

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2020**

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CHARTER SCHOOL NO. 4043  
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## **INTRODUCTORY SECTION**

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
SCHOOL BOARD AND ADMINISTRATION  
JUNE 30, 2020**

**SCHOOL BOARD**

<b>NAME</b>	<b>TERM ON BOARD EXPIRATION</b>	<b>BOARD POSITION</b>
Annie Cardenas	June 30, 2023	Board Chair
Dan Ellingson	June 30, 2022	Vice Chair
Cody Schniepp	June 30, 2022	Treasurer
Michelle Kurkoski	June 30, 2022	Secretary
Maggie Burggraaff	June 30, 2023	Teacher Member
Judy Seeberger	June 30, 2021	Teacher Member
Adam Bartz	June 30, 2021	Member
Jennifer Bartle	June 30, 2023	Member
Robert Krueger	June 30, 2021	Member
John Gawarecki	-	Ex Officio

**MSA BUILDING COMPANY**

<b>NAME</b>	<b>TERM ON BOARD EXPIRATION</b>	<b>BOARD POSITION</b>
John Gawarecki	March 30, 2021	President
Joell Pundsack	March 30, 2021	Secretary
Judy Seeberger	March 30, 2021	Member
Cody Schniepp	March 30, 2021	Member

**ADMINISTRATION**

John Gawarecki

Administrator/Director

School Office:

Charter School No. 4043  
Math and Science Academy  
8430 Woodbury Crossing  
Woodbury, MN 55125  
(651) 578-7507

## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors  
Math and Science Academy  
Charter School No. 4043  
Woodbury, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Math and Science Academy as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Math and Science Academy's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

**Opinions**

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Math and Science Academy as of June 30, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Prior Year Information**

We have previously audited Math and Science Academy's 2019 financial statements of the governmental activities and each major fund, and we expressed an unmodified opinion on those audited financial statements in our report dated August 27, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Math and Science Academy's basic financial statements. The Uniform Financial Accounting and Reporting Standards Compliance Table as listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Members of the Board of Directors  
Math and Science Academy  
Charter School No. 4043

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2020, on our consideration of Math and Science Academy'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 Math and Science Academy'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 Math and Science Academy's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
October 29, 2020

## **REQUIRED SUPPLEMENTARY INFORMATION**

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

This section of Math and Science Academy – Charter School No. 4043's (the School) annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the School's financial statements, which immediately follow this section. Certain comparative information between the current year (2019-2020) and the prior year (2018-2019) is required to be presented in the Management's Discussion and Analysis.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2019-2020 fiscal years include the following:

- The fund balance of the General Fund increased \$25,984 from the prior year for an ending fund balance of \$2,147,076 at June 30, 2020.
- Total General Fund revenues were \$5,783,856 as compared to \$5,757,872 of expenditures.
- The fund balance of the Building Company decreased \$167,248 from the prior year for an ending fund balance of \$1,076,403 at June 30, 2020.
- The School's Net Position decreased by \$295,569. This decrease is directly attributable to the impact of pension entries consisting of changes in actuarial assumptions, changes in the School's proportionate share, and differences between projected and actual investment earnings which affected the School's net pension liability of the General Employees Retirement Plan of Public Employees Retirement Association and the Teachers Retirement Fund and related deferred inflows and deferred outflows of resources.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data.

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**School-Wide Statements**

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

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

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

In the School-wide financial statements the School's activities are shown in one category:

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

**Fund Financial Statements**

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

- Some funds are required by state law and by bond covenants.
- The School may establish other funds to control and manage money for a blended component unit such as the Math and Science Academy Building Company.

The School has the following fund type:

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

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

**Net Position**

The School's *combined* net position was a deficit of \$694,323 on June 30, 2020 (see Table A-1).

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

	Governmental Activities as of June 30,		Percentage Change
	2020	2019	
Current and Other Assets	\$ 3,789,595	\$ 3,892,615	(2.65)%
Capital Assets	8,618,029	8,697,586	(0.91)
Total Assets	<u>12,407,624</u>	<u>12,590,201</u>	(1.45)
Deferred Outflows of Resources	2,220,090	3,060,093	(27.45)
Current Liabilities	808,884	754,574	7.20
Long-Term Liabilities	11,287,173	11,383,334	(0.84)
Total Liabilities	<u>12,096,057</u>	<u>12,137,908</u>	(0.34)
Deferred Inflows of Resources	<u>3,225,980</u>	<u>3,911,140</u>	(17.52)
Net Position:			
Net Investment in Capital Assets	(72,987)	(194,374)	(62.45)
Restricted	695,592	855,224	(18.67)
Unrestricted	(1,316,928)	(1,059,604)	24.28
Total Net Position	<u>\$ (694,323)</u>	<u>\$ (398,754)</u>	74.12

The School's net position decreased by \$295,569. This decrease is directly attributable to the impact of pension entries required for changes in actuarial assumptions, changes in the School's proportionate share, and differences between projected and actual investment earnings which affected the School's net pension liability of the General Employees Retirement Plan of Public Employees Retirement Association and the Teachers Retirement Fund and related deferred inflows and deferred outflows of resource.

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**Changes in Net Position**

The School's total entity-wide revenues were \$5,797,287 for the year ended June 30, 2020 (see Table A-2). State formula aid accounted for 66% of total revenue for the year. The remaining 34% came from other general and program revenues.

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

	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2020	2019	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 103,587	\$ 150,407	(31.13)%
Operating Grants and Contributions	1,700,249	1,384,784	22.78
<u>General Revenues</u>			
Unrestricted State Aid	3,831,490	3,751,588	2.13
Investment Earnings	28,991	47,449	(38.90)
Other	132,970	165,137	(19.48)
Total Revenues	<u>5,797,287</u>	<u>5,499,365</u>	5.42
<b>Expenses</b>			
Administration	195,813	125,233	56.36
District Support Services	490,810	462,351	6.16
Regular Instruction	3,002,201	1,948,301	54.09
Special Education Instruction	852,779	583,291	46.20
Instructional Support Services	420,810	299,906	40.31
Pupil Support Services	148,445	67,641	119.46
Sites and Buildings	522,916	509,767	2.58
Fiscal and Other Fixed Cost Programs	29,705	54,350	(45.34)
Interest and Fiscal Charges on Long-Term Liabilities	429,377	434,204	(1.11)
Total Expenses	<u>6,092,856</u>	<u>4,485,044</u>	35.85
<b>Change in Net Position</b>	(295,569)	1,014,321	
Beginning Net Position	(398,754)	(1,413,075)	
Ending Net Position	<u>\$ (694,323)</u>	<u>\$ (398,754)</u>	

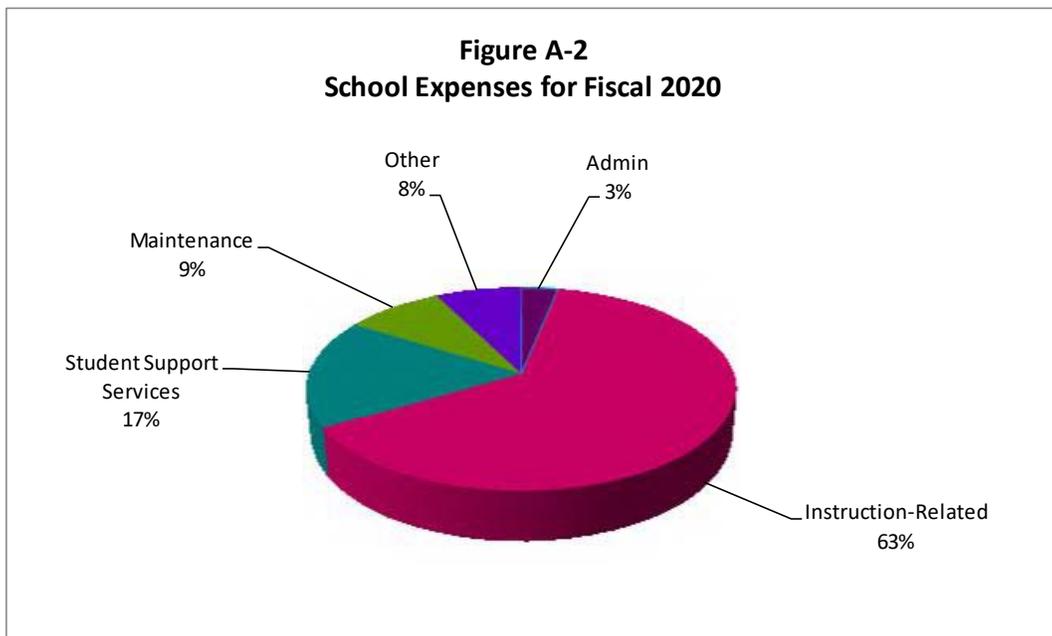
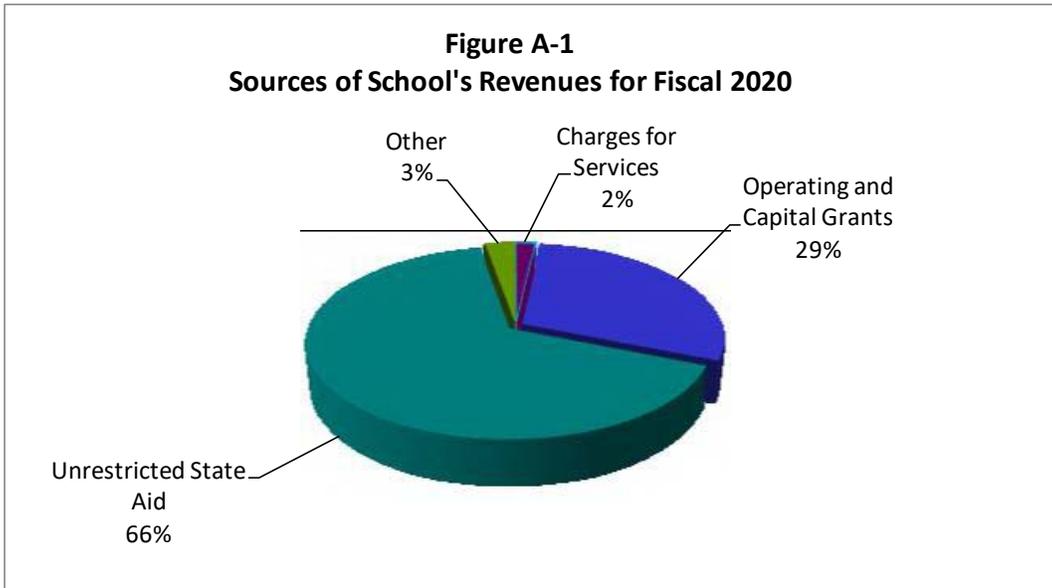
Total expenses exceeded revenues decreasing the net position by \$295,569. Revenues held fairly steady at \$5.8M. The total cost of all programs and services was \$6,092,856 which is an increase over the prior year of \$1,607,812 or 35.85%. The substantial increase in the net amount of pension expense for fiscal 2019-20 from the prior year makes meaningful comparisons between the two years difficult. Analysis between the current year and prior year's revenues and expenditures will be performed on the fund level financial statements, which are not impacted by the pension expense (see Tables A-5 and A-6).

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**Changes in Net Position (Continued)**

The cost of all *governmental* activities this year was \$6,092,856.

- Some of the cost was paid by the users of the School's programs (\$103,587).
- The federal government, state government, and private grant funds subsidized certain programs with grants and contributions (\$1,700,249).
- Most of the School's costs were paid for by unrestricted state aid (\$3,831,490).



**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

All governmental funds include not only funds received for the general operation of the School which are used for classroom instruction, but also include resources from the Building Company. Funding for the general operation of the School is controlled by the state.

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

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2020	2019		2020	2019	
Administration	\$ 195,813	\$ 125,233	56.36 %	\$ 206,951	\$ 132,472	56.22 %
District Support Services	490,810	460,713	6.53	490,530	461,477	6.30
Regular Instruction	3,002,201	1,949,939	53.96	2,851,795	1,892,085	50.72
Special Education Instruction	852,779	583,291	46.20	69,782	(42,989)	(262.33)
Instructional Support Services	420,810	299,906	40.31	419,935	299,906	40.02
Pupil Support Services	148,445	67,641	119.46	148,074	77,539	90.97
Sites and Buildings	522,916	530,474	(1.42)	72,248	75,013	(3.69)
Fiscal and Other Fixed Cost Programs	29,705	42,313	(29.80)	29,705	54,350	(45.34)
Interest and Fiscal Charges on Long-Term Liabilities	429,377	428,477	0.21	-	-	N/A
<b>Total</b>	<b>\$ 6,092,856</b>	<b>\$ 4,487,987</b>	<b>35.76</b>	<b>\$ 4,289,020</b>	<b>\$ 2,949,853</b>	<b>45.40</b>

**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

The financial performance of the School as a whole is reflected in its governmental funds. Revenues for the School's governmental funds were \$6,509,946 while total expenditures were \$6,651,210. This contributed to a *combined* fund balance of \$3,223,479 which is \$141,264 lower than last year's ending fund balance of \$3,364,743.

**GENERAL FUND**

The General Fund includes the primary operations of the School in providing educational services to students from grade 6 through grade 12 including activities and capital outlay projects.

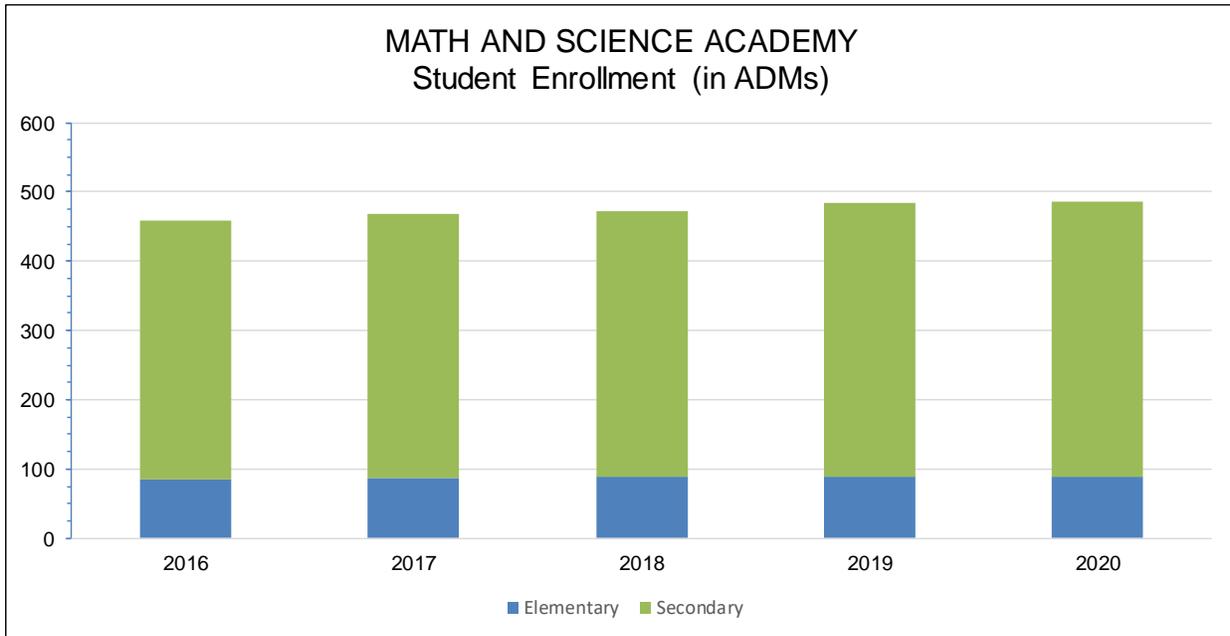
A large percentage of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources.

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**ENROLLMENT**

Enrollment is a critical factor in determining revenue with a very high percentage of General Fund revenue being determined by enrollment. The following chart shows that the number of students has increased modestly over the last five years.

**Table A-4  
Five-Year Enrollment Trend  
Average Daily Membership (ADM)**



Since opening in 1999, the School has experienced excellent stability in average daily membership. The average enrollment during 2019-2020 was 486 students, which was an increase of approximately 2 students over the prior year.

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

The following schedule presents a summary of General Fund Revenues.

**Table A-5  
General Fund Revenues**

	Year Ended		Change	
	June 30, 2020	June 30, 2019	Increase (Decrease)	Percent Change
Local Sources:				
Earnings on Investments	\$ 16,568	\$ 27,129	\$ (10,561)	(38.93)%
Other	230,077	312,232	(82,155)	(26.31)
State Sources	5,445,257	5,203,888	241,369	4.64
Federal Sources	91,954	77,350	14,604	18.88
Total General Fund Revenue	<u>\$ 5,783,856</u>	<u>\$ 5,620,599</u>	<u>\$ 163,257</u>	2.90

Basic general education revenue is determined by multiple complex state formulas, largely enrollment driven, and consists of a specified minimum amount with variables such as socioeconomic indicators driving additional funding. For Minnesota charter schools the majority of all funding is made up of general education aid, special education aid and charter school lease aid. Other revenue consists of federal and private grant funding that is often expenditure driven.

Total General Fund Revenue increased by \$163,257 from the previous year. State revenue increased \$241,369 primarily as a result of the 2% increase in the general education formula and the increase in special education revenue. Other revenue decreased by \$82,155 due to the school going to distance learning for the final 3 months and a lot of fundraising was not able to be done. Federal revenue consistent with the prior year.

The following schedule presents a summary of General Fund Expenditures.

**Table A-6  
General Fund Expenditures**

	Year Ended		Change	
	June 30, 2020	June 30, 2019	Increase (Decrease)	Percent Change
Salaries	\$ 2,761,508	\$ 2,514,841	\$ 246,667	9.81 %
Employee Benefits	935,677	829,797	105,880	12.76
Purchased Services	1,659,205	1,728,913	(69,708)	(4.03)
Supplies and Materials	301,753	286,233	15,520	5.42
Capital Expenditures	43,288	176,067	(132,779)	(75.41)
Other Expenditures	56,441	61,878	(5,437)	(8.79)
Total General Fund Expenditures	<u>\$ 5,757,872</u>	<u>\$ 5,597,729</u>	<u>\$ 160,143</u>	2.86

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

Total General Fund expenditures increased \$160,143 from the previous year. The vast majority of this increase can be seen in salaries and benefits. The increase of \$246,667 in salaries was due to increases in contracts, the increase in staffing, and an increase in performance-based stipends. The increase in employee benefits in the amount of \$105,880 was both the result of salaries increasing but also the result of the continuing increase in health insurance costs.

Capital Expenditures decreased over prior year by \$132,779. There were a substantial amount of Chromebooks purchased in the prior year with many of them being purchased with proceeds from the Annual Fund.

Unassigned fund balance is the single best measure of overall financial health. General Fund unassigned fund balance was \$1,943,918 at June 30, 2020. The total fund balance (which includes \$193,461 of prepaid items and \$18,700 related to student activities) of \$2,147,076 represents 37.3% of annual expenditures.

**General Fund Budgetary Highlights**

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

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

Actual revenues were lower than budgeted with a variance of \$13,413 or 0.2%.

Actual expenditures were lower than budgeted with a variance of \$37,832 or 0.7%. The majority of budget variances were in the areas of Special Education and Sites and Buildings. Special Education expenditures (which are driven by student needs are basically offset by Special Education revenue) were over budget by \$85,806. Sites and Buildings was under budget by \$90,842 as a result of work on the school that was not completed in the current year.

The differences between budget and actual revenues and expenditures resulted in a surplus for the year of \$25,984 which was \$24,419 higher than had been budgeted.

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**OTHER MAJOR FUNDS**

Expenditures exceeded revenues in the Building Company Fund by \$167,248. This is primarily because the amount required for debt service payments, capital outlay expenditures, and fiscal agent and other expenditures that were required and incurred during the fiscal year exceeded the amount received for lease payments.

In fiscal year 2013, the MSA Building Company issued \$9,950,000 of bonds (Series 2012A and Series 2012B). The proceeds from the sale of the bonds were used for three purposes as follows: to finance the costs of acquiring, constructing and equipping of a second site; to improve the current facility; and to refund the 2002 Series bonds. The new building is a three-story, 30,400 square foot building and consists of a gymnasium and 10 classrooms.

From the standpoint of maintaining current operating expenditures within the range of annual revenue and maintaining a sound fund balance, the Building Company Fund continues to operate on a sound financial basis.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of the 2019-2020 fiscal year, the School and related building company had invested \$11,485,401, in a broad range of capital assets, including the school building, computer and other equipment (see Table A-7). More detailed information about capital assets can be found in Note 3 to the financial statements. Total depreciation expense for the year was \$305,320.

**Table A-7  
Capital Assets**

	<u>2020</u>	<u>2019</u>	<u>Percentage Change</u>
<b>MSA Building Company</b>			
Land	\$ 990,625	\$ 990,625	- %
Buildings and Improvements	9,555,523	9,363,416	2.1
Furniture and Equipment	92,311	86,989	6.1
<b>Math and Science Academy</b>			
Buildings and Leasehold Improvements	262,390	252,953	3.7
Furniture and Equipment	584,552	565,655	3.3
Less: Accumulated Depreciation	<u>(2,867,372)</u>	<u>(2,562,052)</u>	11.9
Total District Capital Assets	<u>\$ 8,618,029</u>	<u>\$ 8,697,586</u>	(0.9)

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**Long-Term Liabilities**

At year-end, the School had a net amount of \$9,034,059 in bonds and related net bond premiums outstanding as well as a net pension liability of \$2,458,114.

**Table A-8  
The School's Long-Term Liabilities**

	2020	2019	Percentage Change
General Obligation Bonds	\$ 8,830,000	\$ 9,030,000	(2.2)%
Net Bond Premium and Discount	204,059	212,773	(4.1)
Net Pension Liability	2,458,114	2,330,561	5.5
Total Long-Term Liabilities	<u>\$ 11,492,173</u>	<u>\$ 11,573,334</u>	(0.7)
Long-Term Liabilities:			
Due Within One Year	\$ 205,000	\$ 190,000	
Due in More Than One Year	11,287,173	11,383,334	
Total	<u>\$ 11,492,173</u>	<u>\$ 11,573,334</u>	

**FACTORS BEARING ON THE SCHOOL'S FUTURE**

The School is dependent on the state of Minnesota for its revenue authority. The 2019 Legislative session ended with schools receiving a 2% increase to the general education formula for both FY 2020 and FY 2021. The holdback will continue at its current level of 10%. The 2020 Legislative session did not change this.

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

Due to the COVID-19 pandemic, the Governor of Minnesota issued a stay at home order which occurred during the year. This caused the School to go to distance learning for part of the year.

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our constituents, state oversight agencies, lenders, customers, legislative leaders, and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Math and Science Academy No. 4043, 8430 Woodbury Crossing, Woodbury, Minnesota 55125.

## **BASIC FINANCIAL STATEMENTS**

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
STATEMENT OF NET POSITION  
JUNE 30, 2020  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	Governmental Activities	
	2020	2019
<b>ASSETS</b>		
Cash and Investments	\$ 1,873,282	\$ 1,944,716
Cash with Fiscal Agent	1,052,954	1,188,404
Receivables:		
Other Governments	657,260	521,371
Other	12,638	6,590
Prepaid Items	193,461	231,534
Capital Assets:		
Land and Construction in Progress	990,625	990,625
Other Capital Assets, Net of Depreciation	7,627,404	7,706,961
Total Assets	12,407,624	12,590,201
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows - Pensions	2,220,090	3,060,093
<b>LIABILITIES</b>		
Salaries Payable	415,760	416,705
Accounts and Contracts Payable	150,356	111,167
Accrued Interest Payable	37,768	36,702
Long-Term Liabilities:		
Net Pension Liability	2,458,114	2,330,561
Other Long-Term Liabilities Due Within One Year	205,000	190,000
Other Long-Term Liabilities Due in More Than One Year	8,829,059	9,052,773
Total Liabilities	12,096,057	12,137,908
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows - Pensions	3,225,980	3,911,140
<b>NET POSITION</b>		
Net Investment in Capital Assets	(72,987)	(194,374)
Restricted for:		
Food Service	-	-
Community Service	-	-
Building Company	695,592	855,224
Unrestricted	(1,316,928)	(1,059,604)
Total Net Position	\$ (694,323)	\$ (398,754)

See accompanying Notes to Basic Financial Statements.

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2019)**

Functions	2020			2019	
	Expenses	Program Revenues		Net Revenue (Expense) and Change in Net Position	Net Revenue (Expense) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities	Total Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>					
Administration	\$ 195,813	\$ -	\$ (11,138)	\$ (206,951)	\$ (132,472)
District Support Services	490,810	-	280	(490,530)	(461,477)
Regular Instruction	3,002,201	103,587	46,819	(2,851,795)	(1,892,085)
Special Education Instruction	852,779	-	782,997	(69,782)	42,989
Instructional Support Services	420,810	-	875	(419,935)	(299,906)
Pupil Support Services	148,445	-	371	(148,074)	(77,539)
Sites and Buildings	522,916	-	450,668	(72,248)	(75,013)
Fiscal and Other Fixed Cost Programs	29,705	-	-	(29,705)	(54,350)
Interest and Fiscal Charges on Long-Term Liabilities	429,377	-	429,377	-	-
Total School District	<u>\$ 6,092,856</u>	<u>\$ 103,587</u>	<u>\$ 1,700,249</u>	(4,289,020)	(2,949,853)
<b>GENERAL REVENUES</b>					
State Aid Not Restricted to Specific Purposes				3,831,490	3,751,588
Earnings on Investments				28,991	47,449
Miscellaneous				132,970	165,137
Total General Revenues				<u>3,993,451</u>	<u>3,964,174</u>
<b>CHANGE IN NET POSITION</b>				(295,569)	1,014,321
Net Position - Beginning				(398,754)	(1,413,075)
<b>NET POSITION - ENDING</b>				<u>\$ (694,323)</u>	<u>\$ (398,754)</u>

See accompanying Notes to Basic Financial Statements.

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	Major Funds		Total Governmental	
	General	Building Company	2020	2019
<b>ASSETS</b>				
Cash and Investments	\$ 1,809,413	\$ 63,869	\$ 1,873,282	\$ 1,944,716
Cash with Fiscal Agent	-	1,052,954	1,052,954	1,188,404
Receivables:				
Due from Minnesota Department of Education	652,800	-	652,800	517,535
Due from Federal through Minnesota Department of Education	4,460	-	4,460	3,836
Due from Other Funds	40,420	-	40,420	-
Other Receivables	12,638	-	12,638	6,590
Prepays	193,461	-	193,461	231,534
<b>Total Assets</b>	<b>\$ 2,713,192</b>	<b>\$ 1,116,823</b>	<b>\$ 3,830,015</b>	<b>\$ 3,892,615</b>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Salaries Payable	\$ 312,576	\$ -	\$ 312,576	\$ 315,892
Payroll Deductions and Employer Contributions Payable	103,184	-	103,184	100,813
Accounts and Contracts Payable	150,356	-	150,356	111,167
Due to Other Funds	-	40,420	40,420	-
<b>Total Liabilities</b>	<b>566,116</b>	<b>40,420</b>	<b>606,536</b>	<b>527,872</b>
Fund Balance:				
Nonspendable:				
Prepays	193,461	-	193,461	231,534
Restricted for:				
Food Service	-	-	-	-
Community Service	-	-	-	-
Building Company	-	1,076,403	1,076,403	1,243,651
Student Activities	9,697	-	9,697	-
Assigned for:				
Student Groups	-	-	-	18,700
Unassigned	1,943,918	-	1,943,918	1,870,858
<b>Total Fund Balance</b>	<b>2,147,076</b>	<b>1,076,403</b>	<b>3,223,479</b>	<b>3,364,743</b>
<b>Total Liabilities, Deferred Inflows of     Resources, and Fund Balance</b>	<b>\$ 2,713,192</b>	<b>\$ 1,116,823</b>	<b>\$ 3,830,015</b>	<b>\$ 3,892,615</b>

See accompanying Notes to Basic Financial Statements.

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
RECONCILIATION OF THE BALANCE SHEET  
GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	2020	2019
<b>Total Fund Balance for Governmental Funds</b>	<b>\$ 3,223,479</b>	<b>\$ 3,364,743</b>
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	990,625	990,625
Buildings and Improvements, Net of Accumulated Depreciation	7,317,273	7,357,793
Equipment, Net of Accumulated Depreciation	310,131	349,168
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(37,768)	(36,702)
The School's Net Pension Liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances year-end are:		
Net Pension Liability	(2,458,114)	(2,330,561)
Deferred Inflows of Resources - Pensions	(3,225,980)	(3,911,140)
Deferred Outflows of Resources - Pensions	2,220,090	3,060,093
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long term - are reported in the statement of net position. Balances at year-end are:		
Bonds Payable	(8,830,000)	(9,030,000)
Unamortized Premiums	(204,059)	(212,773)
<b>Total Net Position of Governmental Activities</b>	<b><u>\$ (694,323)</u></b>	<b><u>\$ (398,754)</u></b>

See accompanying Notes to Basic Financial Statements.

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2020  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2019)**

	Major Funds		Total Governmental Funds	
	General	Building Company	2020	2019
<b>REVENUES</b>				
Local Sources:				
Earnings and Investments	\$ 16,568	\$ 12,423	\$ 28,991	\$ 47,449
Other	230,077	713,667	943,744	1,063,145
State Sources	5,445,257	-	5,445,257	5,203,888
Federal Sources	91,954	-	91,954	77,350
Total Revenues	<u>5,783,856</u>	<u>726,090</u>	<u>6,509,946</u>	<u>6,391,832</u>
<b>EXPENDITURES</b>				
Current:				
Administration	179,712	-	179,712	176,837
District Support Services	460,982	-	460,982	460,005
Elementary and Secondary Regular Instruction	2,551,191	-	2,551,191	2,442,811
Special Education Instruction	821,371	-	821,371	667,570
Instructional Support Services	350,904	-	350,904	312,906
Pupil Support Services	141,187	-	141,187	98,094
Sites and Buildings	1,179,532	-	1,179,532	1,229,561
Fiscal and Other Fixed Cost Programs	29,705	29,903	59,608	54,350
Capital Outlay	43,288	226,410	269,698	300,379
Debt Service:				
Principal	-	200,000	200,000	190,000
Interest and Fiscal Charges	-	437,025	437,025	443,418
Total Expenditures	<u>5,757,872</u>	<u>893,338</u>	<u>6,651,210</u>	<u>6,375,931</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	25,984	(167,248)	(141,264)	15,901
<b>FUND BALANCES</b>				
Beginning of Year	<u>2,121,092</u>	<u>1,243,651</u>	<u>3,364,743</u>	<u>3,348,842</u>
End of Year	<u><u>\$ 2,147,076</u></u>	<u><u>\$ 1,076,403</u></u>	<u><u>\$ 3,223,479</u></u>	<u><u>\$ 3,364,743</u></u>

See accompanying Notes to Basic Financial Statements.

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2019)**

	2020	2019
<b>Net Change in Fund Balance - Total Governmental Funds</b>	<b>\$ (141,264)</b>	<b>\$ 15,901</b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation exceeded capital outlays in the current period is:</p>		
Capital Outlays	225,763	277,645
Loss on Disposal of Capital Assets	-	(3,782)
Depreciation Expense	(305,320)	(284,602)
<p>Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expense on the statement of activities is measured by the change in the net pension liability and the related deferred inflows and outflows of resources.</p>		
	(282,396)	809,945
<p>The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:</p>		
Repayment of Bond Principal	200,000	190,000
Change in Accrued Interest - General Obligation Bonds	(1,066)	499
Amortization of Bond Premium	8,714	8,715
	(295,569)	1,014,321
<b>Total</b>	<b>\$ (295,569)</b>	<b>\$ 1,014,321</b>

See accompanying Notes to Basic Financial Statements.

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Earnings and Investments	\$ 14,250	\$ 20,000	\$ 16,568	\$ (3,432)
Other	305,800	277,000	230,077	(46,923)
State Sources	5,284,853	5,409,431	5,445,257	35,826
Federal Sources	73,400	90,838	91,954	1,116
Total Revenues	<u>5,678,303</u>	<u>5,797,269</u>	<u>5,783,856</u>	<u>(13,413)</u>
<b>EXPENDITURES</b>				
Current:				
Administration	193,604	176,469	179,712	3,243
District Support Services	483,005	475,893	460,982	(14,911)
Elementary and Secondary Regular Instruction	2,511,831	2,544,123	2,551,191	7,068
Special Education Instruction	651,770	735,565	821,371	85,806
Instructional Support Services	328,725	348,941	350,904	1,963
Pupil Support Services	137,995	151,989	141,187	(10,802)
Sites and Buildings	1,258,965	1,270,374	1,179,532	(90,842)
Fiscal and Other Fixed Cost Programs	36,400	33,500	29,705	(3,795)
Capital Outlay	74,730	58,850	43,288	(15,562)
Total Expenditures	<u>5,677,025</u>	<u>5,795,704</u>	<u>5,757,872</u>	<u>(37,832)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ 1,278</u>	<u>\$ 1,565</u>	25,984	<u>\$ 24,419</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>2,121,092</u>	
End of Year			<u>\$ 2,147,076</u>	

See accompanying Notes to Basic Financial Statements.

## **FINANCIAL STATEMENTS**

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Basis of Presentation

The financial statements of Charter School No. 4043 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Financial Reporting Entity

Charter School No. 4043, also known as Math and Science Academy (the School), is a nonprofit corporation that was formed on June 26, 1998, in accordance with Minnesota Statutes. The School is sponsored by Student Achievement Minnesota, LLC and is operating under a contract extending through June 30, 2024. The primary objectives of the School are to provide intense math and science experiences to middle and secondary students which is balanced with a strong humanities and art program. The focus of the program is to provide a hands-on, interdisciplinary, and in-depth approach that demonstrates to students that more math and science concepts can be retained and understood than traditionally accepted. The governing body consists of a board of directors composed of up to nine members elected by voters of the general membership of the School (consisting of all staff members and parents of students enrolled in the School) to serve two-year staggered terms.

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

Component units are legally separate entities for which the School is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Financial Reporting Entity (Continued)**

Based on these criteria, there is one organization that is considered to be a component unit of the School. MSA Building Company (the Building Company) is a Minnesota nonprofit corporation holding Internal Revenue Service classification as a 501(c)(3) tax-exempt organization which owns the real estate and building that is leased by the School for its operations. The Building Company is governed by a separate board appointed by the Board of the School. Although it is legally separate from the School, the Building Company is reported as if it were part of the School (as a blended component unit) because its sole purpose is to acquire, construct, and own an educational site which is leased to the School. No separate financial statements of the Building Company are issued. The building is leased to Math and Science Academy under the terms of a long-term agreement. All long-term debt related to the purchase of the building and property and all capital assets related to the school site are the responsibility of and are under the ownership of MSA Building Company.

Aside from its sponsorship, Student Achievement Minnesota, LLC has no authority, control, power, or administrative responsibilities over Math and Science Academy. Therefore, the School is not considered a component unit of Student Achievement Minnesota, LLC.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, the School Board has elected to control extracurricular activities; therefore, the extracurricular student activity accounts are included in the School's basic financial statements as part of the General Fund.

**C. Basic Financial Statement Presentation**

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

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

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Basic Financial Statement Presentation (Continued)

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

D. Measurement Focus and Basis of Accounting

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

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

**1. Revenue Recognition**

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

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Measurement Focus and Basis of Accounting (Continued)

**2. Recording of Expenditures**

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

Description of Funds

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

*Major Governmental Funds*

General Fund

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

Building Company Special Revenue Fund

Accounts for all activities of MSA Building Company. This includes accounting for the proceeds and uses of resources borrowed for the purpose of purchasing and building the school site, the receipt of lease payments from the School, as well as the debt service payments required under the terms of the related long-term mortgage loans.

*Income Taxes*

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

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with GAAP. Each June, the School Board adopts an annual budget for the following fiscal year for the General Fund. A budget is not adopted for the Special Revenue Fund. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

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

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels. Budgeted amounts include a mid-year budget amendment that changed revenue and expenditures budgets as follows:

	<u>Original Budget</u>	<u>Amendments</u>	<u>Amended Budget</u>
<u>Revenues</u>			
General Fund	\$ 5,678,303	\$ 118,966	\$ 5,797,269
<u>Expenditures</u>			
General Fund	\$ 5,677,025	\$ 118,679	\$ 5,795,704

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

F. Cash and Investments

Investments are stated at their fair value as determined by quoted market prices, except for money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less which are recorded at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations.

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

G. Accounts Receivable

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

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

I. Deferred Outflows/Inflows of Resources

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

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

J. 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 acquisition value at the date of donation. The School maintains a threshold level of \$2,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

J. Capital Assets (Continued)

Capital assets are recorded in the School-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the School, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 20 years for equipment.

Capital assets not being depreciated include land and construction in process.

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

K. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Pensions

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

TRA has a special funding situation created by direct aid contributions made by the state of Minnesota, city of Minneapolis, and Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger 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 (DTRFA) in 2015. Additional information can be found in Note 7.

**MATH AND SCIENCE ACADEMY  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

M. Accrued Employee Benefits

Unpaid Sick and Personal Leave

Unpaid sick and personal leave has not been accrued in any funds as these benefits do not vest to employees.

N. Restricted Assets

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture. Restricted assets in these financial statements are labeled "Cash with Fiscal Agent".

O. Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the School Board. Assigned funds are funds that are neither restricted nor committed. Unassigned fund balances are considered the remaining amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the default spending priority per GASB Statement No. 54 is to use committed, assigned, and then unassigned fund balance.

P. Risk Management

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

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

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Q. Net Position

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

R. Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

**NOTE 2 DEPOSITS AND INVESTMENTS**

A. Deposits

The School maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as "Cash and Investments." In accordance with applicable Minnesota Statutes, the School maintains deposits at depository banks authorized by the School's Board.

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

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

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

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**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

A. Deposits (Continued)

The School's carrying and bank balances of deposits at June 30, 2020 were \$1,809,413 and \$1,814,364, respectively. The carrying and bank balances of the Building Company's deposits at June 30, 2020 were both \$63,869. All deposits were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

B. Investments

The School may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less
- General obligations rated "A" or better; revenue obligations rated "AA" or better
- General obligations of the Minnesota Housing Finance Agency rate "A" or better
- Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers

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**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

B. Investments (Continued)

At June 30, 2020, the Building Company's investment balances were as follows:

**Investments Held by Trustee**

<u>Type</u>	<u>Total</u>	<u>Maturity Duration in Years Less Than 1</u>	<u>Rating</u>
First American Treasury Obligations			
Money Market Fund - Class D	\$ 1,052,954	\$ 1,052,954	Aaa-mf

These investments are held by an escrow agent in accordance with escrow agreements established with the sale of the Lease Revenue Bonds Mortgage Loan Series 2012. The interest rates on these investments range from 0% to 4.5%. The money market fund investment is invested in the First American Treasury Obligations Fund which is rated Aaa-mf by Moody's Investors Service.

***Interest Rate Risk and Credit Risk***

The School does not have a formal investment policy to address these risks.

***Concentration of Credit Risk***

The School places no limit on the amount that the School may invest in any one issuer.

The deposits and investments are presented in the financial statements as follows:

Cash and Investments - Statement of Net Position	\$ 1,873,282
Cash and Investments Held by Trustee - Statement of Net Position	1,052,954
Total Cash and Investments	<u>\$ 2,926,236</u>

C. Fair Value Measurements

The School uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The School follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the School has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

**MATH AND SCIENCE ACADEMY  
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JUNE 30, 2020**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

C. Fair Value Measurements (Continued)

Financial assets and liabilities recorded on the statement of net position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

*Level 2* – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

*Level 3* – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

The School did not hold and investments measured at fair value as of June 30, 2020. The money market fund investments held by the Building Company's escrow agent are valued at amortized cost.

**NOTE 3 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
<b>Building Company</b>				
Land	\$ 990,625	\$ -	\$ -	\$ 990,625
Capital Assets, Being Depreciated:				
<b>Building Company</b>				
Buildings and Improvements	9,363,416	192,107	-	9,555,523
Furniture and Equipment	86,989	5,322	-	92,311
<b>Charter School</b>				
Building and Leasehold Improvements	252,953	9,437	-	262,390
Furniture and Equipment	565,655	18,897	-	584,552
Total Capital Assets, Being Depreciated	<u>10,269,013</u>	<u>225,763</u>	<u>-</u>	<u>10,494,776</u>
Accumulated Depreciation for:				
<b>Building Company</b>				
Buildings and Improvements	(2,212,625)	(226,437)	-	(2,439,062)
Furniture and Equipment	(76,567)	(1,647)	-	(78,214)
<b>Charter School</b>				
Building and Leasehold Improvements	(45,951)	(15,627)	-	(61,578)
Furniture and Equipment	(226,909)	(61,609)	-	(288,518)
Total Accumulated Depreciation	<u>(2,562,052)</u>	<u>(305,320)</u>	<u>-</u>	<u>(2,867,372)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,706,961</u>	<u>(79,557)</u>	<u>-</u>	<u>7,627,404</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,697,586</u>	<u>\$ (79,557)</u>	<u>\$ -</u>	<u>\$ 8,618,029</u>

**MATH AND SCIENCE ACADEMY  
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JUNE 30, 2020**

**NOTE 3 CAPITAL ASSETS (CONTINUED)**

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

<b>Governmental Activities</b>	
District Support Services	\$ 823
Regular Instruction	243,511
Special Education Instruction	1,353
Instructional Support Services	38,539
Sites and Buildings	21,094
Total Depreciation Expense, Governmental Activities	<u>\$ 305,320</u>

**NOTE 4 SHORT-TERM BORROWING**

The School amended an existing financing agreement on March 28, 2013, and increased the maximum working capital advances to \$300,000 and increased the amount of general education funding from the Minnesota Department of Education used to secure the loan from \$200,000 to \$300,000. On October 13, 2019, the School extended the agreement through October 13, 2020. The above terms and maximum working capital advances remained the same as the previous agreement, but the variable interest rate was amended to 1% above the Wall Street Journal Prime Rate with a minimum rate of 5.25%. No borrowing took place under the terms of this line of credit during fiscal year 2020.

**NOTE 5 LONG-TERM LIABILITIES**

Bonds Payable

Issue Date	Net Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
				Due Within One Year	Total
12/1/2012	2.40% - 5.00%	\$ 9,765,000	12/1/2043	\$ 205,000	\$ 8,830,000
Premium on Bonds Payable				-	204,059
Total				<u>\$ 205,000</u>	<u>\$ 9,034,059</u>

Lease Revenue Bonds Mortgage Loan Series 2012 Issues – MSA Building Company obtained a \$9,950,000 mortgage loan from lease revenue bond proceeds sold by the city of Woodbury to refinance the remaining balance of the Lease Revenue Bonds Series 2002A which had been issued to refinance two previous mortgage loans related to the construction and equipping of the educational site owned by the Building Company and leased to Math and Science Academy. The 2012 loan proceeds were used to refinance a combined remaining principal of \$3,970,000 on the 2002 mortgage loan. The city of Woodbury issued two separate bond issues as follows: \$9,765,000 of nontaxable lease revenue bonds (Series 2012A).

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**NOTE 5 LONG-TERM LIABILITIES (CONTINUED)**

Bonds Payable (Continued)

The bond proceeds were placed in an escrow account controlled by U.S. Bank Trust under the terms of a trust agreement between the city of Woodbury and U.S. Bank Trust used by the Building Company to: (i) refund the outstanding Lease Revenue Bonds Series 2002A bond issues, (ii) finance the costs of acquiring, constructing, and equipping of an approximately 30,400 square-foot addition to the existing school building, (iii) finance various improvements to the Schoolhouse, (iv) pay interest on the Series 2012 Bonds through June 1, 2013, and (v) pay costs of issuing the Series 2012 Bonds.

The resulting loan is payable in semi-annual installments of principal and interest beginning December 1, 2013 through December 1, 2043. The note is based on annual interest rates that increase from 2.4% to 5.0% (the rates of the related lease revenue bonds) and is secured by a mortgage agreement covering the related land, school building, and building contents as well as the assignment of all lease revenue. The loan is also guaranteed by Math and Science Academy.

Following are maturities of long-term debt for each of the next five years ending June 30 and thereafter:

<u>Year Ending June 30.</u>	<u>Revenue Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 205,000	\$ 429,844
2022	215,000	422,111
2023	220,000	413,790
2024	230,000	403,750
2025	240,000	392,000
2026-2030	1,400,000	1,761,500
2031-2035	1,785,000	1,365,125
2036-2040	2,270,000	861,250
2041-2046	2,265,000	233,625
Total	<u>\$ 8,830,000</u>	<u>\$ 6,282,995</u>

Changes in long-term debt are as follows:

	<u>June 30, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2020</u>	<u>Principal Due Within One Year</u>
Series 2012A Lease Revenue Bonds	\$ 9,030,000	\$ -	\$ 200,000	\$ 8,830,000	\$ 205,000
Premium on Bonds Payable	212,773	-	8,714	204,059	-
Total	<u>\$ 9,242,773</u>	<u>\$ -</u>	<u>\$ 208,714</u>	<u>\$ 9,034,059</u>	<u>\$ 205,000</u>

**MATH AND SCIENCE ACADEMY  
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JUNE 30, 2020**

**NOTE 6 DEFINED BENEFIT PENSION PLANS**

Substantially all employees of the School are required by State Law to belong to a pension plan administered by TRA or PERA, all of which are administered on a statewide basis. Disclosures relating to these plans follow:

A. Plan Description

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

**1. General Employees Retirement Plan (GERF)**

All full-time and certain part-time employees of the School, other than teachers, are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**2. Teachers Retirement Fund (TRA)**

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

Educators employed in Minnesota's public elementary and secondary 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 University of Minnesota System).

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**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

B. Benefits Provided

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

**1. GERF 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 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary 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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. 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. For 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. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**MATH AND SCIENCE ACADEMY  
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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

B. Benefits Provided (Continued)

**2. TRA Benefits**

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

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

*Tier 1 Benefits*

Tier 1	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years if Service Years Are Up to July 1, 2006	1.2% per Year
	First Ten Years if Service Years Are July 1, 2006 or After	1.4% per Year
	All Other Years of Service if Service Years Are Up to July 1, 2006	1.7% per Year
	All Other Years of Service if Service Years Are July 1, 2006 or After	1.9% per Year

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3.0% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

*Tier II Benefits*

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

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

**MATH AND SCIENCE ACADEMY  
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**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

B. Benefits Provided (Continued)

**2. TRA Benefits (Continued)**

*Tier II Benefits (Continued)*

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.

C. Contributions

**1. GERF Contributions**

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019 and the School was required to contribute 7.50% for Coordinated Plan members. The School's contributions to the General Employees Fund for the plan's fiscal year ended June 30, 2020 were \$41,329. The School's contributions were equal to the required contributions for each year as set by state statute.

**2. TRA Contributions**

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

	2020	
	Employee	Employer
Basic	11.00 %	11.92 %
Coordinate	7.50	7.92

The School's contributions to TRA for the plan's fiscal year ended June 30, 2020 were \$156,849. The School's contributions were equal to the required contributions for each year as set by state statute.

**MATH AND SCIENCE ACADEMY  
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**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs

**1. General Employees Fund Pension Costs**

At June 30, 2020, the School reported a liability of \$348,313 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 to the fund during the General Employees Fund's fiscal year 2018. The state of Minnesota is considered a nonemployer 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 \$10,833. The net pension liability was measured as of June 30, 2019, 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 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, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers.

As of the June 30, 2019 measurement date, the School's proportion was .0063%, which was an increase of .0009% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School recognized pension expense of \$78,506 for its proportionate share of General Employees Plan's pension expense. It also recognized \$811 as pension expense for the support provided by direct aid.

At June 30, 2020, the School reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 9,653	\$ -
Changes in Actuarial Assumptions	-	27,378
Net Difference Between Projected and Actual		
Earnings on Plan Investments	-	35,306
Changes in Proportion and Differences		
Between District Contributions and		
Proportionate Share of Contributions	76,177	22,541
District Contributions Subsequent to the		
Measurement Date	41,329	-
Total	<u>\$ 127,159</u>	<u>\$ 85,225</u>

A total of \$41,329 reported as deferred outflows of resources related to pensions resulting from School contributions to General Employees Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

**MATH AND SCIENCE ACADEMY  
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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

**1. General Employees Fund Pension Costs (Continued)**

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

Year Ending June 30,	Pension Expense Amount
2021	\$ 4,686
2022	(18,489)
2023	13,846
2024	562
2025	-
Thereafter	-

**2. TRA Pension Costs**

At June 30, 2020, the School reported a liability of \$2,109,801 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2019, 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 .0331% at the end of the measurement period and .0322% 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:

Description	Amount
School's Proportionate Share of the TRA Net Pension Liability	\$ 2,109,801
State's Proportionate Share of the Net Pension Liability Associated with the School	186,559

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

**2. TRA Pension Costs (Continued)**

For the year ended June 30, 2020, the School recognized pension expense of \$582,205. It also recognized \$11,489 as pension expense for the support provided by direct aid.

At June 30, 2020, the School reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 300	\$ 51,250
Changes in Actuarial Assumptions	1,775,486	2,798,931
Net Difference Between Projected and Actual Earnings on Plan Investments	-	174,832
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	160,296	115,742
District Contributions Subsequent to the Measurement Date	156,849	-
Total	<u>\$ 2,092,931</u>	<u>\$ 3,140,755</u>

A total of \$156,849 reported as deferred outflows of resources related to pensions resulting from School contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2021	\$ 140,909
2022	9,058
2023	(789,444)
2024	(576,071)
2025	10,875
Thereafter	-

The School recognized total pension expenses of \$809,945 for all of the pension plans in which it participates. This includes \$11,489 and \$811 in TRA and GERF, respectively, related to direct aid recognized as pension expense.

**MATH AND SCIENCE ACADEMY  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.50% per Year	2.50%
Active Member Payroll Growth	3.25% per Year	2.85 - 9.25%
Investment Rate of Return	7.50%	7.50%

PERA Salary increases were based on a service-related table. PERA mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. PERA cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan and 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually for TRA.

TRA pre-retirement mortality rates were based on 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. Postretirement mortality rates were based on 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. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment. TRA cost of living benefit increases 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

E. Actuarial Assumptions (Continued)

The following changes for PERA occurred in 2019:

Changes in Actuarial Assumptions:

- The morality 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.

The following changes for TRA occurred in 2019:

Changes in Actuarial Assumptions:

- There have been no changes since the prior valuation.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5 %	5.10 %
International Equity	17.5	5.30
Bonds	20.0	0.75
Alternative Assets	25.0	5.90
Cash	2.0	-
Totals	<u>100.0 %</u>	

**MATH AND SCIENCE ACADEMY  
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JUNE 30, 2020**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

F. Discount Rate

The discount rate used to measure the PERA General Employees Plan liability in 2018 was 7.50%. 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 positions 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.

The discount rate used to measure the TRA pension liability was 7.50%. This is an increase from the discount rate at the prior measurement date of 5.12%. The projection of cash flows used to determine the discount rate assumed that employee contribution will be made at the fiscal year 2018 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

G. 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:

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
<u>GERF Discount Rate</u>	6.50%	7.50%	8.50%
School's Proportionate Share of the GERF Net Pension Liability	\$ 572,608	\$ 348,313	\$ 163,113
<u>TRA Discount Rate</u>	6.50%	7.50%	8.50%
School's Proportionate Share of the TRA Net Pension Liability	\$ 3,363,539	\$ 2,109,801	\$ 1,076,113

**MATH AND SCIENCE ACADEMY  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

H. Pension Plan Fiduciary Net Position

Detailed information about the General Employees Fund 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](http://www.mnpera.org).

Detailed information about TRA's fiduciary net position is available in a separately issued TRA financial report. That report can be obtained at [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org), by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota, 55103-4000; or by calling 651-296-2409 or 1-800-657-3669.

**NOTE 7 COMMITMENTS AND CONTINGENCIES**

A. 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 although the School expects such amounts, if any, to be immaterial.

B. Pledged State Revenues

The School has pledged all funds, monies, grants, or other distributions received by the School from the state of Minnesota with respect to general student funding, state building lease aid payments, state distributions of Federal Title I funds, or any other funding sources, net of operating expenses of the School required under state or federal laws to provide required educational program expenditures, to repay the \$9,765,000 2012A lease revenue bonds issued by the Building Company in November of 2012. Proceeds from the bonds provided financing for the acquiring, construction, and equipping of the education facility located at 8430 Woodbury Crossing, Woodbury, Minnesota. The bonds are payable solely from lease revenues paid by the School to the Building Company revenues and are payable through 2043. Annual principal and interest payments on the bonds during the year ended June 30, 2020 required 81% of net lease revenues. The total principal and interest remaining to be paid on the bonds is \$15,112,995. Principal and interest paid for the current year and total lease revenues paid to the Building Company were \$637,025 and \$713,667, respectively.

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

C. Lease Commitments and Terms – Math and Science Building Company

The School leases its two main educational sites at 8430 Woodbury Crossing and 8460 Woodbury Crossing, Woodbury, Minnesota from the MSA Building Company (a blended component unit). Under the terms of the revised lease agreement, the lease term is for the period beginning June 1, 2002 and ending December 31, 2043. The School has an option to extend the lease term for an unlimited number of consecutive 10-year lease periods either on the same lease terms or as agreed upon with the Building Company.

The net annual base rent for the term of the lease agreement is directly tied to the debt service requirements of the MSA Building Company, including amounts held in escrow as part of the respective loan agreements. In addition, the School is responsible for all interior and exterior repair and maintenance costs as well as all utility costs.

The total amount of rent incurred by the School to MSA Building Company under the terms of the main lease agreement and which qualified for lease aid was \$713,667 for fiscal 2020. The School qualified for state charter school lease aid based on a statutory cap of 90% of the lower of actual UFARS lease expenditures or the MDE approved net lease amount, or \$902,864. This entitlement is subject to proration by the Minnesota Department of Education to the extent the overall funding that has been provided is insufficient to meet all amounts owed to Minnesota charter schools. Future amounts to be requested for state lease aid from the Minnesota Department of Education may vary due to financing arrangements, which are subject to change.

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

C. Lease Commitments and Terms – Math and Science Building Company (Continued)

A schedule of lease commitments is as follows:

Year Ending June 30,	Scheduled Lease Payments 8430 Woodbury Crossing Building A & B
2021	\$ 690,094
2022	689,356
2023	688,908
2024	688,625
2025	689,750
2026 - 2030	3,446,500
2031 - 2035	3,442,272
2036 - 2040	3,438,875
2041 and On	2,754,312
Total	\$ 16,528,692

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

D. Lease Commitments and Terms – Woodbury Crossing Offices, LLP

In August 2017 the School entered into a lease agreement with Woodbury Crossing Offices, LLP at its main educational site at 8490 Woodbury Crossing, Woodbury. The term of the lease is for four years and 10 months from August 2017.

The School is responsible for all obligations which are normally imposed on the owner of the real estate with respect to the Premises which may accrue during the term including, without limitation, responsibility for the payment of all real estate taxes, special assessments, insurance premiums and repair, replacement and maintenance costs and expenses in connection therewith (except as otherwise expressly set forth with the agreement), and that the Rent and all payments to be made to lessor are to be net to Lessor, without deductions or offsets of any kind or nature whatsoever.

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

D. Lease Commitments and Terms – Woodbury Crossing Offices, LLP (Continued)

A schedule of lease commitments is as follows:

<u>Year Ending June 30,</u>	<u>Scheduled Lease Payments 8490 Woodbury Crossing Building C</u>
2021	\$ 65,564
2022	67,530
Total	\$ 133,094

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

E. Lease Commitments and Terms – Robert Engstrom Companies

In December 2018, the School entered into a lease agreement with Robert Engstrom Companies at its main educational site at 8500 Woodbury Crossing, Woodbury. The term of the lease is for three years and six months beginning December 2018 and ending June 30, 2022.

The School is responsible for all obligations which are normally imposed on the owner of the real estate with respect to the Premises which may accrue during the term including, without limitation, responsibility for the payment of all real estate taxes, special assessments, insurance premiums and repair, replacement and maintenance costs and expenses in connection therewith (except as otherwise expressly set forth with the agreement), and that the Rent and all payments to be made to lessor are to be net to Lessor, without deductions or offsets of any kind or nature whatsoever.

A schedule of lease commitments is as follows:

<u>Year Ending June 30,</u>	<u>Scheduled Lease Payments 8500 Woodbury Crossing Building D</u>
2021	\$ 100,573
2022	103,591
Total	\$ 204,164

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

E. Lease Commitments and Terms – Robert Engstrom Companies (Continued)

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

**NOTE 8 DEFINED CONTRIBUTION PLAN**

The School provides eligible employees future retirement benefits through the School's 403(b) Plan (the Plan). 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 by the respective collective bargaining agreements. Contributions are invested in tax-deferred annuities selected and owned by Plan participants. The School's contributions for the year ended June 30, 2020 was \$28,657. The related employee contribution was \$90,155 for the year ended June 30, 2020.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
TRA SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
LAST SIX MEASUREMENT PERIODS\***

**TRA Schedule of the School's Proportionate Share  
of the Net Pension Liability**

	Measurement Date June 30,					
	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0331%	0.0322%	0.0336%	0.0322%	0.0310%	0.0330%
School's Proportionate Share of the Net Pension Liability	\$ 2,109,801	\$ 2,019,896	\$ 6,707,170	\$ 7,680,468	\$ 1,917,657	\$ 1,534,440
State's Proportionate Share of the Net Pension Liability Associated with School	186,559	189,879	647,516	770,221	235,202	107,817
Total	<u>\$ 2,296,360</u>	<u>\$ 2,209,775</u>	<u>\$ 7,354,686</u>	<u>\$ 8,450,689</u>	<u>\$ 2,152,859</u>	<u>\$ 1,642,257</u>
School's Covered Payroll	\$ 1,950,895	\$ 1,786,013	\$ 1,787,200	\$ 1,712,307	\$ 1,582,227	\$ 1,513,629
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	108.15%	113.10%	375.29%	448.55%	121.20%	101.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.07%	78.07%	51.57%	44.88%	76.80%	81.50%

\* This schedule presents information for the years available, and will eventually include 10 years of information.

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
TRA SCHEDULE OF SCHOOL CONTRIBUTIONS  
LAST SIX FISCAL YEARS\***

**TRA Schedule of School Contributions**

	Fiscal Year Ended June 30,					
	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 156,849	\$ 150,414	\$ 133,951	\$ 134,040	\$ 128,423	\$ 118,667
Contributions in Relation to the Statutorily Required Contribution	(156,849)	(150,414)	(133,951)	(134,040)	(128,423)	(118,667)
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School's Covered Payroll	\$ 1,980,417	\$ 1,950,895	\$ 1,786,013	\$ 1,787,200	\$ 1,712,307	\$ 1,582,227
Contributions as a Percentage of Covered Payroll	7.71%	7.71%	7.50%	7.50%	7.50%	7.50%

\* This schedule presents information for the years available, and will eventually include 10 years of information.

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
PERA SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
LAST SIX MEASUREMENT PERIODS\***

**PERA Schedule of the School's Proportionate Share of the Net Pension Liability**

	Measurement Date June 30,					
	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0065%	0.0056%	0.0063%	0.0054%	0.0045%	0.0042%
School's Proportionate Share of the Net Pension Liability	\$ 348,313	\$ 310,665	\$ 402,188	\$ 438,453	\$ 233,213	\$ 197,295
State's Proportionate Share of the Net Pension Liability Associated with School	10,833	10,043	5,021	5,757	-	-
Total	<u>\$ 359,146</u>	<u>\$ 320,708</u>	<u>\$ 407,209</u>	<u>\$ 444,210</u>	<u>\$ 233,213</u>	<u>\$ 197,295</u>
School's Covered Payroll	\$ 462,507	\$ 367,480	\$ 392,480	\$ 346,507	\$ 265,356	\$ 214,828
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	75.31%	84.54%	102.47%	126.54%	87.89%	91.84%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.20%	79.50%	75.90%	68.90%	78.20%	78.70%

\* This schedule presents information for the years available, and will eventually include 10 years of information.

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
PERA SCHEDULE OF SCHOOL CONTRIBUTIONS  
LAST SIX FISCAL YEARS\***

**PERA Schedule of School Contributions**

	Fiscal Year Ended June 30,					
	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 41,329	\$ 34,688	\$ 27,561	\$ 29,436	\$ 25,988	\$ 19,570
Contributions in Relation to the Statutorily Required Contribution	(41,329)	(34,688)	(27,561)	(29,436)	(25,988)	(19,570)
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School's Covered Payroll	\$ 551,053	\$ 462,507	\$ 367,480	\$ 392,480	\$ 346,507	\$ 265,356
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.38%	7.25%

\* This schedule presents information for the years available, and will eventually include 10 years of information.

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

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

**2019**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2018**

Changes in Actuarial Assumption

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% 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% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50% 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.

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

**2017**

Changes in Actuarial Assumption

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5 % per year thereafter.

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 in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- 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% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Actuarial Plan Provisions

- There have been no changes since the prior valuation.

**2015**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

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

**2019**

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2018**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 5 years, (7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

**2017**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2016**

Changes in Actuarial Assumptions

- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years, and female rates set back 5 years. Generational projection uses the MP-2015 scale.
- The postretirement mortality assumption was changed to the RP-2014 while 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 adjustments.
- Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

**2015**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2014**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

## **SUPPLEMENTARY INFORMATION**

**MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4043  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
JUNE 30, 2020**

	AUDIT	UFARS	DIFFERENCE
<b>01 GENERAL FUND</b>			
Total Revenue	\$ 5,783,856	\$ 5,783,858	\$ (2)
Total Expenditures	5,757,872	5,757,872	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	193,461	193,461	-
<i>Restricted:</i>			
401 Student Activities	9,697	9,697	-
402 Scholarships	-	-	-
403 Staff Development	-	-	-
407 Capital Project Levy	-	-	-
408 Cooperative Programs	-	-	-
413 Projects Funded by COP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maintenance	-	-	-
424 Operating Capital	-	-	-
426 \$25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning and Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alternative Programs	-	-	-
436 State-Approved Alternative Programs	-	-	-
438 Gifted and Talented	-	-	-
440 Teacher Development and Evaluations	-	-	-
441 Basic Skills Programs	-	-	-
445 Career and Technical Programs	-	-	-
448 Achievement and Integration	-	-	-
449 Safe Schools Crime Levy	-	-	-
451 QZAB Payments	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-
453 Unfunded Severance & Retirement Levy	-	-	-
464 Restricted Fund Balance	-	-	-
<i>Committed:</i>			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
<i>Assigned:</i>			
462 Assigned Fund Balance	-	-	-
<i>Unassigned:</i>			
422 Unassigned Fund Balance	1,943,918	1,943,919	(1)
<b>02 FOOD SERVICE</b>			
Total Revenue	-	-	-
Total Expenditures	-	-	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
452 OPEB Liability Not Held in Trust	-	-	-
464 Restricted Fund Balance	-	-	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-
<b>04 COMMUNITY SERVICE</b>			
Total Revenue	-	-	-
Total Expenditures	-	-	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
426 \$25 Taconite	-	-	-
431 Community Education	-	-	-
432 E.C.F.E.	-	-	-
440 Teacher Development and Evaluations	-	-	-
444 School Readiness	-	-	-
447 Adult Basic Education	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-
464 Restricted Fund Balance	-	-	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-

## **OTHER REQUIRED REPORTS**



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

Members of the Board of Directors  
Math and Science Academy  
Charter School No. 4043  
Woodbury, 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, financial statements of the governmental activities and each major fund of Math and Science Academy as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 29, 2020.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Members of the Board of Directors  
Math and Science Academy  
Charter School No. 4043

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
October 29, 2020



CliftonLarsonAllen LLP  
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## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the Board of Directors  
Math and Science Academy  
Charter School No. 4043  
Woodbury, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Math and Science Academy as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 29, 2020.

The *Minnesota Legal Compliance Audit Guide for Charter Schools* promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, identifies two main categories of compliance to be tested in audits of charter schools: uniform financial accounting and reporting standards and charter schools. Our study included the listed categories.

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

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
October 29, 2020