

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2025



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, 2025**

SCHOOL BOARD

<u>Name</u>	<u>Board Position</u>
Jeremy Gharineh	Board Chair
Malaney Peterson	Board Member
Badrudin Aden	Board Member
James Cosgrove	Board Member
Paige Lund	Board Member

ADMINISTRATION

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



Thomas & Company, CPA, PA

Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S 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, 2025, 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 the School, as of June 30, 2025, 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 the School and 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's 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 for the year ended June 30, 2025 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 UFARS Compliance Table 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 auditor's 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 10, 2025, 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 10, 2025

REQUIRED SUPPLEMENTARY INFORMATION

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

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, 2025. Please read it in conjunction with the School's financial statements which immediately follow this section. Certain comparative information between the current year (2024-2025) and the prior year (2023-2024) is required to be presented in the Management's Discussion and Analysis.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2024-2025 fiscal year include the following:

- The fund balance of the General Fund decreased by \$34,680 from the prior year for an ending fund balance of \$108,428 on June 30, 2025.
- Net position decreased by \$330,101 during fiscal year ending June 30, 2025.
- Total General Fund revenues were \$3,787,646 as compared to \$3,759,225 of expenditures.
- Government-wide total revenues were \$4,179,250 as compared to \$4,509,351 of expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of the following four parts – Independent Auditor's 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.

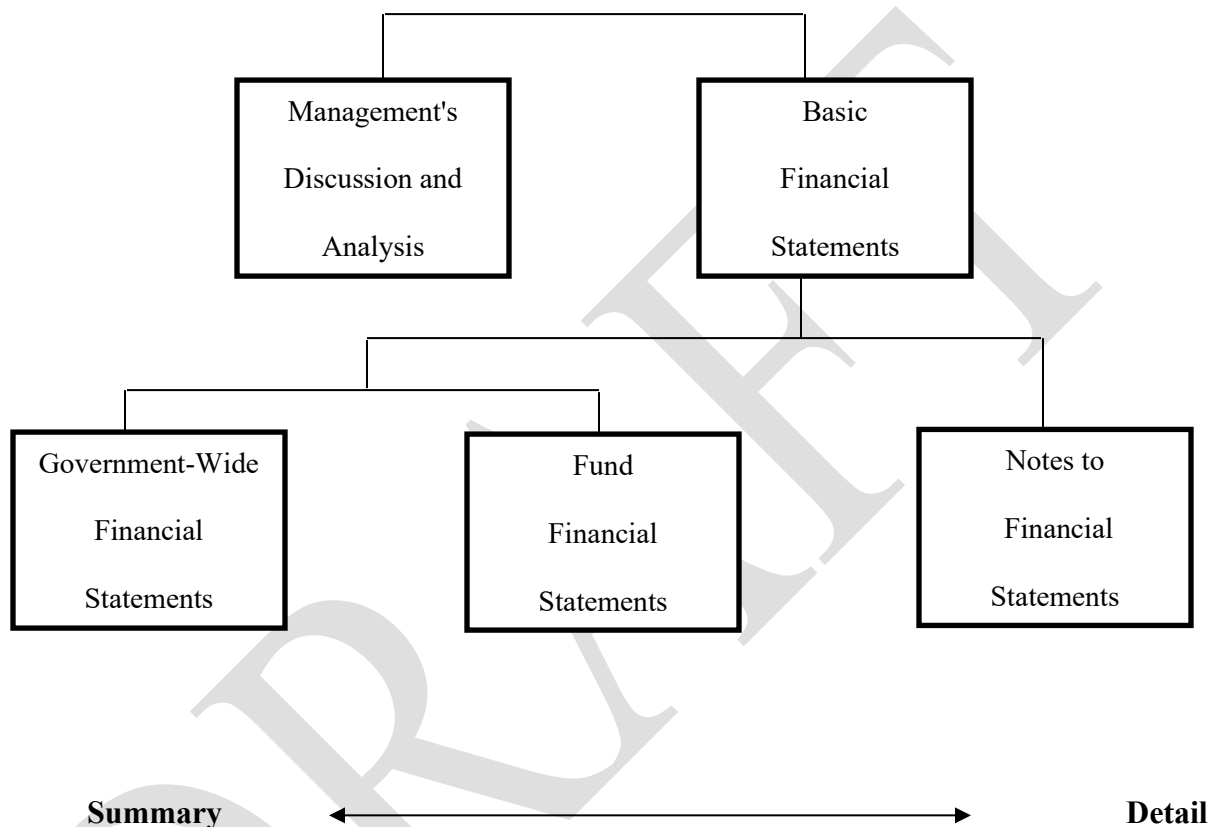
The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the financial statements.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

**Figure A-1
Annual Report Format**



**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

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, 2025**

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, 2025**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's combined net position was a deficit of \$2,521,186 on June 30, 2025 (see Table A-1).

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

	Governmental Activities as of June 30,		Percentage
	2025	2024	Change
Assets			
Current and Other Assets	\$ 537,066	\$ 542,784	-1.05%
Capital and Right-to-use Assets, Net	10,901,252	11,271,332	-3.28%
Total Assets	11,438,318	11,814,116	-3.18%
Deferred Outflows of Resources	720,658	938,880	-23.24%
Total Assets and Deferred Outflows of Resources	12,158,976	12,752,996	-4.66%
Liabilities			
Current Liabilities	591,935	518,397	14.19%
Long-Term Liabilities, Including Due Within One Year	13,424,305	14,042,381	-4.40%
Total Liabilities	14,016,240	14,560,778	-3.74%
Deferred Inflows of Resources	663,922	383,303	73.21%
Net Position			
Net Investment In Capital Assets	(1,180,469)	(922,452)	27.97%
Restricted	20,000	-	-
Unrestricted	(1,360,717)	(1,268,633)	7.26%
Total Net Position	(2,521,186)	(2,191,085)	15.07%
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 12,158,976	\$ 12,752,996	-4.66%

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)

Changes in Net Position

The School's total government-wide revenues were \$4,179,250 for the year ended June 30, 2025 (see Table A-2). State formula aid accounted for 64% of total revenue for the year. The remaining 36% 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
	2025	2024	
Revenues			
Program Revenues:			
Charges for Services	\$ -	\$ 144	-100.00%
Operating Grants and Contributions	1,317,418	1,047,284	25.79%
General Revenues:			
Unrestricted State Aid	2,663,714	2,723,252	-2.19%
Investment Income	428	55	678.18%
Other General Revenues	197,690	312,003	-36.64%
Total Revenues	4,179,250	4,082,738	2.36%
Expenses			
Administration	154,635	289,217	-46.53%
District Support Services	318,212	328,640	-3.17%
Regular Instruction	1,395,619	1,205,756	15.75%
Special Education Instruction	488,516	514,242	-5.00%
Instructional Support Services	34,144	16,944	101.51%
Pupil Support Services	547,809	608,390	-9.96%
Sites and Buildings	672,118	682,919	-1.58%
Fiscal and Other Fixed Cost Programs	36,276	30,985	17.08%
Food Service	305,438	335,617	-8.99%
Community Education and Services	143,530	180,056	-20.29%
Interest on Long-Term Liabilities	413,054	250,180	65.10%
Total Expenses	4,509,351	4,442,946	1.49%
Change in Net Position	(330,101)	(360,208)	
Net Position - Beginning, of the Year	(2,191,085)	(1,830,877)	
Net Position – Ending of the Year	\$ (2,521,186)	\$ (2,191,085)	

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

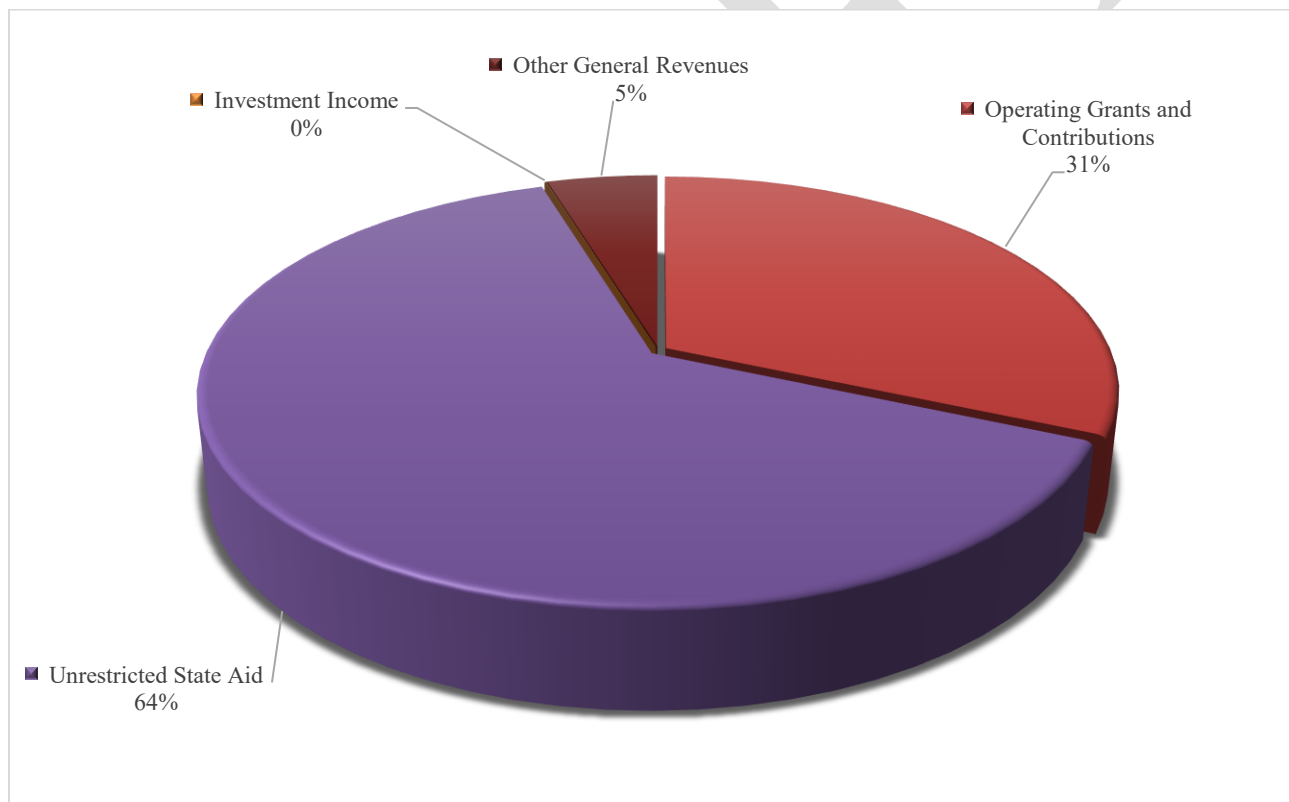
FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)

Total expenses exceed revenues resulting in a decrease in net position by \$330,101, Total revenues increased by 2.36% and total expenses increased by 1.49%.

The cost of all governmental activities this year was \$4,509,351:

- The state and federal government subsidized certain programs with grants and contributions (\$1,317,418).
- Most of the School's costs were paid for by unrestricted state aid and other general revenue (\$2,861,832).

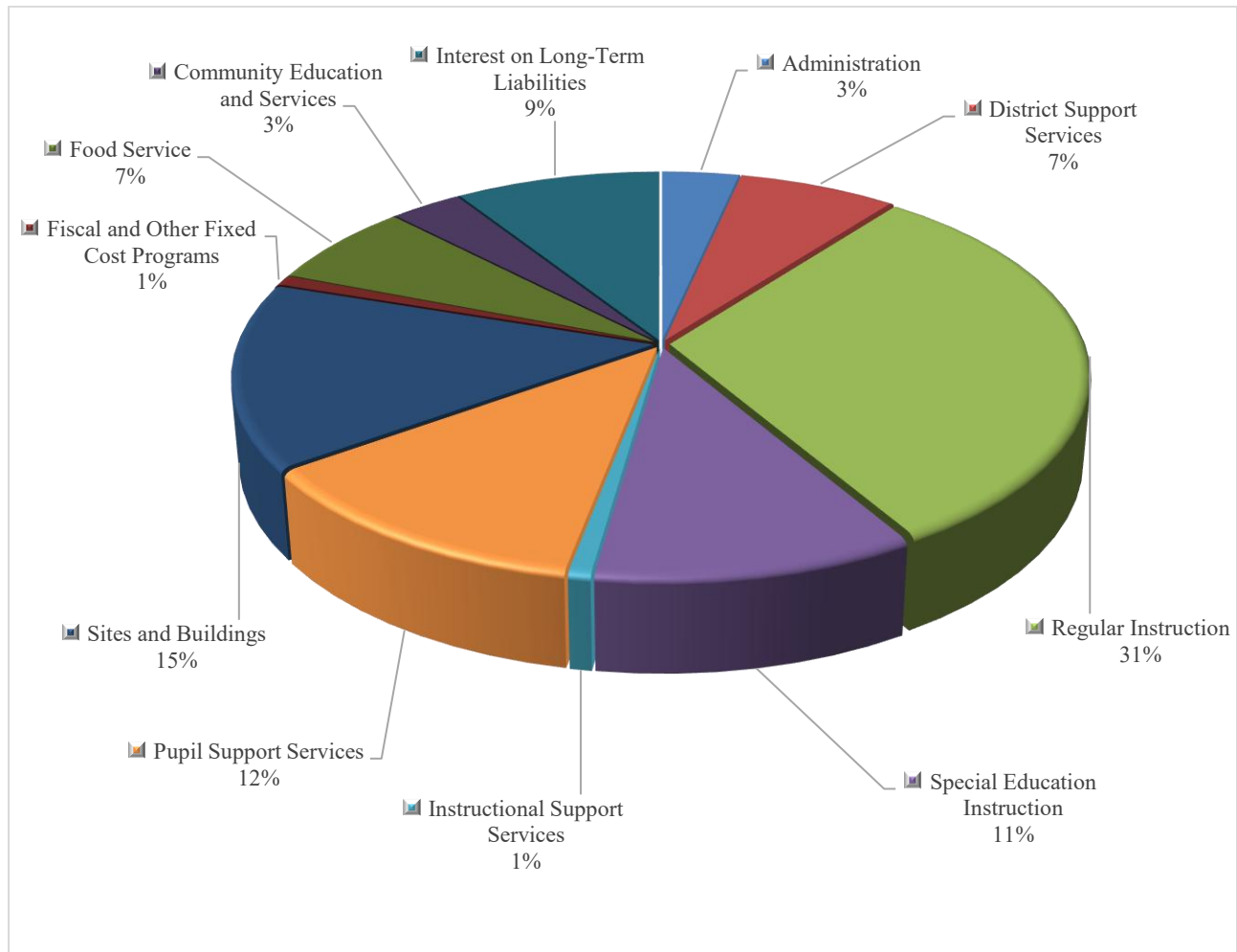
**Figure A-2
Sources of School Revenues for Fiscal Year 2025**



**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)

**Figure A-3
School Expenses for Fiscal Year 2025**



**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)

**Table A-3
Program Expenses and Net Cost of Services for Fiscal Year 2025**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2025	2024		2025	2024	
Administration	\$ 154,635	\$ 289,217	-46.53%	\$ 154,635	\$ 289,217	-46.53%
District Support Services	318,212	328,640	-3.17%	318,212	328,640	-3.17%
Regular Instruction	1,395,619	1,205,756	15.75%	1,238,027	1,044,038	18.58%
Special Education Instruction	488,516	514,242	-5.00%	24,459	(48,597)	-150.33%
Instructional Support Services	34,144	16,944	101.51%	34,144	16,944	101.51%
Pupil Support Services	547,809	608,390	-9.96%	547,809	608,390	-9.96%
Sites and Buildings	672,118	682,919	-1.58%	368,805	682,919	-46.00%
Fiscal and Other Fixed Cost Programs	36,276	30,985	17.08%	36,276	30,985	17.08%
Food Service	305,438	335,617	-8.99%	32,348	96,296	-66.41%
Community Education and Services	143,530	180,056	-20.29%	24,164	96,506	-74.96%
Interest on Long-Term Liabilities	413,054	250,180	65.10%	413,054	250,180	65.10%
Total	\$ 4,509,351	\$ 4,442,946		\$ 3,191,933	\$ 3,395,518	

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 \$4,180,102 while total expenditures were \$4,214,782. This contributed to a combined fund balance of \$108,428 which is \$34,680 less than last year's ending fund balance of \$143,108.

Enrollment

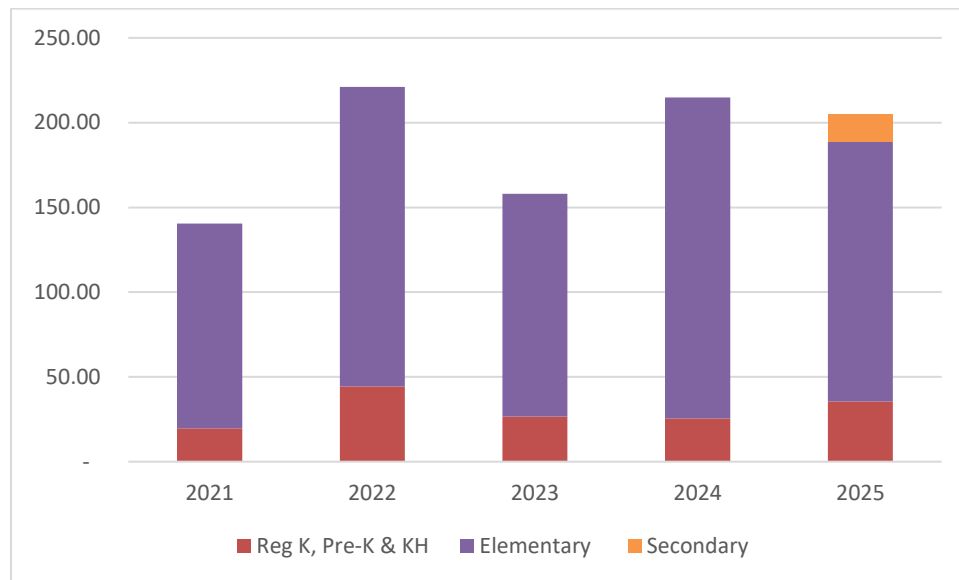
Enrollment is a critical factor in determining revenue with a very high percentage of General Fund revenue being determined by enrollment. The following chart shows that the number of students has decreased approximately 10 ADM from the fiscal year 2024 to 2025.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE SCHOOL’S FUNDS (CONTINUED)

Enrollment (Continued)

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



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 2024-2025 was 205 students compared to 215 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 8, 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.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Revenues.

**Table A-4
General Fund Revenues**

	Year Ended June 30,		Change	
	2025	2024	Increase (Decrease)	Percentage Change
Federal Sources	\$ 306,127	\$ 213,039	\$ 93,088	43.70%
State Sources	3,447,364	3,218,520	228,844	7.11%
Local Sources:				
Other	34,155	312,058	(277,903)	-89.05%
Total General Fund Revenue	\$ 3,787,646	\$ 3,743,617	\$ 44,029	

Total General Fund Revenue was \$3,787,646 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.

The following schedule presents a summary of General Fund Expenditures.

**Table A-5
General Fund Expenditures**

	Year Ended June 30,		Change	
	2025	2024	Increase (Decrease)	Percentage Change
Salaries and Wages	\$ 1,564,390	\$ 1,672,137	\$ (107,747)	-6.44%
Employee Benefits	438,755	418,281	20,474	4.89%
Purchased Service	1,010,017	980,491	29,526	3.01%
Supplies and Materials	120,675	167,438	(46,763)	-27.93%
Capital Expenditures	577,926	598,649	(20,723)	-3.46%
Other Expenditures	47,462	2,705	44,757	1654.60%
Total General Fund Expenditures	\$ 3,759,225	\$ 3,839,701	\$ (80,476)	-2.10%

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

GENERAL FUND (CONTINUED)

Total General Fund Expenditures were \$3,759,225 for the year which is a decrease of \$80,476 or 2.10 % from the prior year. Salaries and wages (41.61%), employee benefits (11.67%), purchased services (26.87%) and debt service (13.97%) made up 94.12% 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, 2025 is \$108,428 or 2.88% 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 \$54,124 or 1.41% lesser than the final amended budget. Total General Fund expenditures were more than the final amended budget by \$18,092 or 0.48%. The majority of this is found in the areas of Regular Instruction and Sites and Buildings.

OTHER MAJOR FUNDS

Expenditures exceeded revenues in the Food Service Fund by \$32,348. A transfer from the General Fund was necessary to cover the deficit as required by rules and regulations.

Total Food Service Fund revenues were \$21,890 or 8.71% more than the final amended budget. Total Food Service Fund expenditures were \$7,583 or 2.55% more than the final amended budget.

Expenditures exceeded revenues in the Community Service Fund by \$30,753. A transfer from the General Fund was necessary to cover the deficit as required by rules and regulations.

Total Community Service Fund revenues were \$39,366 or 49.21% more than the final amended budget. Total Community Service Fund expenditures were \$24,111 or 19.13% more than the final amended budget.

CAPITAL ASSETS

By the end of the 2024-2025 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 and amortization expense for the year was \$370,080.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

CAPITAL ASSETS (CONTINUED)

**Table A-7
Capital Assets**

	<u>2025</u>	<u>2024</u>	<u>Percentage Change</u>
Equipment, Furniture, and Fixtures	\$ 65,649	\$ 65,649	0%
Assets Under Long-Term Leases	12,309,249	12,309,249	0%
Less: Accumulated Depreciation/Amortization	(1,473,646)	(1,103,566)	34%
Total Capital Assets	<u>\$ 10,901,252</u>	<u>\$ 11,271,332</u>	-3%

LONG-TERM LIABILITIES

At year-end, the School had a net amount of \$13,587,602 in long-term liabilities, which relates to the School's proportionate share of PERA's and TRA's net pension liabilities, compensated absences payable and lease liabilities which were booked in the prior years in accordance with GASB Statement No. 87.

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

	<u>2025</u>	<u>2024</u>	<u>Percentage Change</u>
Long-Term Leases Payable	\$ 12,081,721	\$ 12,193,784	-1%
Net Pension Liability	1,495,892	1,967,318	-24%
Compensated Absences Payable	9,989	-	-
Total Long-Term Liabilities	<u>13,587,602</u>	<u>14,161,102</u>	-4%
Long-Term Liabilities:			
Due Within One Year	163,297	118,721	38%
Due in More Than One Year	13,424,305	14,042,381	-4%
Total Long-Term Liabilities	<u>\$ 13,587,602</u>	<u>\$ 14,161,102</u>	-4%

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

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, 2025**

	Governmental Activities
Assets	
Cash and Investments	\$ 294,009
Receivables:	
Due from Department of Education	18,824
Due from Other Funds	47,085
Other Accounts Receivable	166,570
Prepaid Items	10,578
Capital Assets, Net	40,571
Right-to-use Assets, Net	10,860,681
Total Assets	11,438,318
Deferred Outflows of Resources	
Deferred Outflows - Pension Payments	720,658
Total Assets and Deferred Outflows of Resources	12,158,976
Liabilities	
Accounts Payable	230,809
Salaries Payable	197,829
Long-Term Liabilities:	
Compensated Absences Payable	9,989
Net Pension Liability	1,495,892
Lease Liability:	
Due Within One Year	163,297
Due After One Year	11,918,424
Total Liabilities	14,016,240
Deferred Inflows of Resources	
Deferred Inflows - Pension Payments	663,922
Net Position	
Net Investment in Capital Assets	(1,180,469)
Restricted	20,000
Unrestricted	(1,360,717)
Total Net Position	(2,521,186)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 12,158,976

“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, 2025**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities					
Administration	\$ 154,635	\$ -	\$ -	\$ -	\$ (154,635)
District Support Services	318,212	-	-	-	(318,212)
Regular Instruction	1,395,619	-	157,592	-	(1,238,027)
Special Education Instruction	488,516	-	464,057	-	(24,459)
Instructional Support Services	34,144	-	-	-	(34,144)
Pupil Support Services	547,809	-	-	-	(547,809)
Sites and Buildings	672,118	-	303,313	-	(368,805)
Fiscal and Other Fixed Cost Programs	36,276	-	-	-	(36,276)
Food Service	305,438	-	273,090	-	(32,348)
Community Education and Services	143,530	-	119,366	-	(24,164)
Interest and Fiscal Charges on Long-term Liabilities	413,054	-	-	-	(413,054)
Total Governmental Activities	\$ 4,509,351	\$ -	\$ 1,317,418	\$ -	(3,191,933)
General Revenues					
Unrestricted State Aid					2,663,714
Other General Revenues					197,690
Investment Income					428
Total General Revenues					2,861,832
Change in Net Position					(330,101)
Net Position – Beginning of the Year					(2,191,085)
Net Position – Ending					\$ (2,521,186)

“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, 2025**

	Major Funds			Total
	General Fund	Food Service Fund	Community Service Fund	Governmental Funds
Assets				
Cash and Investments	\$ 231,158	\$ 48,009	\$ 14,842	\$ 294,009
Receivables:				
Due from Other Funds	47,085	-	-	47,085
Due from Department of Education	18,824	-	-	18,824
Other Accounts Receivable	163,963	-	2,607	166,570
Prepaid Items	10,578	-	-	10,578
Total Assets	471,608	48,009	17,449	537,066
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	182,450	48,009	350	230,809
Salaries Payable	180,730	-	17,099	197,829
Total Liabilities	363,180	48,009	17,449	428,638
Fund Balances (Deficit)				
Nonspendable:				
Prepays	10,578	-	-	10,578
Restricted for:				
Student Support Personnel	20,000	-	-	20,000
Unassigned	77,850	-	-	77,850
Total Fund Balances (Deficit)	108,428	-	-	108,428
Total Liabilities and Fund Balances (Deficit)	\$ 471,608	\$ 48,009	\$ 17,449	\$ 537,066

“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, 2025**

Total Fund Balances – Governmental Funds	\$ 108,428
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:	40,571
Capital Assets, Net of Accumulated Depreciation	
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	10,860,681
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	(1,495,892)
Deferred Outflows of Resources - Pensions	720,658
Deferred Inflows of Resources - Pensions	(663,922)
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	(12,081,721)
Compensated Absences Payable	(9,989)
Total Net Position – Governmental Activities	<u>\$ (2,521,186)</u>

“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, 2025**

	Major Funds			Total Governmental Funds
	General Fund	Food Service Fund	Community Service Fund	
Revenue				
Federal Sources	\$ 306,127	\$ 257,828	\$ 119,366	\$ 683,321
State Sources	3,447,364	15,262	-	3,462,626
Local Sources:				
Other	34,155	-	-	34,155
Total Revenue	3,787,646	273,090	119,366	4,180,102
Expenditures				
Current:				
Administration	149,363	-	-	149,363
District Support Services	318,212	-	-	318,212
Regular Instruction	1,348,057	-	-	1,348,057
Special Education Instruction	489,767	-	-	489,767
Instructional Support Services	33,156	-	-	33,156
Pupil Support Services	548,895	-	-	548,895
Sites and Buildings	310,382	-	-	310,382
Fiscal and Other Fixed Cost Programs	36,276	-	-	36,276
Food Service	-	305,438	-	305,438
Community Education and Services	-	-	150,119	150,119
Debt Service:				
Principal	112,063	-	-	112,063
Interest and Fiscal Charges	413,054	-	-	413,054
Total Expenditures	3,759,225	305,438	150,119	4,214,782
Excess (Deficiency) of Revenue Over (Under) Expenditures	28,421	(32,348)	(30,753)	(34,680)
Other Financing Sources (Uses)				
Transfers In	-	32,348	30,753	63,101
Transfers (Out)	(63,101)	-	-	(63,101)
Total Other Financing Sources (Uses)	(63,101)	32,348	30,753	-
Net Change in Fund Balances	(34,680)	-	-	(34,680)
Fund Balances (Deficit) - Beginning of the year	143,108	-	-	143,108
Fund Balances (Deficit) - End of the year	\$ 108,428	\$ -	\$ -	\$ 108,428

“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, 2025**

Total Net Change in Fund Balances – Governmental Funds	\$	(34,680)
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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:

Depreciation Expense		(8,344)
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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		(361,736)
Principal Payments - Capital Leases		112,063

In the Statement of Activities, certain operating expenses - compensated absences - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amounts actually paid).

(9,989)

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		(27,415)
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Change in Net Position – Governmental Activities	\$	<u>(330,101)</u>
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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, 2025**

	Budgeted Amounts			
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget
Revenue				
Federal Sources	\$ 186,281	\$ 177,733	\$ 306,127	\$ 128,394
State Sources	4,003,826	3,628,101	3,447,364	(180,737)
Local Sources:				
Other	33,936	35,936	34,155	(1,781)
Total Revenue	4,224,043	3,841,770	3,787,646	(54,124)
Expenditures				
Current:				
Administration	242,968	147,990	149,363	(1,373)
District Support Services	343,748	340,928	318,212	22,716
Regular Instruction	1,516,504	1,254,763	1,348,057	(93,294)
Special Education Instruction	578,382	548,938	489,767	59,171
Instructional Support Services	21,500	33,000	33,156	(156)
Pupil Support Services	535,004	572,659	548,895	23,764
Sites and Buildings	325,108	285,126	310,382	(25,256)
Fiscal and Other Fixed Cost Programs	30,000	30,000	36,276	(6,276)
Debt Service	527,729	527,729	525,117	2,612
Total Expenditures	4,120,943	3,741,133	3,759,225	(18,092)
Excess (Deficiency) of Revenue Over (Under) Expenditures	103,100	100,637	28,421	(72,216)
Other Financing Sources (Uses)				
Transfers Out	(63,443)	(92,663)	(63,101)	29,562
Total Other Financing Sources (Uses)	(63,443)	(92,663)	(63,101)	29,562
Net Change in Fund Balances	\$ 39,657	\$ 7,974	\$ (34,680)	\$ (42,654)

“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
FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts			
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget
Revenue				
Federal Sources	\$ 285,400	\$ 235,000	\$ 257,828	\$ 22,828
State Sources	18,000	16,200	15,262	(938)
Total Revenue	303,400	251,200	273,090	21,890
Expenditures				
Current:				
Food Service	366,843	297,855	305,438	(7,583)
Total Expenditures	366,843	297,855	305,438	(7,583)
Excess (Deficiency) of Revenue Over (Under) Expenditures	(63,443)	(46,655)	(32,348)	14,307
Other Financing Sources (Uses)				
Transfers In	63,443	46,655	32,348	(14,307)
Total Other Financing Sources (Uses)	63,443	46,655	32,348	(14,307)
Net Change in Fund Balances	\$ -	\$ -	\$ -	\$ -

**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, 2025**

	Budgeted Amounts			
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget
Revenue				
Federal Sources	\$ -	\$ 80,000	\$ 119,366	\$ 39,366
Total Revenue	<u>-</u>	<u>80,000</u>	<u>119,366</u>	<u>39,366</u>
Expenditures				
Current:				
Community Education and Services	-	126,008	150,119	(24,111)
Total Expenditures	<u>-</u>	<u>126,008</u>	<u>150,119</u>	<u>(24,111)</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>-</u>	<u>(46,008)</u>	<u>(30,753)</u>	<u>15,255</u>
Other Financing Sources (Uses)				
Transfers In	-	46,008	30,753	(15,255)
Total Other Financing Sources (Uses)	<u>-</u>	<u>46,008</u>	<u>30,753</u>	<u>(15,255)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO BASIC FINANCIAL STATEMENTS

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

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, 2025**

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, 2025**

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, 2025**

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	\$ 4,224,043	\$ (382,273)	\$ 3,841,770
Special Revenue Fund:			
Food Service Fund	303,400	(52,200)	251,200
Community Service Fund	-	80,000	80,000
Expenditures			
General Fund	4,120,943	(379,810)	3,741,133
Special Revenue Fund:			
Food Service Fund	366,843	(68,988)	297,855
Community Service Fund	\$ -	\$ 126,008	\$ 126,008

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, 2025**

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 10 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, 2025**

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
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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.

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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

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.

R. Student Activities

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, school boards must control all extracurricular activities of the teachers and students. Therefore, any extracurricular student activity accounts are included in the School's General Fund. During the year ended June 30, 2025, there were no revenues or expenditures recognized relating to student activities.

S. Interfund Activity

From time to time, the School may have interfund activity in the normal course of operations. This activity is eliminated in government wide financial statements when consolidated. The effects of interfund activities have been removed from Government-wide financial statements.

T. Adoption of New Accounting Standards

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 101, Compensated Absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

In accordance with the provisions of GASB Statement No. 101, Compensated Absences, the School has evaluated its policies and historical data regarding compensated absences to determine the appropriate recognition of a liability. As a result of this assessment, the School recognized a liability of \$9,989 as of June 30, 2025, for compensated absences that are expected to be used or paid in the future.

**TWIN LAKES STEM ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Compensated Absences

The school provides full-time employees 12 sick days per year, with up to two days allowable as personal days if approved in advance; part-time staff receive prorated amounts. Unused sick days may be carried forward up to 30 days or, at the employee's written request, cashed out at \$100 per day at year-end. Upon termination after at least four full years of employment, staff may receive payment for up to 30 unused sick days at 50% of their daily rate (annual salary ÷ 180). Additional paid or unpaid leave, bereavement leave (3–5 days), jury duty pay, and certain professional days may be granted under administrative discretion. Policies may require revision due to changes in Minnesota ESST and PFML laws effective January 1.

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.

As of June 30, 2025, the School's carrying amount and bank balance of deposits both amounted to \$294,009. The School's deposits in banks at June 30, 2025 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

**TWIN LAKES STEM ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 3 – STEWARDSHIP AND ACCOUNTABILITY

Actual expenditures exceeded budgeted amount in the following funds for the fiscal year 2024-25. Management and the School Board considers the overages to be necessary to the operations of the School.

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$ 3,741,133	\$ 3,759,225	\$ 18,092
Special Revenue Fund:			
Food Service Fund	297,855	305,438	7,583
Community Service Fund	\$ 126,008	\$ 150,119	\$ 24,111

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2025 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	\$ 65,649	\$ -	\$ -	\$ 65,649
Total Capital Assets, Being Depreciated	65,649	-	-	65,649
Less: Accumulated Depreciation				
Equipment	(16,734)	(8,344)	-	(25,078)
Total Accumulated Depreciation	(16,734)	(8,344)	-	(25,078)
Total Capital Assets, Being Depreciated, Net	48,915	(8,344)	-	40,571
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
Less: Accumulated Amortization				
Equipment, Furniture, and Fixtures	(37,081)	(11,819)	-	(48,900)
Buildings	(1,049,751)	(349,917)	-	(1,399,668)
Total Accumulated Amortization	(1,086,832)	(361,736)	-	(1,448,568)
Total Right-to-use Assets, Net	11,222,417	(361,736)	-	10,860,681
Total Governmental Activities Capital and Right-to-use Assets, Net	\$ 11,271,332	\$ (370,080)	\$ -	\$ 10,901,252

**TWIN LAKES STEM ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation/Amortization Expense was charged to the following governmental functions:

Governmental Activities	
Instructional Support Services	\$ 988
Pupil Support Services	7,356
Sites and Buildings	361,736
Total Depreciation/Amortization Expense, Governmental Activities	<u>\$ 370,080</u>

NOTE 5 –LONG-TERM LIABILITIES

Lease

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
2026	\$ 163,297	\$ 401,228
2027	237,888	394,232
2028	246,713	386,241
2029	255,004	377,950
2030	255,377	377,577
2031-2035	1,416,776	1,748,061
2036-2040	1,683,496	1,483,383
2041-2045	2,002,366	1,168,488
2046-2050	2,376,334	794,521
2051-2055	2,820,145	350,709
2056	624,325	9,846
Total	<u>\$ 12,081,721</u>	<u>\$ 7,492,236</u>

Changes in Long-Term Liabilities

Long-Term liability activities (excluding the net pension liability) for the year ended June 30, 2025 are as follows:

	Balance as of July 1, 2024	Additions	Retirements	Balance as of June 30, 2025	Principal Due Within One Year
Long-Term Leases	\$ 12,193,784	\$ -	\$ (112,063)	\$ 12,081,721	\$ 163,297
Compensated Absences Payable	-	9,989	-	9,989	-
	<u>\$ 12,193,784</u>	<u>\$ 9,989</u>	<u>\$ (112,063)</u>	<u>\$ 12,091,710</u>	<u>\$ 163,297</u>

**TWIN LAKES STEM ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 6 – 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). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

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. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by 0.25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

**TWIN LAKES STEM ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 6 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

B. Benefits Provided (Continued)

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. The 2024 annual increase was 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 prorated increase.

C. Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2025 and the School was required to contribute 7.50 percent for General Plan members. The School's contributions to the General Employees Fund for the year ended June 30, 2025, were \$35,058. The School's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At June 30, 2025, the School reported a liability of \$231,383 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 \$5,983.

Description	Amount
School's proportionate share of the PERA net pension liability	\$ 231,383
State of Minnesota's proportionate share of the net pension liability associated with the school	5,983
Total	\$ 237,366

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 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 0.0063% at the end of the measurement period and 0.0058% for the beginning of the period.

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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

D. Pension Costs (Continued)

For the year ended June 30, 2025, the School recognized pension expense of \$16,212 for its proportionate share of the General Employees Plan's pension expense. In addition, the School recognized \$160 as pension expense for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The School recognized \$10,646 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

At June 30, 2025, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 21,756	\$ -
Changes in actuarial assumptions	1,129	87,574
Net collective difference between projected and actual investment earnings	-	67,192
Changes in Proportion	63,323	27,184
Contributions paid to PERA subsequent to the measurement date	35,058	-
Total	<u><u>\$ 121,266</u></u>	<u><u>\$ 181,950</u></u>

The \$35,058 reported as deferred outflows of resources related to pensions resulting from school contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Expense Amount</u>
2026	\$ (37,894)
2027	(18,971)
2028	(21,143)
2029	\$ (17,734)

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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.

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

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

F. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation.

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 6 - 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 2024:

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

G. Discount Rate

The discount rate used to measure the total pension liability in 2024 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 Plan 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:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.00%	7.00%	8.00%
School's proportionate share of the GERF net pension liability	\$ 505,378	\$ 231,383	\$ 5,997

**TWIN LAKES STEM ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 6 - 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 within one year of eligible employment or elect coverage through the Defined Contribution Retirement Plan (DCR) administered by Minnesota State. A teacher employed by Minnesota State and electing DCR plan is not a member of TRA except for purposes of social security coverage.

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 consecutive 60 months of formula service, age and years of formula service credit at termination of service. TRA members belong to either the Basic or Coordinated Plan.

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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NOTE 6 - 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. An early retirement reduction is applied to members retiring prior to age 65. Members who reach age 62 with 30 years of service have a lower (more favorable to the member) reduction rate applied.

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. After July 1, 2024, the age will change to not to exceed 65. An early retirement reduction is applied to members retiring before age 66, but will be age 65 after July 1, 2024. Members who reach age 62 with 30 years of service have a lower (more favorable to the member) early retirement reduction rate applied.

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.

C. Contribution Rate

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The School's contributions to TRA for the plan's fiscal year ended June 30, 2025 were \$110,774. The School's contributions were equal to the required contributions for each year as set by state statute.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

2. Teacher Retirement Association (TRA) (Continued)

D. Actuarial Assumptions

The total pension liability in the July 1, 2024 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	
Experience studies	August 2, 2023 (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 3.25% after June 30, 2028
Projected salary increase	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:	PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Healthy Retirees:	PubT-2010 (A) Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Beneficiaries:	Pub-2010 (A) Contingent Survivor Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Disabled Retirees:	PubNS-2010 Disabled Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.

**The assumptions prescribed are based on the experience study dated August 2, 2023. 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, 2025**

NOTE 6 - 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	100.00%	

Changes in actuarial assumptions since the 2023 valuation:

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

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 2024 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.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

2. Teacher Retirement Association (TRA) (Continued)

E. Discount Rate (Continued)

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.

F. Net Pension Liability

On June 30, 2025, the School reported a liability of \$1,264,510 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. 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. School's proportionate share was 0.0199% at the end of the measurement period and 0.0199% 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	\$ 1,264,510
State's proportionate share of the net pension liability associated with the school	82,748
Total	<u>\$ 1,347,258</u>

For the year ended June 30, 2025, the School recognized pension expense of \$202,855. It also recognized \$1,012 as a decrease to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The School recognized \$35,057 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Fund.

At June 30, 2025, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

2. Teacher Retirement Association (TRA) (Continued)

F. Net Pension Liability (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 60,284	\$ 16,387
Changes in actuarial assumptions	127,525	150,797
Net difference between projected and actual earnings on Plan Investments	-	178,975
Changes in Proportion	300,809	135,813
School Contributions Subsequent to the Measurement Date	110,774	-
Total	<u>\$ 599,392</u>	<u>\$ 481,972</u>

The \$110,774 reported as deferred outflows of resources related to pensions resulting from School Contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

<u>Year Ending June, 30</u>	<u>Pension Expense Amount</u>
2026	\$ (1,422)
2027	182,009
2028	(43,105)
2029	(110,880)
2030	\$ (19,956)

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.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

2. Teacher Retirement Association (TRA) (Continued)

G. Pension Liability Sensitivity (Continued)

	<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	\$ 2,226,876	\$ 1,264,510	\$ 472,460

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 <https://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 7 – INTERFUND TRANSFERS

The School had the following transfers at June 30, 2025:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 63,101
Food Service Fund	32,348	-
Community Service Fund	30,753	-
Total	<u><u>\$ 63,101</u></u>	<u><u>\$ 63,101</u></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.

NOTE 8 – 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.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 9 – EMPLOYEE RETENTION CREDIT

The Employee Retention Credit (ERC) is a federal tax credit introduced under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and subsequently extended by the Consolidated Appropriations Act, 2021 and the American Rescue Plan Act. The credit is designed to provide financial assistance to eligible employers that have been adversely affected by the COVID-19 pandemic and have retained their employees.

The Charter School has maintained appropriate documentation, including payroll records, employment tax returns, and other relevant documents as required by the IRS. The Charter School claimed a total Employee Retention Credit for \$163,963 for the year ended June 30, 2025. Management believes this amount reflects the allowable credit for qualified wages and health plan expenses incurred during the eligible period as defined by the IRS.

NOTE 10 – SUBSEQUENT EVENTS

For the year ended June 30, 2025, the School has evaluated all subsequent events through December 10, 2025, 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, 2025
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
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%
2024	0.0063%	\$ 231,383	\$ 5,983	\$ 237,366	\$ 529,707	43.68%	89.08%

Note:

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

See notes to required supplementary information

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
GREF PLAN SCHEDULE OF SCHOOL'S CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2025
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
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%
2025	\$ 35,058	\$ 35,058	\$ -	\$ 467,440	7.50%

See notes to required supplementary information

**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, 2025
LAST TEN 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%
2024	0.0199%	\$ 1,264,510	\$ 82,748	\$ 1,347,258	\$ 1,319,097	95.9%	82.07%

See notes to required supplementary information

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
TRA PLAN SCHEDULE OF SCHOOL'S CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2025
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
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%
2025	\$ 110,774	\$ 110,774	\$ -	\$ 1,265,989	8.75%

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

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

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

2024

Changes in Actuarial Assumptions

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

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.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

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

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

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.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

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

2020 (Continued)

- 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.

2019

Changes in Actuarial Assumptions

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

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.

2018

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.

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.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

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

2018 (Continued)

- 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.

2017

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.

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.

2016

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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

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

2015

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2035, and 2.50 percent per year thereafter.

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. 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.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

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

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

2024

Changes in Actuarial Assumptions

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family of tables.
- Retirement rates were increased for some of the tier 2 early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first ten years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

Changes in Plan Provisions

- The 2024 Omnibus Pensions and Retirement Bill (HF 5040/SF 4643) lowered the normal retirement age for Tier 2 members from 66 to 65 effective July 1, 2024 and provided for a one-time State appropriation of \$28.46 million to cover the cost.
- HF 3100, appropriated \$176,166,838 to TRA, payable on October 1, 2023:
 - \$28,735,816 for the difference between the statutory 1.1% compounded COLA payable on January 1, 2024 and a one-time 2.5% lump-sum COLA for coordinated plan members;
 - \$2,384,222 for the difference between the statutory 1.1% compounded COLA payable on January 1, 2024 and a one-time 4.0% lump-sum COLA for basic plan members; and
 - \$145,046,800 to pay down the unfunded actuarial accrued liability.

2023

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.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

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

2023 (Continued)

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%

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.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

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

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.

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.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

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

2018 (Continued)

- 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.

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.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

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

2016 (Continued)

- The postretirement mortality assumption was changed to the RP-2014 while 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%.

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, 2025**

	AUDIT	UFARS	Difference
01 GENERAL FUND			
Total Revenue	\$ 3,787,646	\$ 3,787,646	\$ -
Total Expenditures	3,759,225	3,759,223	2
<i>Non Spendable:</i>			
460 Non Spendable Fund Balance	10,578	10,578	-
<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 & Retirement Levy	-	-	-
459 Basic Skills Extended Time	-	-	-
467 LTFM	-	-	-
471 Student Support Personnel	20,000	20,000	-
472 Medical Assistance	-	-	-
<i>Restricted:</i>			
464 Restricted Fund Balance	-	-	-
475 Title VII Impact Aid	-	-	-
476 Payments in Lieu of Taxes	\$ -	\$ -	\$ -

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2025**

Committed:

418 Committed for Separation	\$ -	\$ -	\$ -
461 Committed Fund Balance	-	-	-

Assigned:

462 Assigned Fund Balance	-	-	-
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Unassigned:

422 Unassigned Fund Balance	77,850	77,850	-
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02 FOOD SERVICES

Total Revenue	273,090	273,089	1
Total Expenditures	305,438	305,437	1

Non Spendable:

460 Non Spendable Fund Balance	-	-	-
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Restricted / Reserved:

452 OPEB Liab Not In Trust	-	-	-
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Restricted:

464 Restricted Fund Balance	-	-	-
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Unassigned:

463 Unassigned Fund Balance	-	-	-
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04 COMMUNITY SERVICE

Total Revenue	119,366	119,366	-
Total Expenditures	150,119	150,119	-

Non Spendable:

4.60 Non Spendable Fund Balance	-	-	-
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Restricted / Reserved:

426 \$25 Taconite	-	-	-
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431 Community Education	-	-	-
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432 E.C.F.E	-	-	-
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440 Teacher Development & Eval	-	-	-
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444 School Readiness	-	-	-
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447 Adult Basic Education	-	-	-
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452 Opeb Liab Not In Trust	-	-	-
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Restricted:

464 Restricted Fund Balance	-	-	-
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Unassigned:

463 Unassigned Fund Balance	\$ -	\$ -	\$ -
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OTHER REQUIRED REPORTS



INDEPENDENT AUDITOR'S 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 No. 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, 2025, 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 10, 2025.

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 (internal control) 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. 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 item 2025-001. 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 charter schools and the uniform financial accounting and reporting standards for Minnesota 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 provisions of the *Minnesota Legal Compliance Audit Guide for Charter Schools* 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 10, 2025



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

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Directors
Twin Lakes STEM Academy
Charter School No. 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, 2025, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon December 10, 2025.

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 item 2025-001. 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 charter schools and the uniform financial accounting and reporting standards for Minnesota 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 The Twin Lakes STEM Academy's compliance. Accordingly, this communication is not suitable for any other purpose.

Thomas & Company, CPA, PA
Cooper City, Florida
December 10, 2025

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**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
SCHEDULES OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2025**

Minnesota Legal Compliance Findings

2025-001 – 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, 2026.

Plan to Monitor Completion of CAP:

The School Board will be monitoring this corrective action plan.

**TWIN LAKES STEM ACADEMY
CHARTER SCHOOL NO. 4239
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

Finding Number	Finding Summary	Status	Additional Information
2024-001 – 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 45 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 45-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 45 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 2025-001 in the fiscal year 2025.	