

Minnesota Transitions Charter School Minneapolis, Minnesota

Audited Financial Statements

For the Year Ended
June 30, 2024

**MINNESOTA TRANSITIONS CHARTER SCHOOL
MINNEAPOLIS, MINNESOTA
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**INTRODUCTORY
SECTION**

**MINNESOTA TRANSITIONS CHARTER SCHOOL
BOARD OF DIRECTORS AND ADMINISTRATION
FOR THE YEAR ENDED JUNE 30, 2024**

BOARD OF DIRECTORS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tyler Frankhouse	Chair	June 30, 2025
Peter Rand	Vice Chair	June 30, 2026
Nikki Reinardy	Secretary/Treasurer	June 30, 2026
Imani Edwards	Member	June 30, 2026
Zahra Farah	Member	June 30, 2025
Allison Raney	Member	June 30, 2024
Sara Roberts	Member	June 30, 2024
Alinasir Samatar	Member	June 30, 2024
Sam Trojan	Member	June 30, 2025

ADMINISTRATION

<u>Name</u>	<u>Title</u>
Shawn Fondow	Executive Director
Scott Marine	Business Manager

**FINANCIAL
SECTION**

INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Minnesota Transitions Charter School
Minneapolis, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minnesota Transitions Charter School, Minneapolis, Minnesota (the School) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Minnesota Transitions Charter School, Minneapolis, Minnesota, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Minnesota Technology Education Corporation, which represent 2.1 percent, 1.5 percent, and 0.3 percent, respectively, of the assets, liabilities, and expenses of the governmental activities and all of the Building Company Fund. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Minnesota Technology Education Corporation, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, Budgetary Comparison Schedule, Schedule of School's Proportionate Share of Net Pension Liability, and Schedule of School Pension Contributions listed in the table of contents 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Minnesota Transitions Charter School, Minneapolis, Minnesota's basic financial statements. The introductory section, combining nonmajor fund financial statements, Uniform Financial Accounting and Reporting Standards Compliance Table, and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, Uniform Financial Accounting and Reporting Standards Compliance Table, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, Uniform Financial Accounting and Reporting Standards Compliance Table, and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2024 on our consideration of Minnesota Transitions Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Minnesota Transitions Charter 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 Minnesota Transitions Charter School's internal control over financial reporting and compliance.



SCHLENNER WENNER & CO.

St. Cloud, Minnesota

December 27, 2024

**REQUIRED SUPPLEMENTARY
INFORMATION**

**MINNESOTA TRANSITIONS CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

As management of Minnesota Transitions Charter School (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2024.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the School exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$3,049,968 (net position). Of this amount, \$5,003,854 is considered unrestricted.
- The School's total net position increased \$710,841 as a result of current year operations.
- At the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$16,713,236, an increase of \$1,562,495 in comparison with the prior year. Approximately 93 percent of this amount, \$15,541,295, is available for spending at the School's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund is \$15,541,295, or 21 percent of total General Fund expenditures.
- The School's total debt and long-term obligations decreased by \$1,236,298 (2.9 percent) in the current fiscal year, excluding the change in the net pension liability.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

**MINNESOTA TRANSITIONS CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

Government-Wide Financial Statements

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

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

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

**MINNESOTA TRANSITIONS CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

The government-wide financial statements start on page 20 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

The School maintains one individual major governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements start on page 22 of this report.

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 26 of this report.

Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented as supplementary information. Combining fund statements start on page 61 of this report.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, for a net balance of \$3,049,968 at the close of the most recent fiscal year.

A portion of the School's net position reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, and equipment), less any related debt used to acquire those assets still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although, the School's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Net Position
Table 1**

	Governmental Activities		
	2024	2023	Increase (Decrease)
Assets			
Current and Other Assets	\$ 45,772,206	\$ 36,634,873	\$ 9,137,333
Capital Assets	38,702,126	40,863,546	(2,161,420)
Total Assets	84,474,332	77,498,419	6,975,913
Deferred Outflows of Resources	3,308,527	5,034,631	(1,726,104)
Liabilities			
Current and Other Liabilities	29,059,503	21,484,663	7,574,840
Noncurrent Liabilities	54,804,712	56,502,411	(1,697,699)
Total Liabilities	83,864,215	77,987,074	5,877,141
Deferred Inflows of Resources	868,676	2,206,849	(1,338,173)
Net Position			
Net Investment in Capital Assets	(2,723,152)	(1,798,030)	(925,122)
Restricted	769,266	576,921	192,345
Unrestricted	5,003,854	3,560,236	1,443,618
Total Net Position	\$ 3,049,968	\$ 2,339,127	\$ 710,841

An additional portion of the School's net position (\$769,266) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted balance of net position is \$5,003,854 at year end. This unrestricted balance has been reduced by a total of \$10,939,583 as a result of recording the School's proportionate share of the net pension liability and related balances for the statewide pension plans in which School employees participate.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position

The School's net position increased \$710,841 during the most recent fiscal year. Key elements of this increase are as follows:

**Changes in Net Position
Table 2**

	Governmental Activities		
	2024	2023	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services	\$ 41,498	\$ 43,266	\$ (1,768)
Operating Grants and Contributions	18,860,987	20,818,832	(1,957,845)
Capital Grants and Contributions	800,302	764,224	36,078
General Revenues			
State Aid Not Restricted to Specific Programs	55,594,996	49,762,272	5,832,724
Earnings on Investments	1,067,059	343,029	724,030
Gifts and Donations	2,225	3,349	(1,124)
Miscellaneous Revenues and Gains (Losses)	100,372	(264,867)	365,239
Total Revenues	<u>76,467,439</u>	<u>71,470,105</u>	<u>4,997,334</u>
Expenses			
Administration	2,136,278	2,071,368	64,910
District Support Services	1,437,684	1,550,384	(112,700)
Regular Instruction	54,934,306	47,624,123	7,310,183
Vocational Instruction	106,671	80,120	26,551
Exceptional Instruction	3,668,101	3,162,319	505,782
Instructional Support Services	554,149	408,373	145,776
Pupil Support Services	5,286,586	4,976,631	309,955
Sites and Buildings	5,210,130	4,688,203	521,927
Fiscal and Other Fixed Costs Programs	157,489	143,876	13,613
Interest and Other Fiscal Charges	2,265,204	2,356,077	(90,873)
Total Expenses	<u>75,756,598</u>	<u>67,061,474</u>	<u>8,695,124</u>
Change in Net Position	710,841	4,408,631	(3,697,790)
Net Position - Beginning of Year	<u>2,339,127</u>	<u>(2,069,504)</u>	<u>4,408,631</u>
Net Position - End of Year	<u>\$ 3,049,968</u>	<u>\$ 2,339,127</u>	<u>\$ 710,841</u>

- The current increase in net position was \$710,841, compared to an increase of \$4,408,631 in the prior year. This is a result of a 7.0 percent increase in revenues and a 13.0 percent increase in expenses during fiscal year 2024.
- State Aid Not Restricted to Specific Programs increased \$5,832,724. State Aid is subject to fluctuation based on the number of pupils served by the School and changes in legislation.
- Operating Grants and Contributions decreased \$1,957,845, primarily due to reductions in Federal funding received for covid-relief purposes during the current year.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

- Expenses related to regular instruction increased \$7,310,183, primarily due to the School's contract with Connections Academy in which the school agreed to provide a percentage of their general and special education aid for Connections Academy's services. The portion of aid remitted to Connections Academy is largely driven by student enrollment through the programs of Connections Academy.
- Expenses related to sites and buildings increased \$521,927, primarily due to fluctuations in costs associated with the School's building leases.

Total and Net Cost of Governmental Activities

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

**Total and Net Costs of Services
Table 3**

	Total Cost of Services			Net Cost of Services		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Administration	\$ 2,136,278	\$ 2,071,368	\$ 64,910	\$ 2,136,278	\$ 2,071,368	\$ 64,910
District Support Services	1,437,684	1,550,384	(112,700)	1,437,684	1,550,384	(112,700)
Regular Instruction	54,934,306	47,624,123	7,310,183	49,958,058	40,423,150	9,534,908
Vocational Instruction	106,671	80,120	26,551	106,671	80,120	26,551
Exceptional Instruction	3,668,101	3,162,319	505,782	(5,624,424)	(5,818,374)	193,950
Instructional Support Services	554,149	408,373	145,776	554,149	261,990	292,159
Pupil Support Services	5,286,586	4,976,631	309,955	4,769,472	4,518,913	250,559
Sites and Buildings	5,210,130	4,688,203	521,927	293,230	(152,352)	445,582
Fiscal and Other Fixed Costs Programs	157,489	143,876	13,613	157,489	143,876	13,613
Interest and Other Fiscal Charges	2,265,204	2,356,077	(90,873)	2,265,204	2,356,077	(90,873)
Totals	<u>\$ 75,756,598</u>	<u>\$ 67,061,474</u>	<u>\$ 8,695,124</u>	<u>\$ 56,053,811</u>	<u>\$ 45,435,152</u>	<u>\$ 10,618,659</u>

Some significant items to note include the following:

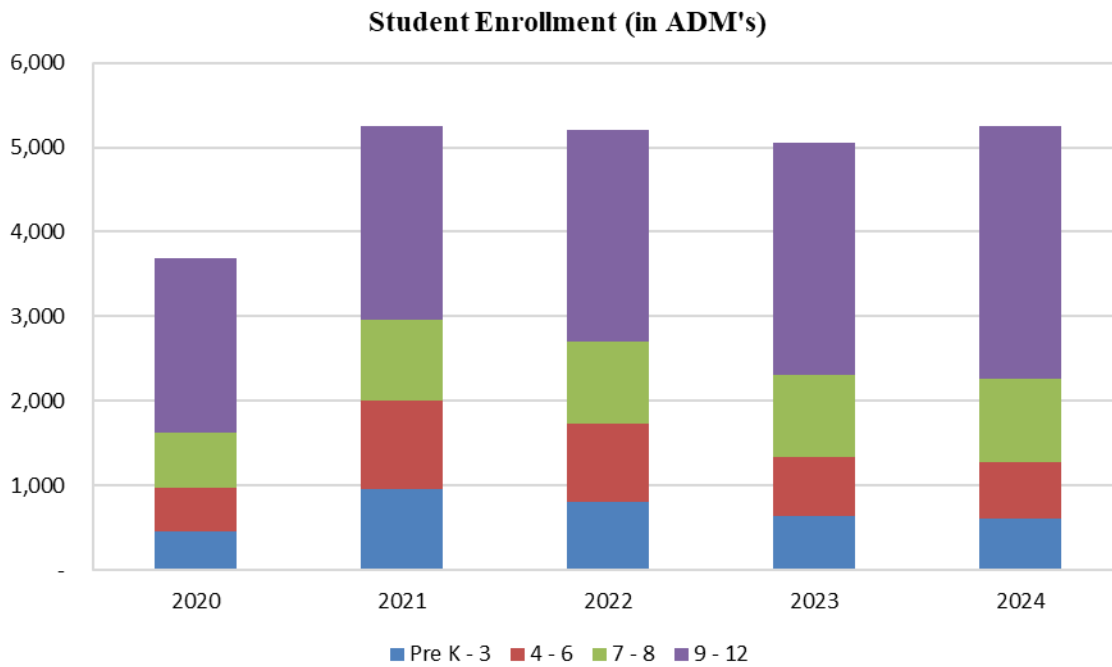
- The net costs of regular instruction increased \$9,534,908 (23.6 percent) due to a combination of the increases in costs discussed above and decreases in federal aid received for covid-response purposes.
- The net costs of sites and buildings increased \$445,582 due largely to the aforementioned changes in costs associated with the School's building leases.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The majority of the financial aid received by the School is determined based on the number of students enrolled during the year. Therefore, fluctuations in enrollment have a significant impact on the financial health of the School. The following graphs show the trend in student enrollment counts over the past five years:

	Student Enrollment (Average Daily Membership)				
	2020	2021	2022	2023	2024
Pre K - 3	455	954	801	632	604
4 - 6	509	1,055	931	699	673
7 - 8	659	952	963	978	984
9 - 12	2,063	2,293	2,509	2,742	2,996
Total Student for Aid	3,686	5,254	5,204	5,051	5,257
Percentage Change	1.74%	42.54%	-0.95%	-2.94%	4.08%



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

Governmental Funds

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

**MINNESOTA TRANSITIONS CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

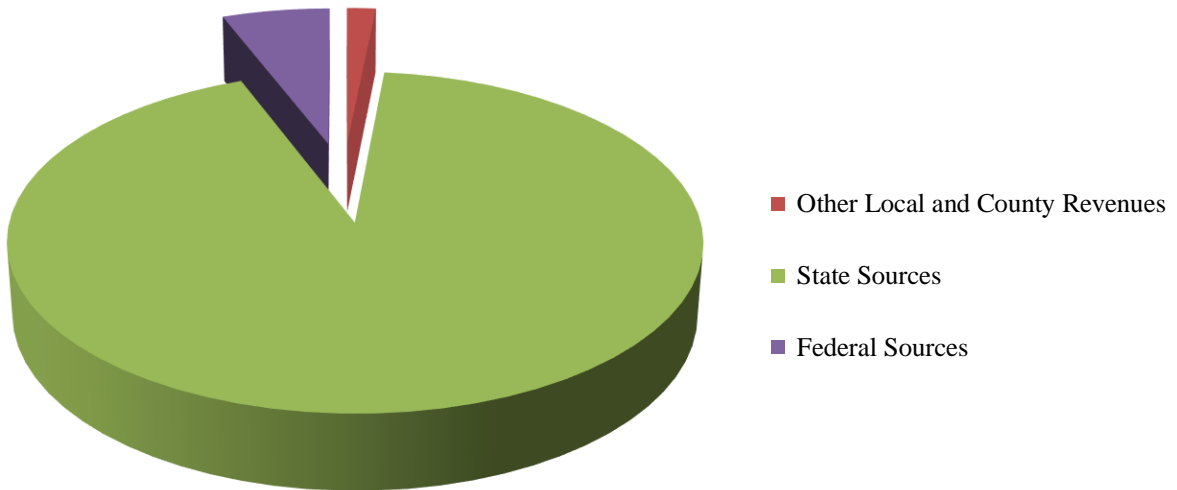
FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS (Continued)

As of the end of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$16,713,236, an increase of \$1,562,495 in comparison with the prior year. The following is a summary of the School's major funds:

Major Funds	Fund Balance June 30,		Increase (Decrease)
	2024	2023	
General	\$ 16,153,730	\$ 14,728,641	\$ 1,425,089

The fund balance of the General Fund increased by \$1,425,089. Operations were similar to that of the prior year. Revenues increased approximately 6.45 percent from that of the prior year, while expenditures increased approximately 9.16 percent from the prior year.

General Fund Revenue

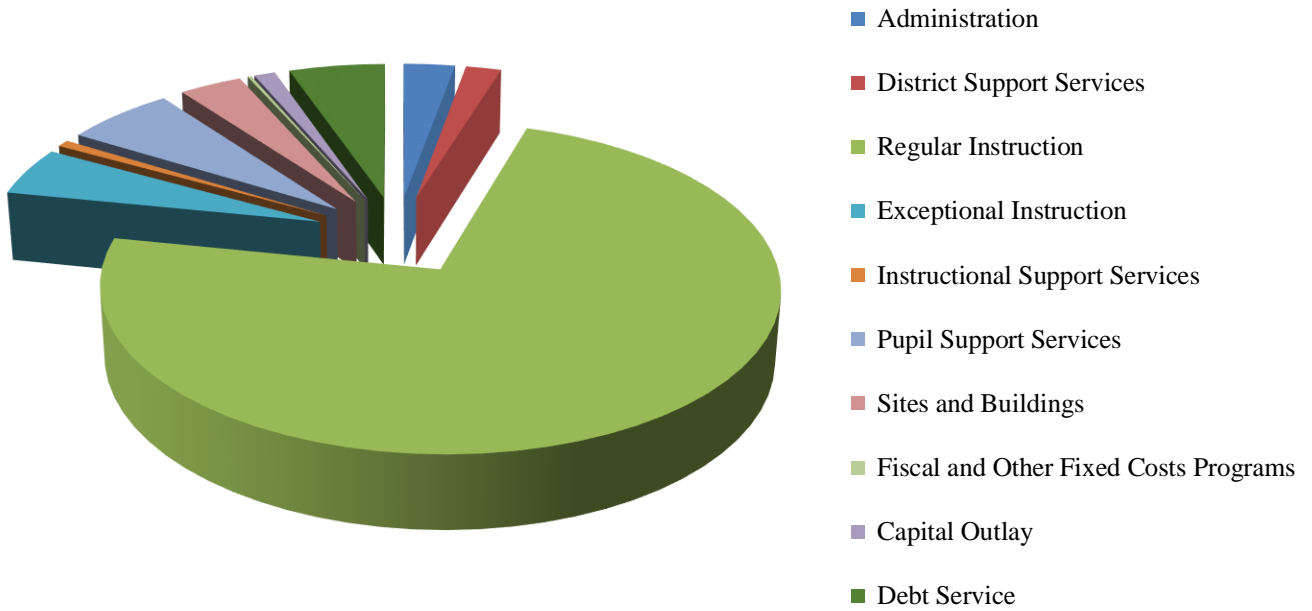


The School receives the vast majority of its funding in the General Fund from the State of Minnesota (93 percent), which is subject to fluctuation based on the number of pupils served by the School and changes in State legislation. In addition, the School receives approximately 6 percent of its General Fund revenues from federal sources.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS (Continued)

General Fund Expenditures



A significant portion of the School's General Fund expenditures are used for regular and exceptional instruction (78 percent). Expenditures for various support services total 9 percent, and the remaining 13 percent consists of expenditures for administration, sites and buildings, and other items.

General Fund Budgetary Highlights

The School's General Fund budget was amended during the year. The revenues budget was increased by \$2,090,680, and the expenditures budget was changed in several functions for an overall increase of \$1,295,980 from original to final. The final budget called for expenditures of \$65,891,689 and an increase in fund balance of \$929,770. Actual expenditures were \$8,835,042 more than budgeted, due largely to additional costs incurred for personnel and services related to regular instruction and exceptional instruction, to meet the needs of the growing student base. Additionally, actual revenues exceeded budgeted amounts by \$9,008,286, as a result of additional funding from State sources.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The School's investment in capital assets for its governmental activities as of June 30, 2024, amounts to \$38,702,126 (net of accumulated depreciation and amortization). This investment in capital assets consists of land, buildings and improvements, leasehold improvements, vehicles, equipment and furniture, and leased assets.

Significant capital asset activity during the year included the following:

- The execution of a building lease agreement for PEASE Academy - \$323,914
- The extension of a building lease agreement for Connections Academy - \$245,008
- The purchase of two vehicles - \$78,471

Capital Assets Net of Depreciation and Amortization

Table 4

	Governmental Activities		
	2024	2023	Increase (Decrease)
Land	\$ 250,000	\$ 250,000	\$ -
Buildings and Improvements	976,371	1,097,565	(121,194)
Leasehold Improvements	57,026	65,870	(8,844)
Vehicles	124,247	66,107	58,140
Equipment and Furniture	91,856	91,548	308
Leased Assets	37,202,626	39,292,456	(2,089,830)
 Total	 \$ 38,702,126	 \$ 40,863,546	 \$ (2,161,420)

Additional information on the School's capital assets can be found in Note 2.B. on page 34 of this report.

Long-Term Debt

At the end of the current fiscal year, the School had total long-term debt outstanding of \$41,425,278, excluding the School's long-term net pension liability of \$13,379,434. A summary of long-term debt activity for the year ended June 30, 2024 follows:

Long-Term Debt

Table 5

	Governmental Activities		
	2024	2023	Increase (Decrease)
Mortgage Payable - Blended Component Unit	\$ 1,224,953	\$ 1,282,225	\$ (57,272)
Leases Payable	40,200,325	41,379,351	(1,179,026)
 Total	 \$ 41,425,278	 \$ 42,661,576	 \$ (1,236,298)

The School's total debt decreased by \$1,236,298 during the current fiscal year. Additional information on the School's long-term debt can be found in Note 2.C. on page 35 of this report.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The School's appointed and elected officials considered many factors when setting the fiscal year 2025 budget. These factors included the following:

- The School is focusing on enrollment to staff ratios, but added new hires as we look to grow our programs, specifically in the K-5 Virtual programs to help bolster our 6-12. We are anticipating 50 additional ADM's from our K-5 Virtual program, which would help offset the new hires.
- Budgets include normal inflationary increases in expenditures, with more significant increases expected in utility and workers compensation costs.
- Our fund balance has grown the past several fiscal years and the district will look to make significant improvements in employee pay scales and benefits to attract and retain personnel again in fiscal year 2025. The School has implemented a 403B match in fiscal year 2024, but we are looking to increase this match in fiscal year 2025 because of another good year in fiscal year 2024.

REQUESTS FOR INFORMATION

This financial report is designed to provide our students, taxpayers, authorizer, customers, investors, and creditors with general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Minnesota Transitions Charter School, 2872 26th Avenue South, Minneapolis, MN 55406.

BASIC FINANCIAL STATEMENTS

**MINNESOTA TRANSITIONS CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2024**

	Governmental Activities
ASSETS	
Cash and Temporary Investments	\$ 31,073,179
Due from Minnesota Department of Education	11,624,377
Due from Federal through Minnesota Department of Education	2,672,508
Prepays and Deposits	402,142
Capital Assets not Being Depreciated or Amortized	250,000
Capital Assets Being Depreciated or Amortized (Net)	38,452,126
TOTAL ASSETS	84,474,332
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	3,308,527
LIABILITIES	
Accounts Payable	27,390,024
Salaries Payable	736,319
Accrued Interest Payable	533
Payroll Deductions and Employer Contributions	701,763
Unearned Revenue	230,864
Noncurrent Liabilities:	
Amount Due Within One Year	1,893,647
Amount Due After One Year	39,531,631
Net Pension Liability	13,379,434
TOTAL LIABILITIES	83,864,215
DEFERRED INFLOWS OF RESOURCES	
Pensions	868,676
NET POSITION	
Net Investment in Capital Assets	(2,723,152)
Restricted:	
General Fund Mandated Restrictions	210,293
Building Company	558,973
Unrestricted	5,003,854
TOTAL NET POSITION	\$ 3,049,968

**MINNESOTA TRANSITIONS CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Administration	\$ 2,136,278	\$ -	\$ -	\$ -	\$ (2,136,278)
District Support Services	1,437,684	-	-	-	(1,437,684)
Regular Instruction	54,934,306	41,098	4,935,150	-	(49,958,058)
Vocational Instruction	106,671	-	-	-	(106,671)
Exceptional Instruction	3,668,101	-	9,292,525	-	5,624,424
Instructional Support Services	554,149	-	-	-	(554,149)
Pupil Support Services	5,286,586	-	517,114	-	(4,769,472)
Sites and Buildings	5,210,130	400	4,116,198	800,302	(293,230)
Fiscal and Other Fixed Costs Programs	157,489	-	-	-	(157,489)
Interest and Other Fiscal Charges	2,265,204	-	-	-	(2,265,204)
Total Governmental Activities	<u>\$ 75,756,598</u>	<u>\$ 41,498</u>	<u>\$ 18,860,987</u>	<u>\$ 800,302</u>	(56,053,811)
General Revenues:					
State Aid Not Restricted to Specific Programs					55,594,996
Earnings on Investments					1,067,059
Gifts and Donations					2,225
Miscellaneous					<u>100,372</u>
Total General Revenues					<u>56,764,652</u>
CHANGE IN NET POSITION					710,841
NET POSITION - BEGINNING OF YEAR					<u>2,339,127</u>
NET POSITION - END OF YEAR					<u>\$ 3,049,968</u>

**MINNESOTA TRANSITIONS CHARTER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Temporary Investments	\$ 30,513,449	\$ 559,730	\$ 31,073,179
Due from Other Funds	12,474	-	12,474
Due from Minnesota			
Department of Education	11,624,377	-	11,624,377
Due from Federal through Minnesota			
Department of Education	2,651,225	21,283	2,672,508
Prepays and Deposits	<u>402,142</u>	<u>-</u>	<u>402,142</u>
TOTAL ASSETS	<u>\$ 45,203,667</u>	<u>\$ 581,013</u>	<u>\$ 45,784,680</u>
LIABILITIES			
Accounts Payable	\$ 27,389,800	\$ 224	\$ 27,390,024
Salaries Payable	727,610	8,709	736,319
Due to Other Funds	-	12,474	12,474
Payroll Deductions and Employer Contributions	701,663	100	701,763
Unearned Revenue	<u>230,864</u>	<u>-</u>	<u>230,864</u>
Total Liabilities	29,049,937	21,507	29,071,444
FUND BALANCES			
Nonspendable	402,142	-	402,142
Restricted	210,293	559,506	769,799
Unassigned	<u>15,541,295</u>	<u>-</u>	<u>15,541,295</u>
Total Fund Balances	<u>16,153,730</u>	<u>559,506</u>	<u>16,713,236</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 45,203,667</u>	<u>\$ 581,013</u>	<u>\$ 45,784,680</u>

**MINNESOTA TRANSITIONS CHARTER SCHOOL
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2024**

Total Fund Balances - Governmental Funds		\$ 16,713,236
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds:		
Capital Assets	\$ 48,285,714	
Accumulated Depreciation and Amortization	<u>(9,583,588)</u>	
Capital Assets (Net)		38,702,126
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds:		
Mortgage Payable - MTEC	(1,224,953)	
Lease Liabilities	<u>(40,200,325)</u>	
		(41,425,278)
The net pension liability and related deferred outflows/inflows represent the allocation of the pension obligations of the statewide plans to the School. Such balances are not reported in the funds:		
Net Pension Liability	(13,379,434)	
Deferred Outflows - Pensions	3,308,527	
Deferred Inflows - Pensions	<u>(868,676)</u>	
		(10,939,583)
Interest on long-term debt is recognized as an expenditure when due and payable in the governmental funds. Therefore, interest is not accrued in the governmental funds Balance Sheet, but is accrued in the Statement of Net Position:		
		<u>(533)</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 3,049,968</u>

**MINNESOTA TRANSITIONS CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Other Local and County Revenues	\$ 1,198,664	\$ 288,202	\$ 1,486,866
State Sources	70,171,587	8,481	70,180,068
Federal Sources	<u>4,459,494</u>	<u>507,980</u>	<u>4,967,474</u>
TOTAL REVENUES	75,829,745	804,663	76,634,408
EXPENDITURES			
Current:			
Administration	2,123,624	-	2,123,624
District Support Services	1,464,959	-	1,464,959
Regular Instruction	54,701,277	-	54,701,277
Vocational Instruction	107,258	-	107,258
Exceptional Instruction	3,660,547	-	3,660,547
Instructional Support Services	517,841	-	517,841
Pupil Support Services	4,547,227	714,960	5,262,187
Sites and Buildings	2,605,441	61,002	2,666,443
Fiscal and Other Fixed Cost Programs	157,489	-	157,489
Capital Outlay	879,022	29,766	908,788
Debt Service:			
Principal	1,747,948	57,272	1,805,220
Interest and Other Charges	<u>2,214,098</u>	<u>51,104</u>	<u>2,265,202</u>
TOTAL EXPENDITURES	<u>74,726,731</u>	<u>914,104</u>	<u>75,640,835</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,103,014	(109,441)	993,573
OTHER FINANCING SOURCES (USES)			
Lease Issuance	568,922	-	568,922
Transfers In	-	246,847	246,847
Transfers Out	<u>(246,847)</u>	<u>-</u>	<u>(246,847)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>322,075</u>	<u>246,847</u>	<u>568,922</u>
NET CHANGE IN FUND BALANCES	1,425,089	137,406	1,562,495
FUND BALANCES - BEGINNING	<u>14,728,641</u>	<u>422,100</u>	<u>15,150,741</u>
FUND BALANCES - ENDING	<u>\$ 16,153,730</u>	<u>\$ 559,506</u>	<u>\$ 16,713,236</u>

**MINNESOTA TRANSITIONS CHARTER SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

Net Change in Fund Balances - Total Governmental Funds \$ 1,562,495

Amounts reported for governmental activities in the Statement of Activities are different due to the following:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation and amortization expense:

Capital Outlay Capitalized	\$ 688,659	
Depreciation and Amortization Expense	<u>(2,850,079)</u>	(2,161,420)

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts below detail the effects of these differences in the treatment of long term debt and related items:

Lease Principal Repayments	1,747,948	
Mortgage Principal Repayments	57,272	
Lease Issuance	<u>(568,922)</u>	1,236,298

Certain liabilities do not represent the impending use of current resources.

Therefore, the change in such liabilities and related deferrals are not reported in the governmental funds:

Net Pension Liability and Deferred Outflows/Inflows of Resources		<u>73,468</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 710,841

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.A. FINANCIAL REPORTING ENTITY

Minnesota Transitions Charter School (the School) is an educational entity established in September 1995 in accordance with Minnesota Statutes. The School is authorized by Pillsbury United Communities and is operating under a contract extending through the 2028-2029 school year. The School is directed by an elected nine-member Board of Directors (the Board). The Board exercises legislative authority and determines all matters of policy. The Board appoints personnel responsible for the proper administration of all affairs relating to the School. The accompanying financial statements present the government entities for which the School is considered to be financially accountable.

The School has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include (1) appointing a voting majority of an organization's governing body and the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government.

Aside from its authorizer relationship, Pillsbury United Communities has no authority, control, power, or administrative responsibilities over Minnesota Transitions Charter School. Therefore, the School is not considered a component unit of Pillsbury United Communities.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The student activity accounts are included in the basic financial statements as part of the General Fund.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the School Board or the component unit provides services entirely to the School. These component units' funds are blended into those of the School's by appropriate activity type to compose the primary government presentation. The School's blended component unit consists of:

Minnesota Technology Education Corporation (MTEC)

MTEC was established in 2001 as a nonprofit organization formed solely for the purpose of maintaining and managing a building rented to Minnesota Transitions Charter School. The revenues of MTEC consist primarily of the rent received from the School, and the mortgage debt of MTEC has been guaranteed by the School as the sole tenant. The financial activity of MTEC has been incorporated into the School's basic financial statements.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the School has no discretely presented component units.

Tax Status

The School is recognized by the Internal Revenue Service as a not-for-profit organization under IRS Code Section 501(c)(3). Due to the not-for-profit nature and provision of the School, all income and expenses attributable to the mission of the School are tax exempt and accordingly no provision or liability for income taxes have been made in the financial statements and contributions to the School are tax deductible to donors as allowed by IRS regulations. However, the School is required to pay state and federal income taxes on unrelated business income. If the School were to engage in any activities that resulted in unrelated business income, a tax would be assessed on that activity. The School is open and subject to examination generally for three years after the filing date.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenses are classified by function for governmental activities.

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

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

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

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

In the government-wide financial statements, amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, if any. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The School reports the following major governmental funds:

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

Additionally, the School reports the following nonmajor governmental funds:

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

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements.

1.D. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The appropriated budget is prepared by fund, function, and department. Minnesota Online High School's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the School because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash management.

1.E. USE OF ESTIMATES

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

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

Deposits and Investments

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

See Note 2.A. for additional information related to Deposits and Investments.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Accounts Receivable

Accounts receivable (when present) include amounts billed for services provided before year end.

Due from Other Governments

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

Prepays and Deposits

Prepaid expenses consist of amounts paid during the year ended June 30, 2024 which will benefit future periods. Included in this amount is supplies purchased for use in subsequent periods and a lease deposit.

Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The School maintains a threshold level of \$5,000 or more for capitalizing capital assets. The system for accumulation of fixed asset cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated or amortized using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the School, no salvage value is taken into consideration for depreciation purposes. Capital assets consist of land, buildings, leasehold improvements, and equipment owned by the School which are being depreciated over useful lives varying from five to thirty years. Also included in capital assets are leased buildings and equipment, which are amortized over the duration of the corresponding lease agreements.

Accrued Payroll Liabilities

Salaries pertaining to the school year ended June 30, 2024, which are payable in July and August 2024, are accrued as of June 30, 2024, and are shown as a liability on the accompanying financial statements. Liabilities for payroll taxes, amounts withheld from payroll checks and benefits accrued are also included.

Unearned Revenue

Unearned revenue consists of local revenue received but not yet earned. Such amounts typically consist of grants and entitlements received before eligibility requirements are met and receipts applicable to the subsequent year's activities.

Compensated Absences Payable

Unpaid sick and personal leave is not accrued in the financial statements because these benefits, when vesting is applicable, are paid prior to year-end according to School policy.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

Net Pension Liability

The net pension liability represents the School's allocation of their pro-rata share of the Statewide General Employees Retirement Fund and Teachers Retirement Association net pension liabilities.

Pensions

PERA

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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TRA

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by TRA.

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.

Interfund Transactions and Balances

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. If short-term in nature or incurred through goods and service type transactions, such interfund balances are reported as "due to/from other funds." Long-term interfund loans are reported as "advances to/from other funds." The School also reports lease revenue and expense resulting from a lease between the School and its building company component unit. These amounts are reported on the lines other local and county revenues and sites and buildings expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Interfund transactions and balances between governmental funds are eliminated in the Statement of Net Position and Statement of Activities.

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated. See additional information at Note 2.E.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred Outflows/Inflows of Resources

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

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

See Notes 3 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for pension activities.

Fund Balance

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

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or they are legally or contractually required to be maintained intact. The nonspendable fund balances at June 30, 2024 consist of prepaid expenditures and a lease deposit.

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

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

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

Unassigned – The residual classification for the General Fund and also negative residual amounts in other funds, if any. The School has not formally adopted a policy for maintaining an unassigned fund balance for its governmental funds.

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

See Note. 2.D. for additional disclosures.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position

Net position represents the difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources. Net position is displayed in three components:

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

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

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

It is the School’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

1.G. RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with the current year presentation in the Management’s Discussion and Analysis section.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

2.A. DEPOSITS AND INVESTMENTS

Deposits

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

Authorized collateral in lieu of a corporate surety bond includes:

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

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. DEPOSITS AND INVESTMENTS (Continued)

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the School.

At June 30, 2024, the School's deposits were not exposed to custodial credit risk. The School's deposits were sufficiently covered by federal depository insurance or by collateral held by the School's agent in the School's name.

The School's building company blended component unit (Minnesota Technology Education Corporation), presented in the financial statements as a special revenue fund, is a nonprofit organization and, therefore, is not required to hold insurance, surety bond, or collateral to cover any uninsured deposits. At June 30, 2024, the building company had an uninsured cash balance of \$310,590.

Investments

The School does not hold any investments as of June 30, 2024.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.B. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, not Being Depreciated or Amortized					
Land	\$ 250,000	\$ -	\$ -	\$ -	\$ 250,000
Capital Assets, Being Depreciated and Amortized					
Buildings and Improvements	2,578,964	29,766	-	-	2,608,730
Leasehold Improvements	142,472	-	-	-	142,472
Vehicles	122,618	78,471	-	-	201,089
Equipment and Furniture	122,349	11,500	-	-	133,849
Leased Buildings	44,499,250	568,922	(228,460)	-	44,839,712
Leased Equipment	109,862	-	-	-	109,862
Total Capital Assets Being Depreciated and Amortized	47,575,515	688,659	(228,460)	-	48,035,714
Less Accumulated Depreciation for					
Buildings and Improvements	1,481,399	150,960	-	-	1,632,359
Leasehold Improvements	76,602	8,844	-	-	85,446
Vehicles	56,511	20,331	-	-	76,842
Equipment and Furniture	30,801	11,192	-	-	41,993
Less Accumulated Amortization for					
Leased Buildings	5,276,373	2,636,780	(228,460)	-	7,684,693
Leased Equipment	40,283	21,972	-	-	62,255
Total Accumulated Depreciation and Amortization	6,961,969	2,850,079	(228,460)	-	9,583,588
Total Capital Assets Being Depreciated and Amortized, Net	40,613,546	(2,161,420)	-	-	38,452,126
Governmental Activities Capital Assets, Net	<u>\$ 40,863,546</u>	<u>\$ (2,161,420)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,702,126</u>

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.B. CAPITAL ASSETS (Continued)

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

Governmental Activities	
District Support Services	\$ 7,918
Regular Instruction	900
Instructional Support Services	21,972
Pupil Support Services	14,941
Sites and Buildings	<u>2,804,348</u>
 Total Depreciation and Amortization Expense - Governmental Activities	 <u>\$ 2,850,079</u>

2.C. NONCURRENT LIABILITIES

Mortgage Payable – Blended Component Unit

On June 26, 2019, the City of Minneapolis issued a Revenue Bond (Minnesota Transitions Charter School Project) Series 2019 in the amount of \$1,500,000. The City has pledged its rights under the loan agreement to Western Bank, a division of American Bank, to secure repayment of the bonds. Terms of the loan agreement mirror the terms of the bonds. Interest has been set through June 2024 at 3.95%. On the dates that are five, ten and fifteen years from the loan date (Adjustment Dates), the interest rate is adjustable to a fixed rate per annum equal to 380 basis points plus the five-year United States Treasury Securities Constant Maturity index, as published by the Federal Reserve Bank, with such sum multiplied by 0.65, but in no event exceeding 7.5% or less than 3.95%.

The current monthly principal and interest payments amount to \$8,997. The mortgage matures June 26, 2039. On each Adjustment Date, the monthly payments due will be adjusted to equal monthly payments sufficient to amortize the then-current principal balance over the remaining term at the adjusted interest rate.

The mortgage requires the School’s Building Company Fund component unit to achieve a Debt Service Coverage of 1.00. The School’s Building Company Fund blended component unit is in compliance with the coverage requirement.

The loan is subject to prepayment penalty of 5% for the first fiscal year after the loan is funded or an Adjustment Date. The penalty declines 1% annually thereafter. The lender may also require prepayment on or after June 26, 2029.

The mortgage is secured by the building and assignment of rents and leases and is guaranteed by Minnesota Transitions Charter School.

Lease Liability

The School currently has various lease agreements in place for buildings, as well as copier. Because of the nature of the terms of these lease agreements, long-term lease liabilities have been recorded in amounts equal to the present value to the future lease payments. Additionally, corresponding right-of-use assets have been recorded and incorporated into the School’s capital asset records.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. NONCURRENT LIABILITIES (Continued)

As of June 30, 2024, lease liabilities of the School's governmental activities consist of the following:

Description	Lease Liabilities			
	Original Issue Amount	Interest Rate	Final Maturity Date	Balance Outstanding
<i>Governmental Activities</i>				
Building Leases:				
MTS Banaadir North Academy	\$ 11,310,546	5.50%	6/30/2038	\$ 10,156,437
MN Connections Academy	500,422	5.50%	8/31/2027	259,996
MTS Elementary	4,289,089	5.50%	6/30/2028	2,758,142
MTS Secondary School	27,202,344	5.50%	7/31/2047	25,941,990
MTS P.E.A.S.E. Academy	653,300	5.50%	8/31/2027	343,221
Minnesota Virtual High School	884,011	5.50%	6/30/2029	689,215
Copiers Lease	<u>109,862</u>	5.50%	8/31/2026	<u>51,324</u>
	<u>\$ 44,949,574</u>			<u>\$ 40,200,325</u>

The tables above excludes the lease between the School and the School's Building Company Fund blended component unit. See Note 4.A. for additional information related to this inter-entity lease.

The lease liabilities have been calculated using the minimum base rent amounts required under the lease agreements. However, several of the School's building lease agreements also contain a clause under which additional rent payments may be required to cover lessor costs incurred for taxes, common area costs, utilities, insurance, and other fees. Additional rent expenditures incurred for variable rent of this nature amounts to \$360,859.

Annual Debt Service Requirements

At June 30, 2024, estimated debt service requirements to maturity for the mortgage payable, using the current interest rate of 3.95%, are as follows:

Year Ended June 30,	Blended Component Unit Mortgage		
	Principal	Interest	Total
2025	\$ 60,425	\$ 47,202	\$ 107,627
2026	62,855	44,772	107,627
2027	65,383	42,243	107,626
2028	68,013	39,614	107,627
2029	70,749	36,878	107,627
2030-2034	400,677	139,198	539,875
2035-2039	<u>496,851</u>	<u>51,922</u>	<u>548,773</u>
	<u>\$ 1,224,953</u>	<u>\$ 401,829</u>	<u>\$ 1,626,782</u>

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. NONCURRENT LIABILITIES (Continued)

At June 30, 2024, estimated annual debt service requirements to maturity for lease liabilities are as follows:

Lease Liabilities			
Year Ended June 30,	Principal	Interest	Total
2025	\$ 1,833,222	\$ 2,153,858	\$ 3,987,080
2026	1,961,343	2,052,730	4,014,073
2027	2,174,199	1,933,449	4,107,648
2028	2,147,010	1,810,212	3,957,222
2029	1,413,179	1,715,041	3,128,220
2030-2034	7,666,767	7,391,634	15,058,401
2035-2039	9,476,203	4,935,907	14,412,110
2040-2044	7,606,996	2,700,854	10,307,850
2045-2048	5,921,406	500,365	6,421,771
	\$ 40,200,325	\$ 25,194,050	\$ 65,394,375

Changes in Noncurrent Liabilities

Noncurrent liability activity for the year ended June 30, 2024 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
Mortgage Payable - MTEC	\$ 1,282,225	\$ -	\$ (57,272)	\$ 1,224,953	\$ 60,425
Lease Liabilities	41,379,351	568,922	(1,747,948)	40,200,325	1,833,222
Total Noncurrent Liabilities	\$ 42,661,576	\$ 568,922	\$ (1,805,220)	\$ 41,425,278	\$ 1,893,647

Lease liabilities are typically funded through the General Fund. Mortgage payments are typically funded through the School's nonmajor Building Company Fund.

Government-wide interest and other fiscal charges for the year ended June 30, 2024 total \$2,265,204. Fund financial statement interest and other fiscal charges for the year ended June 30, 2024 total \$2,265,202. Interest expenses reported as direct program expenses total \$0; all interest and fees are included in interest and other fiscal charges.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. FUND BALANCE CLASSIFICATIONS

At June 30, 2024, governmental fund equity includes the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Unassigned</u>
General Fund			
Nonspendable - Prepays	\$ 320,448	\$ -	\$ -
Nonspendable - Lease Deposit	81,694	-	-
Restricted for Medical Assistance	-	127,437	-
Restricted for Literacy Incentive Aid	-	82,856	-
Unassigned	-	-	15,542,178
Deficit UFARS Restrictions			
Restricted For American Indian Ed Aid	-	-	(883)
	<u> </u>	<u> </u>	<u> </u>
Total General Fund	<u>\$ 402,142</u>	<u>\$ 210,293</u>	<u>\$ 15,541,295</u>
Nonmajor Governmental Funds			
Restricted for Building Company	<u>\$ -</u>	<u>\$ 559,506</u>	<u>\$ -</u>

Restricted for Medical Assistance - This amount represents the unspent resources available from medical assistance.

Restricted for Literacy Incentive Aid - This amount represents funds to be used to support implementation of evidence-based reading instruction.

Restricted for American Indian Ed Aid - This amount represents resources available to enhance American Indian cultural education programs.

Restricted for Building Company - This amount represents resources to be used for building company expenditures.

2.E. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers consist of the following for the year ended June 30, 2024:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Reason</u>
General	Food Service	<u>\$ 246,847</u>	Reduce deficit Food Service Fund balance

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

Interfund balances at June 30, 2024 are as follows:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Reason</u>
General	Food Service	<u>\$ 12,474</u>	Eliminate negative Food Service Fund cash

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

The School also reports lease revenue and expense resulting from a lease between the School and its Building Company Fund blended component unit totaling \$275,712. This amount has been eliminated in the government-wide financial statements.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE

3.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

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

General Employees Retirement Plan

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

Benefits Provided

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.20 percent for each of the first 10 years of service and 1.70 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.70 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the School was required to contribute 7.50 percent for the Coordinated Plan members. The School's contributions to the General Employees Fund for the year ended June 30, 2024 were \$285,448. The School's contributions were equal to the required contributions as set by State Statute.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

3.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

Pension Costs

General Employees Fund Pension Costs

At June 30, 2024, the School reported a liability of \$2,382,144 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 \$65,706.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School’s proportionate share of the net pension liability was based on the School’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA’s participating employers. The School’s proportionate share was 0.0426 percent at the end of the measurement period and 0.0413 percent for the beginning of the period.

School’s proportionate share of the net pension liability:	\$2,382,144
State of Minnesota’s proportionate share of the net pension liability associated with the School	<u>65,706</u>
Total	<u>\$2,447,850</u>

For the year ended June 30, 2024, the School recognized pension expense of \$88,481 for its proportionate share of the General Employees Plan’s pension expense. In addition, the School recognized \$295 as grant revenue for its proportionate share of the State of Minnesota’s pension expense for the annual \$16 million contribution.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 77,657	\$ 14,792
Changes in actuarial assumptions	348,662	652,926
Differences between projected and actual investment earnings	-	41,698
Changes in proportion	173,616	-
Contributions made to PERA subsequent to the measurement date	<u>285,448</u>	<u>-</u>
Total	<u>\$ 885,383</u>	<u>\$ 709,416</u>

The \$285,448 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, 2025.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

3.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

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

Year Ended June 30,	Pension Expense
2025	\$ 137,938
2026	\$ (267,789)
2027	\$ 72,047
2028	\$ (51,677)

Total Pension Expense

The total pension expense for all PERA plans recognized by the School for the year ended June 30, 2024, including amortization of deferred outflows and inflows of resources, was \$106,625.

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 Stocks	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	<u>25.00%</u>	5.90%
Total	<u>100%</u>	

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.00 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.00 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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

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

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

3.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

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

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.50 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 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.00 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 Fund 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.

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:

Sensitivity Analysis		
Net Pension Liability (Asset) at Different Discount Rates		
	Rates	Amounts
1% Increase in Discount Rate	8.00%	\$875,205
Current Discount Rate	7.00%	\$2,382,144
1% Decrease in Discount Rate	6.00%	\$4,214,205

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.

3.B. TEACHERS RETIREMENT ASSOCIATION

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.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

3.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

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

Benefits Provided

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

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

Tier I Benefits

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

With these provisions:

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

Or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.70 percent per year for coordinated members and 2.70 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.90 percent per year for coordinated members and 2.70 percent per year for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

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

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

3.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

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.

Contribution Rate

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

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

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

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

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

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

3.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

Actuarial Assumptions

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

<u>Key Methods and Assumptions Used in Valuation of Total Pension Liability</u>	
<u>Actuarial Information:</u>	
Valuation date	July 1, 2023
Measurement date	June 30, 2023
Experience study	June 28, 2019 (demographic and economic assumptions)*
Actuarial cost method	Entry Age Normal
<u>Actuarial Assumptions:</u>	
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 adjustment	1.00% for January 2019 through January 2023, then increasing by 0.10% each year up to 1.50% annually.
<u>Mortality Assumptions:</u>	
Pre-retirement:	RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale.
Post-retirement:	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability:	RP-2014 disabled retiree mortality table, without adjustment.
* <i>The assumptions prescribed above are based on an experience study dated June 28, 2019. For GASB 67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with actuary.</i>	

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	<u>25.00%</u>	5.90%
Total	<u>100%</u>	

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

3.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

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

Changes in actuarial assumptions since the 2022 valuation:

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

- The employer contribution rate will increase from 8.75 percent to 9.50 percent on July 1, 2025.
- The employee contribution rate will increase from 7.75 percent to 8.00 percent on July 1, 2025.
- The pension adjustment rate for school districts and the base budgets for Minnesota State, Perpich Center for Arts Education, and Minnesota Academies will increase to reflect the 0.75 percent employer contribution rate increase.

The 2024 Omnibus Pensions and Retirement Bill:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2023 contribution rate, contributions from schools will be made at contractually required rates (actuarially determined), and contributions from the State will be made at current statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

Net Pension Liability

At June 30, 2024, the School reported a liability of \$10,997,290 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The School's proportionate share was 0.1332 percent at the end of the measurement period and 0.1320 percent for the beginning of the period.

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

School’s proportionate share of net pension liability	\$10,997,290
State’s proportionate share of the net pension liability associated with the School	\$770,180

For the year ended June 30, 2024, the School recognized pension expense of \$1,661,626. It also recognized \$108,447 as an increase to pension expense for the support provided by direct aid.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

3.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

On June 30, 2024, the School had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 105,373	\$ 157,983
Changes in assumptions	1,245,492	-
Net difference between projected and actual investment earnings on pension plan investments	-	1,277
Changes in proportion	334,384	-
Contributions made to TRA subsequent to the measurement date	737,895	-
Total	\$ 2,423,144	\$ 159,260

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

Year Ended June 30,	Pension Expense
2025	\$ 286,015
2026	\$ 54,372
2027	\$ 1,290,280
2028	\$ (100,565)
2029	\$ (4,113)

Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

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

<u>1 percent decrease (6.00%)</u>	<u>Current (7.00%)</u>	<u>1 percent increase (8.00%)</u>
\$17,539,869	\$10,997,290	\$5,641,393

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

Pension Plan Fiduciary Net Position

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

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 4 OTHER INFORMATION

4.A. COMMITMENTS AND CONTINGENCIES

Blended Component Unit Leasing Arrangement

The School currently rents a building location from its blended component unit, Minnesota Technology Education Corporation. The pertinent terms of this lease are summarized in the following table:

Lease Description	Expiration Dates	Minimum Monthly Payments	Maximum Monthly Payments	Potential Renewal Terms
MTS Banaadir South Academy	June 30, 2039	\$ <u>21,026</u>	\$ <u>36,870</u>	N/A

At June 30, 2024, estimated future minimum rent payments are as follows:

Year Ended June 30,	Amount
2025	\$ 292,499
2026	301,274
2027	310,312
2028	319,621
2029	329,210
2030-2034	1,800,255
2035-2039	<u>2,086,989</u>
	<u>\$ 5,440,160</u>

For the year ended June 30, 2024, rent expenditures paid from the General Fund to the Building Company Fund under this agreement total \$275,712.

Federal and State Programs

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

4.B. RISK MANAGEMENT

Claims and Judgements

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported. The School's management is not aware of any incurred but unreported claims.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 4 OTHER INFORMATION (Continued)

4.C. OTHER EMPLOYEE BENEFITS

Defined Contribution Plan

The School provides eligible employees future retirement benefits through the School's 403(b) Plan (the Plan). The School has contracted with a private brokerage firm to establish the Plan, and plan assets are not held in a formal trust meeting the criteria defined by GASB No. 73, par 4. The School's Board of Directors acts as the plan administrator, but the School is not involved with the investment decisions for plan assets. Contributions are invested in tax deferred annuities selected and owned by Plan participants. Employees of the School are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a School match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. The School's contributions to the plan total \$8,239 for the year ended June 30, 2024.

4.D. NEW ACCOUNTING STANDARDS

In June 2022, the Government Accounting Standards Board (GASB) issued Statement No. 101, *Compensated Absences*. GASB Statement No. 101 (GASB 101) increases the usefulness of governmental financial statements by updating the recognition and measurement guidance for compensated absences. GASB 101 is effective for the School's fiscal year ended June 30, 2025. The effect on net position may be significant.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**MINNESOTA TRANSITIONS CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts Budgetary Basis	
REVENUES				
Other Local and County Revenues	\$ 382,850	\$ 838,738	\$ 1,198,664	\$ 359,926
State Sources	60,463,961	61,868,353	70,171,587	8,303,234
Federal Sources	<u>3,883,968</u>	<u>4,114,368</u>	<u>4,459,494</u>	<u>345,126</u>
TOTAL REVENUES	<u>64,730,779</u>	<u>66,821,459</u>	<u>75,829,745</u>	<u>9,008,286</u>
EXPENDITURES				
Current:				
Administration	2,060,894	2,203,925	2,123,624	(80,301)
District Support Services	1,296,865	1,398,004	1,464,959	66,955
Regular Instruction	46,933,375	51,417,075	54,701,277	3,284,202
Vocational Instruction	93,016	107,607	107,258	(349)
Exceptional Instruction	3,206,486	(253,516)	3,660,547	3,914,063
Instructional Support Services	469,690	470,472	517,841	47,369
Pupil Support Services	4,381,468	4,158,513	4,547,227	388,714
Sites and Buildings	1,945,131	1,675,274	2,605,441	930,167
Fiscal and Other Fixed Cost Programs	143,000	175,000	157,489	(17,511)
Capital Outlay	176,784	208,502	879,022	670,520
Debt Service	<u>3,889,000</u>	<u>4,330,833</u>	<u>3,962,046</u>	<u>(368,787)</u>
TOTAL EXPENDITURES	<u>64,595,709</u>	<u>65,891,689</u>	<u>74,726,731</u>	<u>8,835,042</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	135,070	929,770	1,103,014	173,244
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	6,342	-	-	-
Lease Issuance	-	-	568,922	568,922
Transfers Out	-	-	(246,847)	(246,847)
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,342</u>	<u>-</u>	<u>322,075</u>	<u>322,075</u>
NET CHANGE IN FUND BALANCE	<u>\$ 141,412</u>	<u>\$ 929,770</u>	1,425,089	<u>\$ 495,319</u>
FUND BALANCE - BEGINNING			<u>14,728,641</u>	
FUND BALANCE - ENDING			<u>\$ 16,153,730</u>	

**MINNESOTA TRANSITIONS CHARTER SCHOOL
SCHEDULE OF SCHOOL'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY
LAST TEN YEARS**

For the Measurement Year Ended June 30	School's Proportion of the Net Pension Liability (Asset)	School's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the School (b)	School's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the School (a+b)	School's Covered Payroll (c)	School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<i>Public Employees Retirement Association</i>							
2023	0.0426%	\$ 2,382,144	\$ 65,706	\$ 2,447,850	\$ 3,383,600	72.3%	83.1%
2022	0.0413%	\$ 3,270,974	\$ 95,871	\$ 3,366,845	\$ 3,136,800	107.3%	76.7%
2021	0.0384%	\$ 1,639,852	\$ 50,112	\$ 1,689,964	\$ 2,775,120	60.9%	87.0%
2020	0.0361%	\$ 2,164,360	\$ 66,717	\$ 2,231,077	\$ 2,539,280	87.9%	79.1%
2019	0.0395%	\$ 2,183,867	\$ 67,877	\$ 2,251,744	\$ 2,739,813	82.2%	80.2%
2018	0.0363%	\$ 2,013,775	\$ 66,056	\$ 2,079,831	\$ 1,547,840	134.4%	79.5%
2017	0.0295%	\$ 1,883,261	\$ 23,670	\$ 1,906,931	\$ 1,866,413	102.2%	75.9%
2016	0.0330%	\$ 2,679,436	\$ 34,962	\$ 2,714,398	\$ 2,020,080	134.4%	68.9%
2015	0.0379%	\$ 1,964,175	\$ -	\$ 1,964,175	\$ 2,189,960	89.7%	78.2%
2014	0.0411%	\$ 1,930,672	\$ -	\$ 1,930,672	\$ 2,087,747	92.5%	78.7%
<i>Teachers Retirement Association</i>							
2023	0.1332%	\$ 10,997,290	\$ 770,180	\$ 11,767,470	\$ 8,402,795	140.0%	76.4%
2022	0.1320%	\$ 10,569,862	\$ 783,910	\$ 11,353,772	\$ 8,239,317	137.8%	76.2%
2021	0.1295%	\$ 5,667,307	\$ 477,899	\$ 6,145,206	\$ 7,860,394	78.2%	86.6%
2020	0.1275%	\$ 9,419,871	\$ 789,499	\$ 10,209,370	\$ 7,445,960	137.1%	75.5%
2019	0.1252%	\$ 7,980,274	\$ 706,335	\$ 8,686,609	\$ 7,031,180	123.5%	78.2%
2018	0.1196%	\$ 7,509,935	\$ 705,575	\$ 8,215,510	\$ 5,199,427	158.0%	78.1%
2017	0.1044%	\$ 20,840,134	\$ 2,014,689	\$ 22,854,823	\$ 5,553,973	411.5%	51.6%
2016	0.1171%	\$ 27,931,144	\$ 2,804,564	\$ 30,735,708	\$ 5,987,013	513.4%	44.9%
2015	0.1282%	\$ 7,930,438	\$ 972,575	\$ 8,903,013	\$ 6,508,640	136.8%	76.8%
2014	0.1365%	\$ 6,289,822	\$ 442,473	\$ 6,732,295	\$ 6,230,183	108.1%	81.5%

**MINNESOTA TRANSITIONS CHARTER SCHOOL
SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS
LAST TEN YEARS**

For the Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	School's Covered Payroll	Contributions as a Percentage of Covered Payroll
<i>Public Employees Retirement Association</i>					
2024	\$ 285,448	\$ 285,448	\$ -	\$ 3,805,973	7.50%
2023	\$ 253,770	\$ 253,770	\$ -	\$ 3,383,600	7.50%
2022	\$ 235,260	\$ 235,260	\$ -	\$ 3,136,800	7.50%
2021	\$ 208,134	\$ 208,134	\$ -	\$ 2,775,120	7.50%
2020	\$ 190,446	\$ 190,446	\$ -	\$ 2,539,280	7.50%
2019	\$ 205,486	\$ 205,486	\$ -	\$ 2,739,813	7.50%
2018	\$ 116,088	\$ 116,088	\$ -	\$ 1,547,840	7.50%
2017	\$ 139,981	\$ 139,981	\$ -	\$ 1,866,413	7.50%
2016	\$ 151,506	\$ 151,506	\$ -	\$ 2,020,080	7.50%
2015	\$ 164,247	\$ 164,247	\$ -	\$ 2,189,960	7.50%
<i>Teachers Retirement Association</i>					
2024	\$ 737,895	\$ 737,895	\$ -	\$ 8,433,086	8.75%
2023	\$ 718,439	\$ 718,439	\$ -	\$ 8,402,795	8.55%
2022	\$ 687,159	\$ 687,159	\$ -	\$ 8,239,317	8.34%
2021	\$ 639,050	\$ 639,050	\$ -	\$ 7,860,394	8.13%
2020	\$ 589,720	\$ 589,720	\$ -	\$ 7,445,960	7.92%
2019	\$ 542,104	\$ 542,104	\$ -	\$ 7,031,180	7.71%
2018	\$ 389,957	\$ 389,957	\$ -	\$ 5,199,427	7.50%
2017	\$ 416,548	\$ 416,548	\$ -	\$ 5,553,973	7.50%
2016	\$ 449,026	\$ 449,026	\$ -	\$ 5,987,013	7.50%
2015	\$ 488,148	\$ 488,148	\$ -	\$ 6,508,640	7.50%

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024**

NOTE 1 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION – GENERAL EMPLOYEES FUND

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.50 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 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

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

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

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 2-5 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 Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024**

NOTE 1 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION – GENERAL EMPLOYEES FUND (Continued)

- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 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 2.0 percent for the period July 1, 2020 through December 31, 2023 and 0.0 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

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

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 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Annual 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

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 non-vested deferred members. The revised CSA loads are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability and 3.00 percent for non-vested deferred member liability.
- The assumed annual 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.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024**

NOTE 1 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION – GENERAL EMPLOYEES FUND (Continued)

Changes in Plan Provisions

- The State’s contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State’s contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions

- The assumed annual 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 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 were no changes in plan provisions since the previous valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed annual 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 Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State’s contribution of \$6 million, which meets the special funding situation definition, was due September 2015.

NOTE 2 TEACHERS RETIREMENT ASSOCIATION

2023 Changes

Changes in Actuarial Assumptions

- The employer contribution rate will increase from 8.75 percent to 9.50 percent on July 1, 2025.
- The employee contribution rate will increase from 7.75 percent to 8.00 percent on July 1, 2025.
- The pension adjustment rate for school districts and the base budgets for Minnesota State, Perpich Center for Arts Education, and Minnesota Academies will increase to reflect the 0.75 percent employer contribution rate increase.
- The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024.
- TRA’s amortization date will remain the same at 2048.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024**

NOTE 2 TEACHERS RETIREMENT ASSOCIATION (Continued)

2022 Changes

Changes in Actuarial Assumptions

- There have been no additional changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

- For GASB Valuation:
 - The investment return assumption was changed from 7.50 percent to 7.00 percent.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

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.

2019 Changes

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

Changes in Actuarial Assumptions

- The COLA was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent on 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 2.50 percent if the funded ratio was at least 90 percent 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 zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The State provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024**

NOTE 2 TEACHERS RETIREMENT ASSOCIATION (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2017 Changes

Changes in Actuarial Assumptions

- The Cost of Living Adjustment (COLA) was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.40 percent to 0.00 percent, the vested inactive load increased from 4.00 percent to 7.00 percent and the non-vested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for ten years followed by 3.25 percent 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

Changes in Actuarial Assumptions

- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2.00 percent for all future years.
- The price inflation assumption was lowered from 3.00 percent to 2.75 percent.
- The general wage growth and payroll growth assumptions were lowered from 3.75 percent to 3.50 percent.
- Minor changes as 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 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale.
- The post-retirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 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 adjustment.
- 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 form of annuity payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The annual COLA for the June 30, 2015, valuation assumed 2.00 percent. The prior year valuation used 2.00 percent with an increase to 2.50 percent commencing in 2034.
- The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent.

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024**

NOTE 2 TEACHERS RETIREMENT ASSOCIATION (Continued)

Changes in Plan Provisions

- The DTRFA was merged into TRA on June 30, 2015.

NOTE 3 EXPENDITURES IN EXCESS OF BUDGET

Actual expenditures of \$74,726,731 in the General Fund exceeded budgeted amounts by \$8,835,042, primarily due to additional expenditures incurred for regular and exceptional instruction costs during the current year.

SUPPLEMENTARY INFORMATION

**MINNESOTA TRANSITIONS CHARTER SCHOOL
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2024**

	Food Service	Building Company (MTEC)	Total Nonmajor Governmental Funds
ASSETS			
Cash and Temporary Investments	\$ -	\$ 559,730	\$ 559,730
Due from Federal through Minnesota Department of Education	21,283	-	21,283
TOTAL ASSETS	\$ 21,283	\$ 559,730	\$ 581,013
LIABILITIES			
Accounts Payable	\$ -	\$ 224	\$ 224
Salaries Payable	8,709	-	8,709
Due to Other Funds	12,474	-	12,474
Payroll Deductions and Employer Contributions	100	-	100
Total Liabilities	21,283	224	21,507
FUND BALANCES			
Restricted for: Building Company	-	559,506	559,506
TOTAL LIABILITIES AND FUND BALANCES	\$ 21,283	\$ 559,730	\$ 581,013

**MINNESOTA TRANSITIONS CHARTER SCHOOL
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024**

	Food Service	Building Company (MTEC)	Total Nonmajor Governmental Funds
REVENUES			
Other Local and County Revenues	\$ -	\$ 288,202	\$ 288,202
State Sources	8,481	-	8,481
Federal Sources	<u>507,980</u>	<u>-</u>	<u>507,980</u>
TOTAL REVENUES	516,461	288,202	804,663
EXPENDITURES			
Current:			
Pupil Support Services	714,960	-	714,960
Sites and Buildings	-	61,002	61,002
Capital Outlay	-	29,766	29,766
Debt Service:			
Principal	-	57,272	57,272
Interest and Other Charges	<u>-</u>	<u>51,104</u>	<u>51,104</u>
TOTAL EXPENDITURES	<u>714,960</u>	<u>199,144</u>	<u>914,104</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(198,499)	89,058	(109,441)
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>246,847</u>	<u>-</u>	<u>246,847</u>
NET CHANGE IN FUND BALANCES	48,348	89,058	137,406
FUND BALANCES - BEGINNING	<u>(48,348)</u>	<u>470,448</u>	<u>422,100</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ 559,506</u>	<u>\$ 559,506</u>

**MINNESOTA TRANSITIONS CHARTER SCHOOL
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2024**

<u>01 GENERAL FUND</u>	<u>Audited</u>	<u>UFARS</u>	<u>Difference</u>	<u>06 BUILDING CONSTRUCTION</u>	<u>Audited</u>	<u>UFARS</u>	<u>Difference</u>
Total Revenue	75,829,745	75,829,743	2	Total Revenue	-	-	-
Total Expenditures	74,726,731	74,726,728	3	Total Expenditures	-	-	-
Non Spendable:				Non Spendable:			
460 Non Spendable Fund Balance	402,142	402,142	-	460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:				Restricted/Reserve:			
401 Student Activities	-	-	-	407 Capital Projects Levy	-	-	-
402 Scholarships	-	-	-	413 Projects Funded by COP	-	-	-
403 Staff Development	-	-	-	467 LTFM	-	-	-
407 Capital Projects Levy	-	-	-	Restricted:			
408 Cooperative Revenue	-	-	-	464 Restricted Fund Balance	-	-	-
412 Literacy Incentive Aid	82,856	82,856	-	Unassigned:			
413 Project Funded by COP	-	-	-	463 Unassigned Fund Balance	-	-	-
414 Operating Debt	-	-	-				
416 Levy Reduction	-	-	-	<u>07 DEBT SERVICE</u>			
417 Taconite Building Maint	-	-	-	Total Revenue	-	-	-
420 American Indian Ed Aid	(883)	(883)	-	Total Expenditures	-	-	-
424 Operating Capital	-	-	-	Non Spendable:			
426 \$25 Taconite	-	-	-	460 Non Spendable Fund Balance	-	-	-
427 Disabled Accessibility	-	-	-	Restricted/Reserve:			
428 Learning & Development	-	-	-	425 Bond Refundings	-	-	-
434 Area Learning Center	-	-	-	433 Max Effort Loan	-	-	-
435 Contracted Alt. Programs	-	-	-	451 QZAB Payments	-	-	-
436 St. Approved Alt. Program	-	-	-	467 LTFM	-	-	-
438 Gifted & Talented	-	-	-	Restricted:			
440 Teacher Development & Eval	-	-	-	464 Restricted Fund Balance	-	-	-
441 Basic Skills Programs	-	-	-	Unassigned:			
448 Achievement & Integration	-	-	-	463 Unassigned Fund Balance	-	-	-
449 Safe Schools Levy	-	-	-				
451 QZAB Payments	-	-	-	<u>08 TRUST</u>			
452 OPEB Liab Not in Trust	-	-	-	Total Revenue	-	-	-
453 Unfunded Sev. & Retirement	-	-	-	Total Expenditures	-	-	-
459 Basic Skills Ext Time	-	-	-	401 Student Activities	-	-	-
467 LTFM	-	-	-	402 Scholarships	-	-	-
472 Medical Assistance	127,437	127,437	-	422 Net Assets	-	-	-
Restricted:				<u>18 CUSTODIAL FUND</u>			
464 Restricted Fund Balance	-	-	-	Total Revenue	-	-	-
475 Title VII - Impact Aid	-	-	-	Total Expenditures	-	-	-
476 PILT	-	-	-	401 Student Activities	-	-	-
Committed:				402 Scholarships	-	-	-
418 Committed for Separation	-	-	-	448 Achievement & Integration	-	-	-
461 Committed Fund Balance	-	-	-	464 Restricted Fund Balance	-	-	-
Assigned:				<u>20 INTERNAL SERVICE</u>			
462 Assigned Fund Balance	-	-	-	Total Revenue	-	-	-
Unassigned:				Total Expenditures	-	-	-
422 Unassigned Fund Balance	15,542,178	15,542,180	(2)	422 Net Assets	-	-	-
<u>02 FOOD SERVICE</u>				<u>25 OPEB REVOCABLE TRUST FUND</u>			
Total Revenue	516,461	516,461	-	Total Revenue	-	-	-
Total Expenditures	714,960	714,960	-	Total Expenditures	-	-	-
Non Spendable:				422 Net Assets	-	-	-
460 Non Spendable Fund Balance	-	-	-	<u>45 OPEB IRREVOCABLE TRUST FUND</u>			
Restricted/Reserve:				Total Revenue	-	-	-
452 OPEB Liab. Not in Trust	-	-	-	Total Expenditures	-	-	-
Restricted:				422 Net Assets	-	-	-
464 Restricted Fund Balance	-	-	-	<u>47 OPEB DEBT SERVICE FUND</u>			
Unassigned:				Total Revenue	-	-	-
463 Unassigned Fund Balance	-	-	-	Total Expenditures	-	-	-
<u>04 COMMUNITY SERVICE</u>				422 Net Assets	-	-	-
Total Revenue	-	-	-	<u>47 OPEB DEBT SERVICE FUND</u>			
Total Expenditures	-	-	-	Total Revenue	-	-	-
Non Spendable:				Total Expenditures	-	-	-
460 Non Spendable Fund Balance	-	-	-	Non Spendable:			
Restricted/Reserve:				460 Non Spendable Fund Balance	-	-	-
426 \$25 Taconite	-	-	-	Restricted:			
431 Community Education	-	-	-	425 Bond Refundings	-	-	-
432 E.C.F.E.	-	-	-	464 Restricted Fund Balance	-	-	-
440 Teacher Development & Eval	-	-	-	Unassigned:			
444 School Readiness	-	-	-	463 Unassigned Fund Balance	-	-	-
447 Adult Basic Education	-	-	-				
452 OPEB Liab. Not in Trust	-	-	-				
Restricted:							
464 Restricted Fund Balance	-	-	-				
Unassigned:							
463 Unassigned Fund Balance	-	-	-				

**MINNESOTA TRANSITIONS CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal ALN	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Pass-through Programs from Minnesota Department of Education		
Child Nutrition Cluster:		
National School Breakfast Program	10.553	
Cash Assistance		\$ 150,784
National School Lunch Program	10.555	
Cash Assistance		313,089
Non-Cash Assistance (Commodities)		<u>44,107</u>
		<u>357,196</u>
<i>Child Nutrition Cluster Subtotal - 10.553, 10.555</i>		507,980
COVID-19 - State Pandemic Electronic Benefit Transfer (P-EBT)		
Administrative Costs Grant	10.649	<u>653</u>
Total U.S. DEPARTMENT OF AGRICULTURE		<u>\$ 508,633</u>
U.S. DEPARTMENT OF EDUCATION		
Pass-through Programs from Minnesota Department of Education		
Title I, Part A - Grants to Local Educational Agencies	84.010	\$ 1,411,803
Special Education Cluster:		
Grants to States (IDEA, Part B)	84.027	1,604,680
Preschool Grants (IDEA Preschool)	84.173	<u>26,067</u>
<i>Special Education Cluster Subtotal - 84.027, 84.173</i>		1,630,747
Title II, Part A - Supporting Effective Instruction State Grants	84.367	160,075
Title III, Part A - English Language Acquisition State Grants	84.365	32,935
Title IV, Part A - Student Support and Academic Enrichment Program	84.424	98,559
COVID-19 - Education Stabilization Fund:		
American Rescue Plan		
Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	1,042,230
Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W	<u>6,179</u>
<i>Education Stabilization Fund Subtotal</i>		<u>1,048,409</u>
Total U.S. DEPARTMENT OF EDUCATION		<u>\$ 4,382,528</u>
U.S. DEPARTMENT OF DEFENSE		
Direct Programs		
ROTC Language and Culture Training Grants	12.357	<u>\$ 76,313</u>
TOTAL FEDERAL EXPENDITURES		<u>\$ 4,967,474</u>

**MINNESOTA TRANSITIONS CHARTER SCHOOL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Minnesota Transitions Charter School (the School) under programs of the federal government for the year ended June 30, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a select portion of the operations of Minnesota Transitions Charter School, it is not intended to and does not present the financial position or changes in financial position of Minnesota Transitions Charter School.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INVENTORY

Nonmonetary assistance is reported in this schedule at the fair market value of commodities received and disbursed for the USDA National School Lunch Program Commodities (ALN 10.555). Revenue and expenditures are recorded when commodities are received.

NOTE 4 SUBRECIPIENTS

The School did not pass any federal funds to subrecipients during the year ended June 30, 2024.

NOTE 5 PASS-THROUGH IDENTIFIER

The School's pass-through identifying numbers assigned by each pass-through entity above are unknown.

NOTE 6 INDIRECT COST RATE

The School has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**OTHER REQUIRED
REPORTS AND SCHEDULES**

**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**

Members of the School Board
Minnesota Transitions Charter School
Minneapolis, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minnesota Transitions Charter School, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Minnesota Transitions Charter School's basic financial statements and have issued our report thereon dated December 27, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying *Schedule of Findings and Questioned Costs* as items 2024-001 and 2024-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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, nothing came to our attention that caused us to believe that Minnesota Transitions Charter School failed to comply with the provisions of the uniform financial accounting and reporting standards for Minnesota school districts (UFARS) and charter schools sections 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. 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 School's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Minnesota Transitions Charter School's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Minnesota Transitions Charter School's response to the findings identified in our audit and described in the accompanying *Schedule of Findings and Questioned Costs* and *Corrective Action Plans*. The School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



SCHLENNER WENNER & CO.

St. Cloud, Minnesota

December 27, 2024

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Members of the School Board
Minnesota Transitions Charter School
Minneapolis, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Minnesota Transitions Charter School's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2024. The School's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

In our opinion, Minnesota Transitions Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Minnesota Transitions Charter School and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Minnesota Transitions Charter School's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Minnesota Transitions Charter School's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Schlenner Wenner & Co.".

SCHLENNER WENNER & CO.

St. Cloud, Minnesota

December 27, 2024

**MINNESOTA TRANSITIONS CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

* Material weakness(es) identified? X Yes No

* Significant deficiencies identified that are not considered to be material weaknesses? Yes X No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? Yes X No

* Significant deficiencies identified that are not considered to be material weakness(es)? Yes X No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? Yes X No

Identification of major programs:

ALN	Name of Federal Program or Cluster
84.010	Title I, Part A - Grants to Local Educational Agencies
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

**MINNESOTA TRANSITIONS CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

SECTION II: FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Finding 2024-001 Material Audit Adjustments

Condition: Audit adjustments were required to correct material misstatements identified in the trial balance presented for the audit.

Criteria: The School is required to report financial information under the basis of accounting prescribed by Generally Accepted Accounting Principles.

Cause: The School failed to adjust certain accounts to their proper year-end balances, particularly in relation to entitlements due from the State at the end of the year.

Effect: The misstatements in the trial balance presented for the audit resulted in the need to record material audit adjustments to achieve fair financial statement presentation under accounting principles generally accepted in the United States of America.

Recommendation: We recommend management perform a thorough review of the trial balance prior to the audit and ensure all transactions and year-end balances have been properly recorded.

*Views of Responsible
Officials and Planned
Corrective Actions:* Management agrees with the recommendation. See corresponding Corrective Action Plan.

Finding 2024-002 Journal Entry Approval

Condition: The School's internal controls over the recording of journal entries appear to be insufficient.

Criteria: Internal controls should be designed and implemented to ensure the propriety of manual adjustments. All manual adjustments should be subject to a review and approval process.

Cause: The School does not have formal accounting procedures in place related to the preparation and approval of journal entries.

Effect: This lack of controls could result in undetected material misstatements in the financial statements, whether due to error or malfeasance.

Recommendation: We recommend the School adopt and implement a formal policy regarding the documentation and approval procedures related to journal entries.

*Views of Responsible
Officials And Planned
Corrective Actions:* Management agrees with the recommendation. See corresponding Corrective Action Plan.

SECTION III: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None identified.

SECTION IV: MINNESOTA LEGAL COMPLIANCE FINDINGS

None identified.



CORRECTIVE ACTION PLANS FOR THE YEAR ENDED JUNE 30, 2024

FINANCIAL STATEMENT FINDINGS

Finding 2024-001 Material Audit Adjustments

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The School will perform a thorough review of the trial balance and year-end adjustments to ensure their accuracy and completeness prior to the audit.
3. Official Responsible
Scott Marine, Business Manager, is the official responsible for ensuring corrective action.
4. Planned Completion Date
June 30, 2025
5. Plan to Monitor Completion
The School Board will be monitoring this Corrective Action Plan.

Finding 2024-002 Journal Entry Approval

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The School will adopt and implement a formal policy regarding the documentation and approval procedures related to journal entries.
3. Official Responsible
Scott Marine, Business Manager, is the official responsible for ensuring corrective action.
4. Planned Completion Date
June 30, 2025
5. Plan to Monitor Completion
The School Board will be monitoring this Corrective Action Plan.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

The financial statement finding in accordance with *Government Auditing Standards* that was reported in the prior year has been reported again in the current year as finding 2024-001.

PRIOR YEAR FEDERAL AWARDS FINDINGS

There were no findings reported in the prior year related to Federal Awards.