets can be found in the notes to the financial statements. Total depreciation expense for the year was \$ 369,770.

**Table A-7
Capital Assets**

	2024	2023	Percentage Change
Equipment, Furniture, and Fixtures	\$ 65,649	\$ 17,800	269%
Assets Under Long-Term leases	12,309,249	12,309,249	-
Less: Accumulated Depreciation	(1,103,566)	(733,796)	50%
Total Capital Assets	\$ 11,271,332	\$ 11,593,253	-3%

LONG-TERM LIABILITIES

At year-end, the school had a net amount of \$ 14,161,102 in long-term liabilities, which relates to the school's proportionate share of PERA's and TRA's net pension liabilities and lease liabilities which were booked in the prior years in accordance with GASB Statement No. 87.

**Table A-8
Long-Term Liabilities**

	2024	2023	Percentage Change
Long-Term Leases Payable	\$ 12,193,784	\$ 12,287,293	-1%
Net Pension Liability	1,967,318	2,324,316	-15%
Total Long-Term Liabilities	\$ 14,161,102	\$ 14,611,609	-3%
Long-Term Liabilities:			
Due within One Year	\$ 118,721	\$ 93,509	
Due in More Than One Year	14,042,381	14,518,100	
Total	\$ 14,161,102	\$ 14,611,609	

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

FACTORS BEARING ON THE SCHOOL’S FUTURE

The school is dependent on the state of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. It is imperative that the school’s financial management develop budgets with a surplus to be added to the unassigned fund balance in order to meet their fund balance policy requirements.

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

CONTACTING THE SCHOOL’S FINANCIAL MANAGEMENT

This financial report is designed to provide our constituents, state oversight agencies, lenders, customers, legislative leaders, and creditors with a general overview of the school’s finances and to demonstrate the school’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administration Office, Twin Lakes STEM Academy, 6201 Noble Avenue, Brooklyn Center, Minnesota 55429.

BASIC FINANCIAL STATEMENTS

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
STATEMENT OF NET POSITION
AS OF JUNE 30, 2024**

	<u>Governmental Activities</u>
Assets	
Cash	
Cash and Investments	\$ 188,236
Receivables:	
Due from Department of Education	298,703
Due from Federal Government through Department of Education	13,025
Due from other Minnesota School Districts	11,964
Due from other Funds	28,356
Prepaid Items	2,500
Capital Assets, Net	48,915
Right-to-use Assets, Net	11,222,417
Total Assets	<u>11,814,116</u>
Deferred Outflows of Resources	
Deferred Outflows - Pension Payments	938,880
Total Assets and Deferred Outflows of Resources	<u>12,752,996</u>
Liabilities	
Accounts Payable	185,229
Salaries Payable	214,447
Net Pension Liability	1,967,318
Lease Liability:	
Due Within One Year	118,721
Due After One Year	12,075,063
Total Liabilities	<u>14,560,778</u>
Deferred Inflows of Resources	
Deferred Inflows - Pension Payments	383,303
Net Position	
Net Investment in Capital Assets	(922,452)
Unrestricted	(1,268,633)
Total Net Position	<u>(2,191,085)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 12,752,996</u>

“The notes to the financial statements are an integral part of this statement.”

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

Functions	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		Total Governmental Activities
Governmental Activities					
Administration	\$ 289,217	\$ -	\$ -	\$ -	\$ (289,217)
District Support Services	328,640	-	-	-	(328,640)
Regular Instruction	1,205,756	-	161,718	-	(1,044,038)
Special Education Instruction	514,242	-	562,839	-	48,597
Instructional Support Services	16,944	-	-	-	(16,944)
Pupil Support Services	608,390	-	-	-	(608,390)
Sites and Buildings	682,919	-	-	-	(682,919)
Fiscal and Other Fixed Cost Programs	30,985	-	-	-	(30,985)
Food Service	335,617	-	239,321	-	(96,296)
Community Education and Services	180,056	144	83,406	-	(96,506)
Interest and Fiscal Charges on Long-term Liabilities	250,180	-	-	-	(250,180)
Total Governmental Activities	\$ 4,442,946	\$ 144	\$ 1,047,284	\$ -	(3,395,518)
General Revenues					
Unrestricted State Aid					2,723,252
Other General revenues					312,003
Investment income					55
Total General Revenues					3,035,310
Change in Net Position					(360,208)
Net Position – Beginning, as previously stated					(1,830,877)
Net Position – Ending					\$ (2,191,085)

“The notes to the financial statements are an integral part of this statement.”

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
BALANCE SHEET GOVERNMENTAL FUNDS
AS OF JUNE 30, 2024**

	Major Funds			Total
	General Fund	Food Service Fund	Community Service Fund	Governmental Funds
Assets				
Cash				
Cash and Investments	\$ 148,500	\$ 19,465	\$ 20,271	\$ 188,236
Receivables:				
Due from other Funds	28,356	-	-	28,356
Due from Department of Education	298,703	-	-	298,703
Due from Federal Government through Department of Education	13,025	-	-	13,025
Due from other Minnesota School Districts	11,964	-	-	11,964
Prepaid Items	2,500	-	-	2,500
Total Assets	503,048	19,465	20,271	542,784
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	167,501	17,051	677	185,229
Salaries Payable	192,439	2,414	19,594	214,447
Total Liabilities	359,940	19,465	20,271	399,676
Fund Balances (Deficit)				
Non-spendable:				
Prepays	2,500	-	-	2,500
Unassigned	140,608	-	-	140,608
Total Fund Balances (Deficit)	143,108	-	-	143,108
Total Liabilities and Fund Balances (Deficit)	\$ 503,048	\$ 19,465	\$ 20,271	\$ 542,784

“The notes to the financial statements are an integral part of this statement.”

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENT FUNDS TO THE
STATEMENT OF NET POSITION
AS OF JUNE 30, 2024**

Total Fund Balances – Governmental Funds	\$	143,108
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Capital Assets, Net of Accumulated Depreciation		48,915
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Leased assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the funds.

Right-to-use Assets, Net of Accumulated Amortization		11,222,417
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The School's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:

Net Pension Liability		(1,967,318)
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Deferred Outflows of Resources - Pensions		938,880
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Deferred Inflows of Resources - Pensions		(383,303)
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Long-term liabilities that pertain to governmental funds, including loans payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:

Obligations Under Capital Leases		(12,193,784)
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Total Net Position – Governmental Activities		
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	\$	(2,191,085)
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“The notes to the financial statements are an integral part of this statement.”

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024**

	Major Funds			Total Governmental Funds 2024
	General Fund	Food Service Fund	Community Service Fund	
Revenue				
Federal Sources	\$ 213,039	\$ 225,185	\$ 83,406	\$ 521,630
State Sources	3,218,520	14,136	-	3,232,656
Local Sources:				
Other	312,058	-	144	312,202
Total Revenue	3,743,617	239,321	83,550	4,066,488
Expenditures				
Current:				
Administration	287,492	-	-	287,492
District Support Services	327,213	-	-	327,213
Regular Instruction	1,196,838	-	-	1,196,838
Special Education Instruction	510,212	-	-	510,212
Instructional Support Services	16,944	-	-	16,944
Pupil Support Services	601,605	-	-	601,605
Sites and Buildings	66,516	-	-	66,516
Fiscal and Other Fixed Cost Programs	30,985	-	-	30,985
Food Service	-	335,617	-	335,617
Community Education and Services	-	-	173,604	173,604
Capital Outlay:				
Instructional Support Services	9,882	-	-	9,882
Pupil Support Services	37,967	-	-	37,967
Debt Service:				
Principal	503,867	-	-	503,867
Interest and Fiscal Charges	250,180	-	-	250,180
Total Expenditures	3,839,701	335,617	173,604	4,348,922
Excess (Deficiency) of Revenue Over (Under) Expenditures	(96,084)	(96,296)	(90,054)	(282,434)
Other Financing Sources (Uses)				
Transfers In	-	96,296	90,054	186,350
Transfers (Out)	(186,350)	-	-	(186,350)
Total Other Financing Sources (Uses)	(186,350)	96,296	90,054	-
Net Change in Fund Balances	(282,434)	-	-	(282,434)
Fund Balances (Deficit) - Beginning of the year	425,542	-	-	425,542
Fund Balances (Deficit) - End of the year	\$ 143,108	\$ -	\$ -	\$ 143,108

“The notes to the financial statements are an integral part of this statement.”

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

Total Net Change in Fund Balances – Governmental Funds **\$ (282,434)**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation exceeded capital outlays in the current period is:

Capital Outlays	47,849
Depreciation Expense	(7,628)

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.

Amortization on Right-to-use Assets	(362,142)
Principal Payments - Capital Leases	253,687

Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.

Pension Expenses	(9,540)
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Change in Net Position – Governmental Activities

	\$ (360,208)
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“The notes to the financial statements are an integral part of this statement.”

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts			
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget
Revenue				
Federal Sources	\$ 130,066	\$ 204,513	\$ 213,039	\$ 8,526
State Sources	3,424,004	3,124,946	3,218,520	93,574
Local Sources:				
Other	66,770	335,843	312,058	(23,785)
Total Revenue	3,620,840	3,665,302	3,743,617	78,315
Expenditures				
Current				
Administration	635,738	632,193	287,492	344,701
District Support Services	130,066	186,281	327,213	(140,932)
Regular Instruction	881,554	1,047,591	1,196,838	(149,247)
Special Education Instruction	521,299	471,628	510,212	(38,584)
Instructional Support Services	10,118	15,218	16,944	(1,726)
Pupil Support Services	483,443	599,645	601,605	(1,960)
Sites and Buildings	41,510	53,540	66,516	(12,976)
Fiscal and Other Fixed Cost Programs	25,000	30,645	30,985	(340)
Capital Outlay:				
Instructional Support Services	9,882	9,882	9,882	-
Pupil Support Services	37,967	37,967	37,967	-
Debt Service:				
Principal	503,867	503,867	503,867	-
Interest and Fiscal Charges	250,180	250,180	250,180	-
Total Expenditures	3,530,624	3,838,637	3,839,701	(1,064)
Excess (Deficiency) of Revenue Over (Under) Expenditures	90,217	(173,334)	(96,084)	77,250
Other Financing Sources (Uses)				
Transfers Out	(36,239)	(175,177)	(186,350)	(11,173)
Total Other Financing Sources (Uses)	(36,239)	(175,177)	(186,350)	(11,173)
Net Change in Fund Balances	\$ 53,977	\$(348,512)	(282,434)	\$ 66,078
Fund Balances (Deficit) - Beginning of the Year			425,542	
Fund Balances (Deficit) - End of the Year			\$ 143,108	

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts			Over (Under) Final Budget
	Original Budget	Final Budget	Actual Amounts	
Revenue				
Federal Sources	\$ 170,260	\$ 221,363	\$ 225,185	\$ 3,822
State Sources	3,560	13,840	14,136	296
Total Revenue	173,820	235,203	239,321	4,118
Expenditures				
Current				
Food Service	210,059	333,599	335,617	(2,018)
Total Expenditures	210,059	333,599	335,617	(2,018)
Excess (Deficiency) of Revenue Over (Under) Expenditures	(36,239)	(98,396)	(96,296)	2,100
Other Financing Sources (Uses)				
Transfers In	36,239	98,396	96,296	2,100
Total Other Financing Sources (Uses)	36,239	98,396	96,296	2,100
Net Change in Fund Balances	\$ -	\$ -	-	\$ -
Fund Balances (Deficit) - Beginning of the Year			-	
Fund Balances (Deficit) - End of the Year			\$ -	

“The notes to the financial statements are an integral part of this statement.”

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Budgeted Amounts</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
Revenue				
Federal Sources	\$ 60,000	\$ 84,020	\$ 83,406	\$ (614)
Local Sources:				
Other	88,027	150	144	(6)
Total Revenue	<u>148,027</u>	<u>84,170</u>	<u>83,550</u>	<u>(620)</u>
Expenditures				
Current				
Community education and services	148,027	160,950	173,604	(12,654)
Total Expenditures	<u>148,027</u>	<u>160,950</u>	<u>173,604</u>	<u>(12,654)</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>-</u>	<u>(76,781)</u>	<u>(90,054)</u>	<u>(13,273)</u>
Other Financing Sources (Uses)				
Transfers In	-	76,781	90,054	(13,273)
Total Other Financing Sources (Uses)	<u>-</u>	<u>76,781</u>	<u>90,054</u>	<u>(13,273)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balances (Deficit) - Beginning of the Year			-	
Fund Balances (Deficit) - End of the Year			<u>\$ -</u>	

“The notes to the financial statements are an integral part of this statement.”

NOTES TO BASIC FINANCIAL STATEMENTS

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Twin Lakes STEM Academy Charter School No. 4239 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The *Governmental Accounting Standards Board* (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Financial Reporting Entity

Charter School No. 4239, also known as Twin Lakes STEM Academy (the school), is a nonprofit corporation that was formed, and began operating, on August 25, 2014, in accordance with Minnesota Statutes. The school is authorized by Volunteers of America-Minnesota under the terms of an authorizer agreement extending through fiscal year 2026. The governing body consists of a board of directors composed of a Chair, Secretary, and such other officers as the Board of Education shall determine from time to time.

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

Component units are legally separate entities for which the school is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be a blended component unit of the school.

Aside from its authorizer role, Volunteers of America-Minnesota has no authority, control, power, or administrative responsibilities over the school. Therefore, the School is not considered a component unit of Volunteers of America.

C. Basic Financial Statement Presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the school.

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

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

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

D. Measurement Focus and Basis of Accounting

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

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

1. Revenue Recognition

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

2. Recording of Expenditures

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

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds

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

Major Governmental Funds

General Fund

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

Special Revenue Funds

The special revenue funds are used to account for the proceeds of certain specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified ***purposes***. The school maintains the following special revenue funds:

Food Service Special Revenue Fund

The Food Service Fund is used to account for food service revenues and expenditure. Primary sources of revenue in the Food Service Fund are from meal sales and state and federal aid. The Food Service Fund also receives funds via a transfer from the General Fund.

Community Service Special Revenue Fund

The Community Service fund accounts for services provided for before and after school care. Primary sources of *revenue* in the Community Service Fund are from user fees.

E. Income Taxes

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

F. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgets

Budgets presented in this report for comparison to actual amounts are presented in accordance with GAAP. Each June, the School Board adopts an annual budget for the following fiscal year for the General Fund, the Food Service Fund, and the Community Service Fund. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

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

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

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

	Original Budget	Amendments	Amended Budget
Revenues			
General Fund	\$ 3,620,840	\$ 44,462	\$ 3,665,302
Special Revenue Fund:			
Food Service Fund	173,820	61,383	235,203
Community Service Fund	148,027	(63,857)	84,170
Expenditures			
General Fund	2,812,816	446,951	3,259,767
Special Revenue Fund:			
Food Service Fund	210,059	123,540	333,599
Community Service Fund	\$ 148,027	\$ 12,923	\$ 160,950

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

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Cash and Investments

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

I. Accounts Receivable

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

J. Prepaid

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. These expenses are allocated over the periods benefitted using the consumption method.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school has one item that qualifies for reporting in this category related to pensions.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school has one item that qualifies for reporting in this category related to pensions.

L. Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The school maintains a threshold level of \$2,500 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statement but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the school, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 5 to 7 years for furniture, fixtures and equipment.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital Assets (Continued)

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Useful lives vary depending upon the underlying leased assets and follow the school's policies of related depreciable assets.

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

M. Leases

The School determines if an arrangement is a lease at inception. Leases are included in lease assets and lease liabilities in the statements of net position.

Lease assets represent the School's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the School's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

The lease term may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option.

N. 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.

**TWIN LAKES STEM ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Pensions (Continued)

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

PERA has a special funding situation created by direct aid contributions made by the state of Minnesota for the merger of the Minnesota Employees Retirement Fund into GERF in fiscal year 2015.

O. Risk Management

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

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

P. Net Position

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

Q. Fund Balances

In the fund financial statements, governmental funds report various levels of spending constraints. These classifications are as follows:

- Non-spendable – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include prepaid items.
- Restricted – These are subject to externally enforceable legal restrictions established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.
- Committed – These are subject to internally imposed constraints. These constraints are established by Resolution of the School Board.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Balances (Continued)

- Assigned – It consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the school's intended use. These constraints are established by the School Board and/or management. The school's assigned fund balance consists of amounts relating to interfund loans receivable.
- Unassigned – This is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

In the fund financial statements, governmental funds report non-spendable portions of fund balance related to prepaid items. Unassigned fund balances are considered the remaining amounts in the General Fund. The spending priority for the unrestricted fund balance when an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, committed amounts would be reduced first, followed by assigned and then unassigned amounts.

NOTE 2 – DEPOSITS

The school maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the Statement of Net Position and on the balance sheet as "Cash and Investments." In accordance with applicable Minnesota Statutes, the School maintains deposits at financial institutions which are authorized by the School Board.

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

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

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

The school's carrying and bank balances of deposits at June 30, 2024 Was \$ 235,325, respectively. The school's deposits in banks at June 30, 2024 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2024 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities				
Capital Assets, Being Depreciated:				
Equipment, Furniture, and Fixtures	17,800	47,849	-	65,649
Total Capital Assets, Being Depreciated	17,800	47,849	-	65,649
Less: Accumulated Depreciation for				
Equipment	(9,106)	(7,628)	-	(16,734)
Total Accumulated Depreciation	(9,106)	(7,628)	-	(16,734)
Total Capital Assets, Being Depreciated, Net	8,694	40,221	-	48,915
Right-to-use Assets				
Equipment, Furniture, and Fixtures	62,142	-	-	62,142
Buildings	12,247,107	-	-	12,247,107
Total Right-to-use Assets	12,309,249	-	-	12,309,249
Accumulated Amortization				
Equipment, Furniture, and Fixtures	(24,856)	(12,225)	-	(37,081)
Buildings	(699,834)	(349,917)	-	(1,049,751)
Total Accumulated Amortization	(724,690)	(362,142)	-	(1,086,832)
Total Right-to-use Assets, Net	11,584,559	(362,142)	-	11,222,417
Total Governmental Activities Capital and Right-to-use Assets, Net	\$ 11,593,253	\$ (321,921)	\$ -	\$ 11,271,332

Depreciation expense was charged to the following governmental functions:

Governmental Activities	
Regular Instruction	\$ 1,176
Pupil Support Services	6,452
Sites and Buildings	362,142
Total Depreciation/Amortization Expense, Governmental Activities	\$ 369,770

**TWIN LAKES STEM ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 4 –LEASES

Twin Lakes STEM Academy leases a building and equipment for various terms under long term, noncancelable lease agreements. Leases include a copier lease that expires in June of 2026 and carries an interest rate of 6.73%. The School also has a building lease that expires June 30, 2056 and carries an interest rate of 3.31%.

Total future minimum lease payments under lease agreements are as follows:

Year Ending June 30,	Long-Term Leases Payable	
	Principal	Interest
2025	118,721	406,396
2026	163,298	401,228
2027	237,888	394,232
2028	246,713	386,241
2029	255,005	377,950
2030-2034	1,409,531	1,755,290
2035-2039	1,663,913	1,501,954
2040-2044	1,968,226	1,202,441
2045-2049	2,322,162	848,692
2050-2054	2,739,488	431,367
2055-2056	1,068,839	39,324
Total	12,193,784	7,745,115

Changes in lease liability is as follows:

	June 30, 2023	Additions	Retirements	June 30, 2024	Due Within One Year
Long-Term Leases	\$ 12,287,293	\$ -	\$ 93,509	\$ 12,193,784	\$ 118,721

NOTE 5 – DEFINED BENEFIT PENSION PLANS

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

Disclosures relating to these plans follow:

1. Public Employees Retirement Association (PERA)

A. Plan Description

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

**TWIN LAKES STEM ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 5 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

1. Public Employees Retirement Association (PERA)(Continued)

A. Plan Description (Continued)

The General Employees Retirement Plan covers certain full time and certain part-time employees of the school. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

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

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the school was required to contribute 7.50 percent for Coordinated Plan members. The school's contributions to the General Employees Fund for the year ended June 30, 2024, were \$ 39,728. The school's contributions were equal to the required contributions as set by state statute.

**TWIN LAKES STEM ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 4 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

1. Public Employees Retirement Association (PERA) (Continued)

D. Pension Costs

At June 30, 2024, the School reported a liability of \$ 324,330 for its proportionate share of the General Employees Fund's net pension liability. The school's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the school totaled \$ 8,851.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The school's proportionate share of the net pension liability was based on the school's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The school's proportionate share was 0.0058 percent at the end of the measurement period and 0.0067 percent for the beginning of the period.

Description	Amount
School's proportionate share of the PERA net pension liability	\$ 324,330
State of Minnesota's proportionate share of the net pension liability associated with the school	8,851
Total	<u>\$ 333,181</u>

For the year ended June 30, 2024, the School recognized pension expense of \$ 57,971 for its proportionate share of the General Employees Plan's pension expense. In addition, the school recognized \$ 40 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

**TWIN LAKES STEM ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 4 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

1. Public Employees Retirement Association (PERA) (Continued)

D. Pension Costs (Continued)

At June 30, 2024, the School reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 10,651	\$ 2,234
Changes in actuarial assumptions	52,504	88,896
Net collective difference between projected and actual investment earnings	-	12,129
Changes in Proportion	83,404	80,310
Contributions paid to PERA subsequent to the measurement date	39,729	-
Total	<u>\$ 186,288</u>	<u>\$ 183,569</u>

The \$ 39,728 reported as deferred outflows of resources related to pensions resulting from School's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2024	\$ (3,455)
2025	(20,499)
2026	(6,020)
2027	\$ (7,036)

E. Long-Term Expected Return on Investment

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

**TWIN LAKES STEM ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 4 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

1. Public Employees Retirement Association (PERA) (Continued)

E. Long-Term Expected Return on Investment (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%
Total	<u>100.00%</u>	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0 percent in the June 30, 2023, actuarial valuation. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

**TWIN LAKES STEM ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 4 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

1. Public Employees Retirement Association (PERA) (Continued)

F. Actuarial Methods and Assumptions (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2023:

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Plans was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.00%	7.00%	8.00%
School's proportionate share of the GERF net pension liability	\$ 573,765	\$ 324,330	\$119,159

**TWIN LAKES STEM ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 4 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

1. Public Employees Retirement Association (PERA) (Continued)

I. Pension Plan Fiduciary Net Position

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

2. Teacher Retirement Association (TRA)

A. Plan Description

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

Educators employed in Minnesota's public elementary and secondary school, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Defined Contribution Retirement Plan (DCR) administered by Minnesota State.

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 - I 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

**TWIN LAKES STEM ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 4 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

2. Teacher Retirement Association (TRA) (Continued)

B. Benefits Provided (Continued)

With these provisions:

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

or

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% per year 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.

Tier II Benefits

Members first employed after June 30, 1989, receive only the Tier II benefit 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 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.

**TWIN LAKES STEM ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 4 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

2. Teacher Retirement Association (TRA) (Continued)

C. Contribution Rate

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2022, June 30, 2023, and June 30, 2024 were:

	<u>June 30, 2022</u>		<u>June 30, 2023</u>		<u>June 30, 2024</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
Basic Plan	11.00%	12.34%	11.00%	12.55%	11.25%	12.75%
Coordinated Plan	7.50%	8.34%	7.50%	8.55%	7.75%	8.75%

The Charter School's contributions to TRA for the period ended June 30, 2024, were \$ 115,421. The Charter School's contributions were equal to the required contributions set by state statute.

The following is a reconciliation of employer contributions in TRA's fiscal year 2023 ACFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

	<i>(Dollars in thousands)</i>
Employer contributions reported in TRA's ACFR, Statement of Changes in Fiduciary Net Position	\$ 508,764
Employer contributions not related to future contribution efforts	(87)
TRA's contributions not included in allocation	<u>(643)</u>
Total employer contributions	508,034
Total non-employer contributions	<u>35,587</u>
Total contributions reported in <i>Schedule of Employer and Non-Employer Allocations</i>	<u><u>\$ 543,621</u></u>

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.

**TWIN LAKES STEM ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 4 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

2. Teacher Retirement Association (TRA) (Continued)

D. Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation date	July 1, 2023
Measurement Date	June 30, 2023
Experience studies	June 28, 2019 (demographic and economic assumptions) *
Actuarial Cost Method	Entry Age Normal
Actuarial assumptions:	
Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and
Projected salary increases	3.25% after June 30, 2028
	2.85% to 8.85% before July 1, 2028 and
	3.25% to 9.25% after June 30, 2028
Cost of Living Adjustments	1% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality assumptions	
Pre-retirement:	RP- 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale.
Post-retirement:	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability:	RP-2014 disabled retiree mortality table, without adjustment.

**The assumptions prescribed are based on the experience study dated June 28, 2019. For GASB 67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with actuary*

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 4 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

2. Teacher Retirement Association (TRA) (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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Geometric Mean)</u>
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%
Total	<u>100.00%</u>	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2023 is six years. The Difference between Expected and Actual Experience, Changes of Assumptions, and Changes in Proportion use the amortization period of six years in the schedule presented. The amortization period for *Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments* is five years as required by GASB 68.

Changes in actuarial assumptions since the 2022 valuation:

The 2023 Tax Finance and Policy Bill, effective July 1, 2025:

- The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025.
- The employee contribution rate will increase from 7.75% to 8% on July 1, 2025.
- The pension adjustment rate for school districts and the base budgets for Minnesota State, Perpich Center for Arts Education, and Minnesota Academies will increase to reflect the 0.75% employer contribution rate increase.

The 2024 Omnibus Pensions and Retirement Bill:

- The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024.
- TRA's amortization date will remain the same at 2048.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 4 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

2. Teacher Retirement Association (TRA) (Continued)

E. Discount Rate

The discount rate used to measure the total pension liability was 7%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2023 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

F. Net Pension Liability

On June 30, 2024, the School reported a liability of \$ 1,642,989 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The school's proportion of the net pension liability was based on the school's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.0199% at the end of the measurement period and 0.0224% 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 district 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 district were as follows:

Description	Amount
School's proportionate share of the TRA net pension liability	\$ 1,642,989
State's proportionate share of the net pension liability associated with the school	115,122
Total	<u>\$ 1,758,111</u>

For the year ended June 30, 2024, the School recognized pension expense of \$ 111,087. It also recognized \$ 16,210 as an increase to pension expense for the support provided by direct aid.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 4 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

2. Teacher Retirement Association (TRA) (Continued)

F. Net Pension Liability (Continued)

On June 30, 2023, the School had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 16,288	\$ 23,925
Changes in actuarial assumptions	191,399	-
Net difference between projected and actual earnings on Plan Investments	-	6,093
Changes in Proportion	429,550	169,766
School Contributions Subsequent to the Measurement Date	115,421	-
Total	<u>\$ 752,658</u>	<u>\$ 199,784</u>

A total of \$ 115,421 reported as deferred outflows of resources related to pensions resulting from the school's contributions to the TRA after the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025.

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

Year Ending June, 30	Pension Expense Amount
2024	\$ 115,173
2025	72,497
2026	255,928
2027	30,815
2028	\$ (36,960)

G. Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate (multiply the allocation % by TRA's sensitivity footnote info).

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 4 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

2. Teacher Retirement Association (TRA) (Continued)

G. Pension Liability Sensitivity (Continued)

Sensitivity of Net Pension Liability (NPL) to changes in the discount rate

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
TRA discount rate	6.00%	7.00%	8.00%
School's proportionate share of the TRA net pension liability	\$ 2,620,446	\$ 1,642,989	\$ 842,821

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

H. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org, 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 6 – INTERFUND TRANSFERS

The school had the following transfers at June 30, 2024:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 186,350
Food Service Fund	96,296	-
Community Service Fund	90,054	-
Total	<u>\$ 186,350</u>	<u>\$ 186,350</u>

The transfers were recorded to offset the food service and community service funds' excess of expenditures over revenues and eliminate negative fund balance in those funds.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Federal Grants

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

NOTE 8 – SUBSEQUENT EVENTS

For the year ended June 30, 2024, the School has evaluated all subsequent events through December 17, 2024, which is the date the financial statements were available to be issued, and concluded no additional subsequent events have occurred that would require recognition or disclosure in these financial statements that have not already been accounted for.

REQUIRED SUPPLEMENTARY INFORMATION

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
GERF PLAN SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2024
LAST EIGHT MEASUREMENT DATES**

Measurement Date June 30,	School's Proportion of the Net Pension Liability	School's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with School	Total	School's Covered Payroll	School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0019%	\$ 154,271	\$ 1,989	\$ 156,260	\$ 117,293	131.53%	68.90%
2017	0.0040%	255,357	3,239	258,596	259,093	98.56%	75.90%
2018	0.0041%	227,451	7,576	235,027	256,467	88.69%	79.50%
2019	0.0050%	276,439	8,500	284,939	278,387	99.30%	80.20%
2020	0.0063%	377,714	11,658	389,372	416,160	90.76%	79.10%
2021	0.0037%	158,007	4,809	162,816	267,187	59.14%	87.00%
2022	0.0067%	530,642	15,565	546,207	557,320	95.21%	76.67%
2023	0.0058%	\$ 324,330	\$ 8,851	\$ 333,181	\$ 434,187	74.70%	83.10%

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
GREF PLAN SCHEDULE OF SCHOOL'S CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2024
LAST NINE FISCAL YEARS***

Fiscal Year Ended June 30,	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 8,797	\$ 8,797	\$ -	\$ 117,293	7.50%
2017	19,432	19,432	-	259,093	7.50%
2018	19,235	19,235	-	256,467	7.50%
2019	20,879	20,879	-	278,387	7.50%
2020	31,212	31,212	-	416,160	7.50%
2021	20,039	20,039	-	267,187	7.50%
2022	41,799	41,799	-	557,320	7.50%
2023	32,564	32,564	-	434,187	7.50%
2024	\$ 39,728	\$ 39,728	\$ -	\$ 529,707	7.50%

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
TRA PLAN SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2024
LAST NINE MEASUREMENT DATES***

Measurement Date June 30,	School's Proportion of the Net Pension Liability	School's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with School	Total	School's Covered Payroll	School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0012%	\$ 74,232	\$ 8,786	\$ 83,018	\$ 62,920	118.0%	76.80%
2016	0.0112%	2,671,467	267,619	2,939,086	583,893	457.5%	44.90%
2017	0.0117%	2,335,532	225,223	2,560,755	641,587	364.0%	51.57%
2018	0.0149%	935,859	87,927	1,023,786	951,960	98.3%	78.07%
2019	0.0159%	1,013,469	89,689	1,103,158	798,547	126.9%	78.21%
2020	0.0165%	1,219,042	102,258	1,321,300	1,049,470	116.2%	75.48%
2021	0.0175%	765,852	64,673	830,525	1,130,197	67.8%	86.63%
2022	0.0224%	1,793,674	133,017	1,926,691	1,495,923	119.9%	76.17%
2023	0.0199%	\$ 1,642,989	\$ 115,122	\$ 1,758,111	\$ 1,240,023	132.5%	76.42%

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
TRA PLAN SCHEDULE OF SCHOOL'S CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2024
LAST TEN FISCAL YEARS***

Fiscal Year Ended June 30,	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 4,719	\$ 4,719	\$ -	\$ 62,920	7.50%
2016	43,792	43,792	-	583,893	7.50%
2017	48,119	48,119	-	641,587	7.50%
2018	71,397	71,397	-	951,960	7.50%
2019	61,568	61,568	-	798,547	7.71%
2020	83,118	83,118	-	1,049,470	7.92%
2021	91,885	91,885	-	1,130,197	8.13%
2022	124,760	124,760	-	1,495,923	8.34%
2023	106,022	106,022	-	1,240,023	8.55%
2024	\$ 115,421	\$ 115,421	\$ -	\$ 1,319,097	8.75%

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

**CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS**

PERA

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

2023

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2021

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

**CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

PERA(CONTINUED)

2021(Continued)

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2020

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2024, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

**CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

PERA(CONTINUED)

2019

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year, with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio, to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044, and 2.50 percent per year thereafter, to 1.25 percent per year.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

**CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

PERA(CONTINUED)

2017

Changes in Plan Provisions

- The state's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018, and \$6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21.0 million to \$31.0 million in calendar years 2019 to 2031. The state's contribution changed from \$16.0 million to \$6.0 million in calendar years 2019 to 2031.

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2016

Changes in Plan Provisions

- There have been no changes since the prior valuation.

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035, and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892.0 million.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

**CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

PERA(CONTINUED)

2015(Continued)

Upon consolidation, state and employer contributions were revised; the state's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

TRA

The following changes were reflected in the valuation performed on behalf of the Teachers Retirement Association for the year ended June 30:

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.50% to 7.00%. This does not affect the GASB valuation which was already using the 7.00% assumption.

Changes in Plan Provisions

The 2023 Tax Finance and Policy Bill contained a number of changes:

- Effective July 1, 2025, the normal retirement age for Tier 2 members will decrease from 66 to 65.
- The employer contribution rate will increase from 8.75% to 9.50% on July 1, 2025.
- The employee contribution rate will increase from 7.75% to 8.00% on July 1, 2025.

2022

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.50% to 7.00%

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

**CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

TRA(CONTINUED)

2021 (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020

Changes in Actuarial Assumptions

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back five years and female rates set back seven years.
- Generational projection uses the MP-2015 scale. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018

Changes in Actuarial Assumptions

- The investment return assumption was changed from 8.5% to 7.5%.
- The price inflation assumption was lowered from 3.0% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter.
- The total salary increase assumption was adjusted by the wage inflation change.
- The amortization date for the funding of the Unfunded Actuarial Accrual Liability (UAAL) was reset to June 30, 2048 (30 years).
- The mechanism in the law that provided the TRA Board with some authority is set contribution rates was eliminated.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

**CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

TRA(CONTINUED)

2018 (Continued)

Changes in Plan Provisions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 5 years, (7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2024). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2024. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017

Changes in Actuarial Assumptions

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- Adjustment were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the nonvested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for 10 years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

**CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

TRA(CONTINUED)

2017 (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation

2016

Changes in Actuarial Assumptions

- The cost-of-living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back six years, and female rates set back five years. Generational projection uses the MP-2015 scale.
- The postretirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustments.
- Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The cost-of-living adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2037.
- The investment return assumption was changed from 8.25% to 8.0%.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

**CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

TRA(CONTINUED)

2015 (Continued)

Changes in Plan Provisions

- The Duluth Teachers Retirement Fund Association was merged into TRA on June 30, 2015. This also resulted in a state-provided contribution stream of \$14.377 million until the System becomes fully funded.

2014

Changes in Actuarial Assumptions

- The cost-of-living adjustment was assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria was met. This was estimated to occur July 1, 2031.

Changes in Plan Provisions

- The increase in the postretirement benefit adjustment (COLA) will be made once the System is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

SUPPLEMENTARY INFORMATION

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2024**

	AUDIT	UFARS	Difference
01 GENERAL FUND			
Total Revenue	\$3,743,617	\$3,743,618	\$(1)
Total Expenditures	3,839,701	3,839,702	(1)
<i>Non-Spendable:</i>			
460 Non-Spendable Fund Balance	2,500	2,500	-
<i>Restricted / Reserved:</i>			
401 Student Activities	-	-	-
402 Scholarships	-	-	-
403 Staff Development	-	-	-
407 Capital Projects Levy	-	-	-
408 Cooperative Revenue	-	-	-
413 Funded by COP/FP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maint	-	-	-
424 Operating Capital	-	-	-
426 \$25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning & Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alt. Programs	-	-	-
436 State Approved Alt. Program	-	-	-
438 Gifted & Talented	-	-	-
440 Teacher Development and Evaluation	-	-	-
441 Basic Skills Programs	-	-	-
443 School Library Aid	-	-	-
448 Achievement and Integration	-	-	-
449 Safe Schools Levy	-	-	-
451 QZAB Payments	-	-	-
452 OPEB Liab Not In Trust	-	-	-
453 Unfunded Sev & Retiremt Levy	-	-	-
459 Basic Skills Extended Time	-	-	-
467 LTFM	-	-	-
471 Student Support Personnel	-	-	-
472 Medical Assistance	-	-	-
<i>Restricted:</i>			
464 Restricted Fund Balance	-	-	-
475 Title VII Impact Aid	-	-	-
476 Payments in Lieu of Taxes	-	-	-
<i>Committed:</i>			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
<i>Assigned:</i>			
462 Assigned Fund Balance	-	-	-
<i>Unassigned:</i>			
422 Unassigned Fund Balance	140,608	140,607	1

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2024**

02 FOOD SERVICES

Total Revenue	239,321	239,321	-
Total Expenditures	335,617	335,617	-
<i>Non-Spendable:</i>			
460 Non-Spendable Fund Balance	-	-	-
<i>Restricted / Reserved:</i>			
452 OPEB Liab Not In Trust	-	-	-
<i>Restricted:</i>			
464 Restricted Fund Balance	-	-	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-

04 COMMUNITY SERVICE

Total Revenue	83,550	83,550	-
Total Expenditures	173,604	173,605	(1)
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	-	-	-
<i>Restricted / Reserved:</i>			
426 \$25 Taconite	-	-	-
431 Community Education	-	-	-
432 E.C.F.E	-	-	-
440 Teacher Development & Eval	-	-	-
444 School Readiness	-	-	-
447 Adult Basic Education	-	-	-
452 Opeb Liab Not In Trust	-	-	-
<i>Restricted:</i>			
464 Restricted Fund Balance	-	-	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-

OTHER REQUIRED REPORTS



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

To the Board of Directors
Twin Lakes STEM Academy
Charter School 4239
Brooklyn, 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 Twin Lakes STEM Academy as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Twin Lakes STEM Academy's basic financial statements, and have issued our report thereon dated December 17, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Twin Lakes STEM Academy's internal control over financial reporting as a basis for designing 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 Twin Lakes STEM Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Twin Lakes STEM Academy's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Twin Lakes STEM 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 financial statements. 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*.

Minnesota Legal Compliance

In connection with our audit, we noted that Twin Lakes STEM Academy failed to comply with provisions of the *Minnesota Legal Compliance Audit Guide for Charter Schools*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the schedule of findings and recommendations as items 2024-001. Also, in connection with our audit, nothing came to our attention that caused us to believe that Twin Lakes STEM Academy failed to comply with the provisions of the uniform financial accounting and reporting standards and charter schools sections of the *Minnesota Legal Compliance Audit Guide for Charter Schools*, insofar as they relate to accounting matters. 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 Twin Lakes STEM Academy's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Twin Lakes STEM Academy's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Twin Lakes STEM Academy's response to the legal compliance findings identified in our audit and described in the accompanying schedule of findings and recommendations. Twin Lakes STEM Academy's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Twin Lakes STEM 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 Twin Lakes STEM Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Thomas & Company CPA PA
Cooper City, Florida
December 17, 2024



Thomas & Company, CPA, PA
Certified Public Accountants and Business Consultants

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Directors
Twin Lakes STEM Academy
Charter School 4239
Brooklyn, 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 Twin Lakes STEM Academy as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon December 17, 2024.

In connection with our audit, we noted that Twin Lakes STEM Academy failed to comply with provisions of the *Minnesota Legal Compliance Audit Guide for Charter Schools*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the schedule of findings and recommendations as items 2024-001. Also, in connection with our audit, nothing came to our attention that caused us to believe that Twin Lakes STEM Academy failed to comply with the provisions of the uniform financial accounting and reporting standards and charter schools sections of the *Minnesota Legal Compliance Audit Guide for Charter Schools*, insofar as they relate to accounting matters. 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 Twin Lakes STEM Academy's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Twin Lakes STEM Academy's response to the legal compliance findings identified in our audit and described in the accompanying schedule of findings and recommendations. The Twin Lakes STEM Academy's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

Thomas & Company CPA PA
Cooper City, Florida
December 17, 2024

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
SCHEDULES OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2024**

Minnesota Legal Compliance Findings

2024-001 – Prompt Payment of Bills

Type of Finding: Legal Compliance

Criteria: Minnesota Statutes § 471.425, subd. 2 notes that local governmental entities need to pay bills promptly. If the entity is not having board meetings on a monthly basis, then payments need to be paid within the contract terms or within 45 days of receiving the claim.

Condition/Context: During the testing of disbursements, we noted certain selections that were not paid within the 45-day payment period noted in state statutes.

Cause: The school did not send payment within 45 days of receiving the claim.

Effect: The school was not in compliance with the Minnesota statutes.

Recommendation: We recommend that the school design a system of internal controls that ensures all claims are promptly paid in line with state statutes.

CORRECTIVE ACTION PLAN (CAP)

Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The school will work to ensure that all claims of the school are paid timely in line with state statutes.

Official Responsible for Ensuring CAP:

The School Director is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date for CAP:

The planned completion date is June 30, 2025.

Plan to Monitor Completion of CAP:

The School Board will be monitoring this corrective action plan.

**FRIENDSHIP ACADEMY OF THE ARTS
CHARTER SCHOOL NO. 4079
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

Finding Number	Finding Summary	Status	Additional Information
2023-001 – Prompt Payment of Bills	Minnesota statute 471.425 subd. 2 and 4 note that each invoice should be paid either within the agreed-upon contract terms or within 35 days of receiving the invoice for an entity that has monthly governance meetings. During the audit, out of the invoices reviewed, it was noted that certain invoices were not paid within the 35-day payment period. The auditors recommended the school to implement internal controls to ensure that payments are all made within the agreed upon payment terms or within 35 days of receiving each invoice. The auditors also recommended the school to note the date of receipt of invoice, if the school receives the invoice on a date later than the date on the invoice.	Repeated finding. Finding number 2024-001 in the fiscal year 2024.	