



Annual Financial Report

STEAM Academy, Charter School No. 4270

St. Paul, Minnesota

For the year ended June 30, 2022



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Charter School No. 4270
St. Paul, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION

STEAM ACADEMY
CHARTER SCHOOL NO. 4270
ST. PAUL, MINNESOTA

FOR THE PERIOD OF INCEPTION
(OCTOBER 8, 2018) TO JUNE 30, 2022

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STEAM Academy
Charter School No. 4270
St. Paul, Minnesota
Board of Education and Administration
For the Period of Inception (October 8, 2018) to June 30, 2022

BOARD OF DIRECTORS

<u>Name</u>	<u>Position</u>
Sarah Chebli	Board Chair
Hamada Aboubakr	Board Vice Chair
Mahdi Nur	Board Treasurer
Makia Jama	Member
Maryam Arab	Member

ADMINISTRATION

<u>Name</u>	<u>Position</u>
Joseph Sovine	Contracted Accountant
Amina Adan	Executive Director

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FINANCIAL SECTION

STEAM ACADEMY
CHARTER SCHOOL NO. 4270
ST. PAUL, MINNESOTA

FOR THE PERIOD OF INCEPTION
(OCTOBER 8, 2018) TO JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
STEAM Academy
Charter School No. 4270
St. Paul, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the STEAM Academy, (the Charter School), St. Paul, Minnesota as of and for the period ended from inception (October 8, 2018) to June 30, 2022, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Charter School as of June 30, 2022, and the respective changes in financial position and, where applicable, the respective budgetary comparison for the General fund for the period ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 and the Schedule of Employer's Teacher Retirement Association Contributions and the Schedule of Employer's Public Employees Retirement Association Contributions on page 49 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 opinion on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying individual fund financial schedules and table are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the fund financial schedules and table are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2022 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.



Abdo
Minneapolis, Minnesota
November 23, 2022



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Management's Discussion and Analysis

As management of the STEAM Academy (the Charter School), Minneapolis, Minnesota, we offer readers of the Charter School's financial statements this narrative overview and analysis of the financial activities of the Charter School for the period ended June 30, 2022.

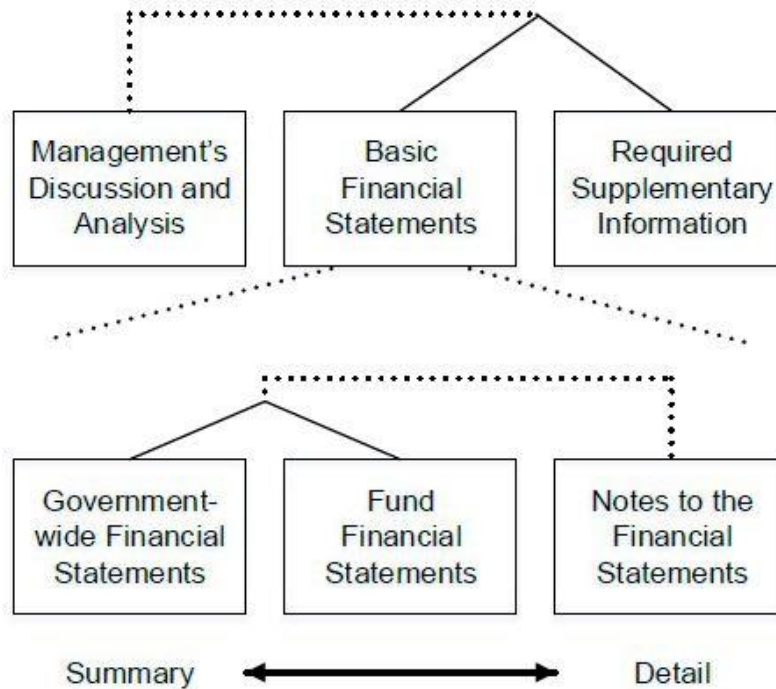
Financial Highlights

- According to the Government-Wide Financial Statements, the net position of Charter School was \$292,735 at the close of period ended June 30, 2022 largely due to startup grant funding that was received during the preoperational period. This is primarily due to revenues from grants and other local sources exceeding expenses during the first year of operations and includes funds that are intended for use in fiscal year 2023.
- The Charter School's total net position increased by \$292,735 due to donations and state grants received for expenses to be incurred in the next fiscal year.
- As of the close of the current fiscal year, the Charter School's governmental funds reported a total ending fund balance of \$276,556.

Overview of the Financial Statements

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

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



The following chart summarizes the major features of the Charter School's financial statements, including the portion of the Charter School's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements:

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements
		Governmental Funds
Scope	Entire Charter School (except fiduciary funds)	The activities of the Charter School that are not fiduciary, such as special education and building maintenance
Required financial statements	<ul style="list-style-type: none"> Statement of net position Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of in flow/out flow information	All revenues and expenditures during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

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

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

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

The government-wide financial statements display functions of the Charter School that are principally supported by intergovernmental revenues (*governmental activities*). The governmental activities of the Charter School include administration, district support services, elementary and secondary regular instruction, instructional support services and sites and buildings programs.

The government-wide financial statements can be found starting on page 22 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Charter School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

The Charter School maintains two governmental funds. Information is presented in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the governmental funds.

The Charter School adopts an annual appropriated budget for its General fund and Food Service fund. A budgetary comparison statement and schedule for the funds are provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 26 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 31 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, the individual fund schedule and table can be found starting on page 50 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Charter School, assets exceeded liabilities by \$292,735 at the close of the period ended June 30, 2022

STEAM Academy's Summary of Net Position

	Governmental Activities		
	2022	2021	Increase (Decrease)
Assets			
Current and other assets	\$ 328,987	\$ -	\$ 328,987
Deferred Outflows of Resources			
Deferred pension resources	16,179	-	16,179
Liabilities			
Current and other liabilities	52,431	-	52,431
Net Position			
Restricted for food service	14,995	-	14,995
Unrestricted	277,740	-	277,740
Total Net Position	\$ 292,735	\$ -	\$ 292,735

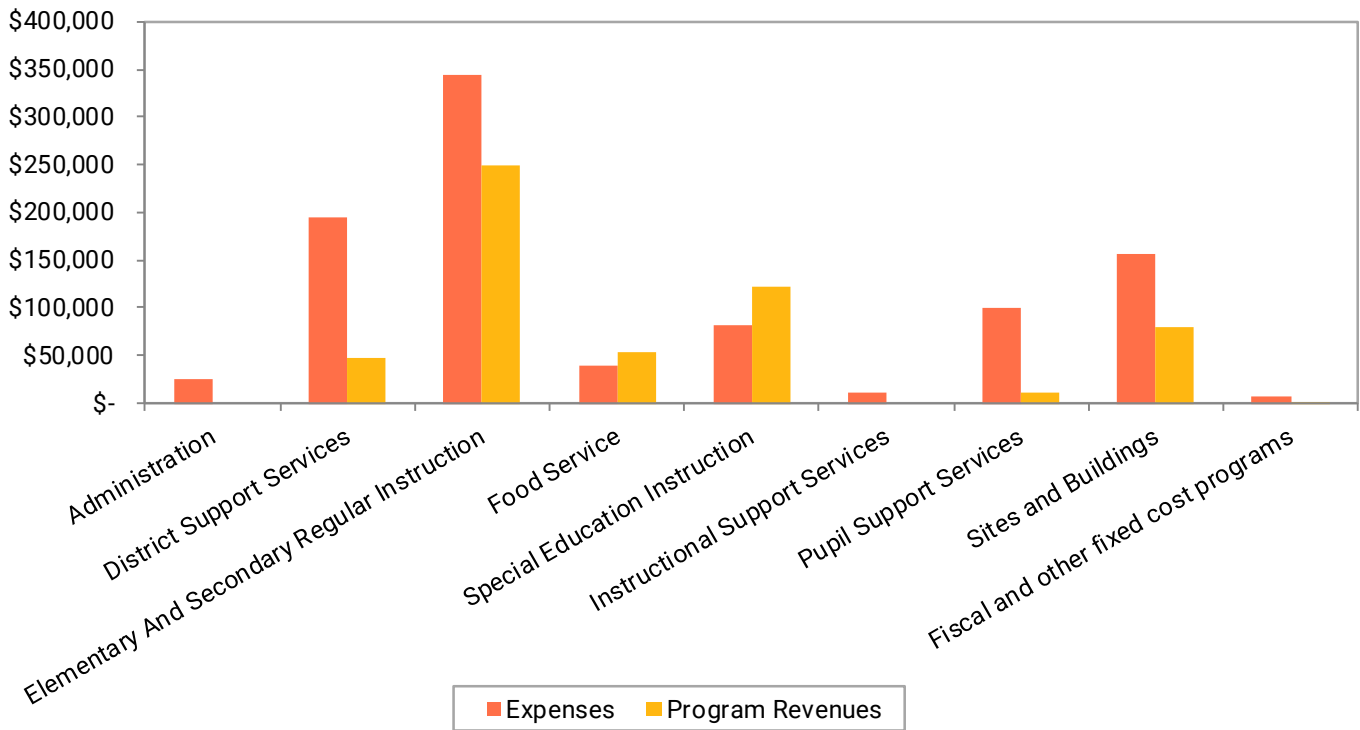
At the end of the period ended June 30, 2022, the Charter School reported a positive balance in net position for government-wide. The Charter School's net position increased by \$292,735. Key elements of this increase are shown in the table below.

STEAM Academy's Changes in Net Position

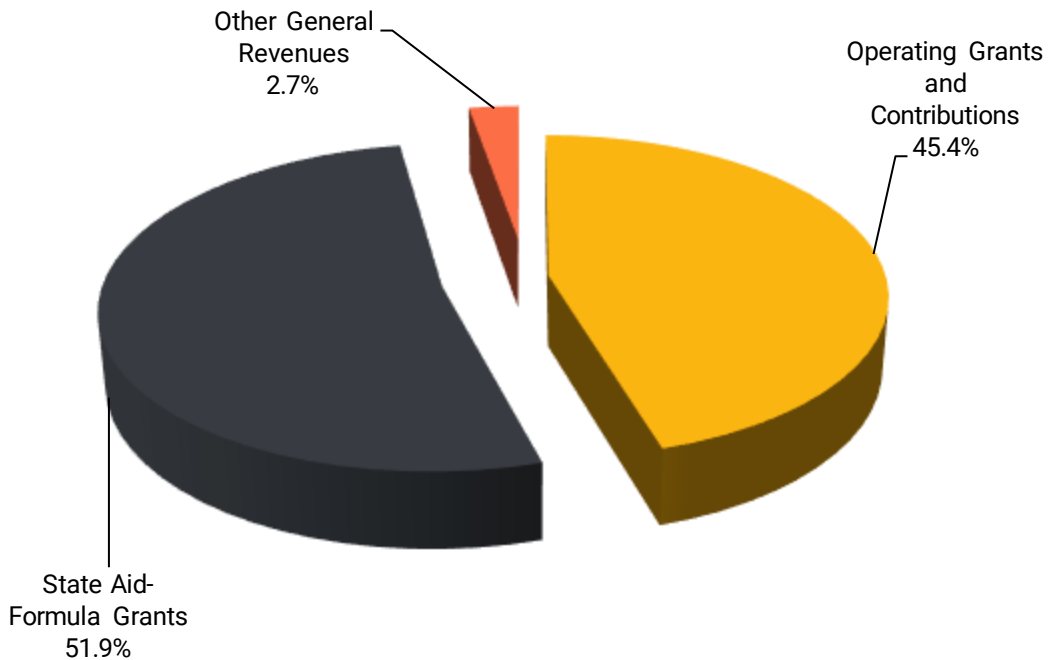
	Governmental Activities		
	2022	2021	Increase (Decrease)
Revenues			
Program revenues			
Operating grants and contributions	\$ 567,190	\$ -	\$ 567,190
General revenues			
State aid-formula grants	649,331	-	649,331
Other general revenues	34,300	-	34,300
Total Revenues	1,250,821	-	1,250,821
Expenses			
Administration	24,871	-	24,871
District support services	194,651	-	194,651
Elementary and secondary regular instruction	343,359	-	343,359
Special education instruction	82,790	-	82,790
Instructional support services	10,698	-	10,698
Pupil support services	99,726	-	99,726
Food Service	39,462	-	39,462
Sites and buildings	156,200	-	156,200
Fiscal and other fixed cost programs	6,329	-	6,329
Total Expenses	958,086	-	958,086
Change in Net Position	292,735	-	292,735
Net Position, as of October 8, 2018	-	-	-
Net Position, June 30, 2021	\$ 292,735	\$ -	\$ 292,735

The following graph depicts various governmental activities and shows the expenses and program revenues directly related to those activities.

Expenses and Program Revenue - Governmental Activities Graph



Revenue by Source - Governmental Activities Graph



Financial Analysis of the Charter School's Funds

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

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

As of the end of the current fiscal year, the Charter School's governmental fund reported an ending fund balance of \$276,556, with \$14,995 restricted for food service, \$47,477 nonspendable for prepaid items, and the remaining \$214,084 unassigned for fiscal year 2023 operations.

General Fund Budgetary Highlights

The Charter School's original General Fund budget called for a decrease of \$6,314 in fund balance, and the revised budget called for a \$206,936 increase in fund balance. Actual fund balance increased \$261,561.

Overall, there was a negative variance in total revenues compared to budget of \$184,005, this budget variance was mainly caused by a combination of less than expected reimbursements through the CSP federal grant and more than expected donation revenue.

Overall, total expenditures were \$238,630 less than the final budget mainly due to less than expected professional service fees.

Economic Factors and Next Year's Budgets and Rates

- The Charter School is dependent on the state of Minnesota for much of its revenue. In recent years, legislated revenue increases have made it difficult to meet the instructional program needs and increased costs, due to inflation for Minnesota charter schools.
- The general education program is the method by which charter schools receive the majority of their financial support. This source of funding is primarily state aid and, as such, charter schools rely heavily on the state of Minnesota for educational resources. The Legislature approved annual increases of 2.45 and 2 percent to the basic general education formula allowance for the fiscal year 2022–2023 biennium.
- The COVID-19 pandemic will potentially impact how the Charter School provides instruction. Increased expenditures for personal protective equipment, sanitation supplies, and technology are expected in the upcoming fiscal year.
- The amount of aid a charter school receives is also dependent on the number of students it serves, meaning attracting and retaining students is critical to the Charter School's financial well-being. The COVID-19 pandemic will impact how many students the Charter School attracts and maintains.

Requests for Information

This financial report is designed to provide a general overview of the Charter School's finances for all those with an interest in the Charter School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to STEAM Academy, 1330 Blair Ave, St. Paul, MN 55104.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STEAM ACADEMY
CHARTER SCHOOL NO. 4270
ST. PAUL, MINNESOTA

FOR THE PERIOD OF INCEPTION
(OCTOBER 8, 2018) TO JUNE 30, 2022

STEAM Academy
Charter School No. 4270
St. Paul, Minnesota
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash and temporary investments	\$ 111,582
Accounts receivable	101,263
Due from the Federal government	68,665
Prepaid items	47,477
Total Assets	328,987
Liabilities	
Accounts payables	17,478
Accrued salaries payable	34,953
Total Liabilities	52,431
Net Position	
Restricted for food service	14,995
Unrestricted	277,740
Total Net Position	\$ 292,735

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

STEAM Academy
Charter School No. 4270
St. Paul, Minnesota
Statement of Activities
For the Period of Inception (October 8, 2018) to June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net Expenses and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Administration	\$ 24,871	\$ -	\$ -	\$ -	\$ (24,871)
District support services	194,651	-	47,199	-	(147,452)
Elementary and secondary regular instruction	343,359	-	250,070	-	(93,289)
Special education instruction	82,790	-	122,204	-	39,414
Instructional support services	10,698	-	-	-	(10,698)
Pupil support services	99,726	-	12,192	-	(87,534)
Food service	39,462	-	54,457	-	14,995
Sites and buildings	156,200	-	79,491	-	(76,709)
Fiscal and other fixed cost programs	6,329	-	1,577	-	(4,752)
Total Governmental Activities	\$ 958,086	\$ -	\$ 567,190	\$ -	(390,896)
General Revenues					
State aid formula grants					649,331
Donations and Contributions					34,300
Total general revenues					683,631
Change in Net Position					292,735
Net Position, as of October 8, 2018					-
Net Position, June 30					\$ 292,735

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

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FUND FINANCIAL STATEMENTS

STEAM ACADEMY
CHARTER SCHOOL NO. 4270
ST. PAUL, MINNESOTA

FOR THE PERIOD OF INCEPTION
(OCTOBER 8, 2018) TO JUNE 30, 2022

STEAM Academy
Charter School No. 4270
St. Paul, Minnesota
Balance Sheet
Governmental Funds
June 30, 2022

	General	Nonmajor Food Service	Total
Assets			
Cash and temporary investments	\$ 96,587	\$ 14,995	\$ 111,582
Accounts receivable	101,263	-	101,263
Due from Federal government	68,665	-	68,665
Prepaid items	47,477	-	47,477
	<u>47,477</u>	<u>-</u>	<u>47,477</u>
Total Assets	<u>\$ 313,992</u>	<u>\$ 14,995</u>	<u>\$ 328,987</u>
Liabilities			
Accounts payables	\$ 17,478	\$ -	\$ 17,478
Accrued salaries payable	34,953	-	34,953
Total Liabilities	<u>52,431</u>	<u>-</u>	<u>52,431</u>
Fund Balances			
Nonspendable for prepaid items	47,477	-	47,477
Restricted for food service	-	14,995	14,995
Unassigned	214,084	-	214,084
Total Fund Balance	<u>261,561</u>	<u>14,995</u>	<u>276,556</u>
Total Liabilities and Fund Balances	<u>\$ 313,992</u>	<u>\$ 14,995</u>	<u>\$ 328,987</u>

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

STEAM Academy
Charter School No. 4270
St. Paul, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
June 30, 2022

Amounts reported for governmental activities in the statement of net position are different because

Total Fund Balances - Governmental Funds	\$ 276,556
Governmental funds do not report long-term amounts related to pensions. Deferred outflow of pension resources	<u>16,179</u>
Total Net Position - Governmental Activities	<u><u>\$ 292,735</u></u>

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

STEAM Academy
Charter School No. 4270
St. Paul, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Period of Inception (October 8, 2018) to June 30, 2022

	General	Nonmajor Food Service	Total
Revenues			
Other local revenue	\$ 34,300	\$ -	\$ 34,300
Revenue from state sources	838,211	6,629	844,840
Revenue from federal sources	323,853	47,828	371,681
Total Revenues	<u>1,196,364</u>	<u>54,457</u>	<u>1,250,821</u>
Expenditures			
Current			
Administration	24,871	-	24,871
District support services	196,243	-	196,243
Elementary and secondary regular instruction	333,488	-	333,488
Special education instruction	83,392	-	83,392
Instructional support services	6,258	-	6,258
Pupil support services	99,726	-	99,726
Food service	-	39,462	39,462
Sites and buildings	68,650	-	68,650
Fiscal and other fixed cost programs	6,329	-	6,329
Capital outlay			
Elementary and secondary regular instruction	23,481	-	23,481
Instructional support services	4,815	-	4,815
Sites and buildings	87,550	-	87,550
Total Expenditures	<u>934,803</u>	<u>39,462</u>	<u>974,265</u>
Net Change in Fund Balance	261,561	14,995	276,556
Fund Balance, as of October 8, 2018	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 261,561</u>	<u>\$ 14,995</u>	<u>\$ 276,556</u>

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

STEAM Academy
Charter School No. 4270
St. Paul, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Period of Inception (October 8, 2018) to June 30, 2022

Amounts reported for governmental activities in the statement of activities are different because

Net Change in Fund Balances - Governmental Funds	\$ 276,556
Long-term pension activity is not reported in governmental funds. Pension expense	<u>16,179</u>
Change in Net Position - Governmental Activities	<u><u>\$ 292,735</u></u>

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

STEAM Academy
Charter School No. 4270
 St. Paul, Minnesota
 Statement of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 General Fund
 For the Period of Inception (October 8, 2018) to June 30, 2022

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Other local revenue	\$ 2,500	\$ 8,500	\$ 34,300	\$ 25,800
Revenue from state sources	1,182,232	885,288	838,211	(47,077)
Revenue from federal sources	247,646	486,581	323,853	(162,728)
Total Revenues	<u>1,432,378</u>	<u>1,380,369</u>	<u>1,196,364</u>	<u>(184,005)</u>
Expenditures				
Current				
Administration	102,723	53,020	24,871	28,149
District support services	212,617	210,278	196,243	14,035
Elementary and secondary regular instruction	459,718	420,873	333,488	87,385
Special education instruction	225,090	104,000	83,392	20,608
Instructional support services	8,758	6,259	6,258	1
Pupil support services	145,500	132,750	99,726	33,024
Sites and buildings	94,500	75,900	68,650	7,250
Fiscal and other fixed cost programs	9,500	5,753	6,329	(576)
Capital outlay				
Elementary and secondary regular instruction	39,726	70,000	23,481	46,519
Instructional support services	7,500	5,000	4,815	185
Sites and buildings	133,060	89,600	87,550	2,050
Total Expenditures	<u>1,438,692</u>	<u>1,173,433</u>	<u>934,803</u>	<u>238,630</u>
Net Change in Fund Balances	(6,314)	206,936	261,561	54,625
Fund Balance, as of October 8, 2018	-	-	-	-
Fund Balances, June 30	<u>\$ (6,314)</u>	<u>\$ 206,936</u>	<u>\$ 261,561</u>	<u>\$ 54,625</u>

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

STEAM Academy
Charter School No. 4270
St. Paul, Minnesota
Notes to the Financial Statements
June 30, 2022

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

STEAM Academy (the Charter School), St. Paul, Minnesota is a nonprofit that was incorporated on October 8, 2018 as a non-profit corporation under section 501(c)3 of the Internal Revenue Code of 1954, for the purpose of providing educational services to individuals within the area. The Charter School is authorized by the Novation Educational Opportunities. The permanent governing body consists of a minimum five members on the Board of Directors.

The Charter School has considered all potential units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Charter School are such that exclusion would cause the Charter School's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The Charter School has no component units that meet the GASB criteria.

Aside from its authorization, Novation Educational Opportunities has no authority, control, power, or administrative responsibilities over the Charter School. Therefore, the Charter School is not considered a component unit of Novation Educational Opportunities.

For the period ended June 30, 2022, the Charter School does not have any extracurricular student activities funds.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

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. Amounts reported as *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State aid formula grants and other internally dedicated resources are reported as general revenues rather than as program revenues.

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include State aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Other revenue is considered available if collected within one year.

STEAM Academy
Charter School No. 4270
St. Paul, Minnesota
Notes to the Financial Statements
June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

The preparation of the basic financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumption that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Description of Funds

The Charter School fund has been established by the State of Minnesota Department of Education. The fund is accounted for as an independent entity. Descriptions of the fund included in the report are as follows:

Major Governmental Funds

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

Non-Major Governmental Funds

The *Food Service special revenue fund* is used to account for food service revenue and expenditures. The major sources of revenues are food service sales and federal and state grants, which are restricted for this purpose.

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

STEAM Academy
Charter School No. 4270
St. Paul, Minnesota
Notes to the Financial Statements
June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, and Net Position/Fund Balance

Deposits and Investments

The Charter School's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Charter School may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with 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.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The Charter School does not have a formal investment policy.

Accounts Receivable

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. No allowance for uncollectible accounts has been recorded. The only receivable not expected to be collected within one year are delinquent property taxes receivable.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

STEAM Academy
Charter School No. 4270
St. Paul, Minnesota
Notes to the Financial Statements
June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources

In addition to assets, the statement of net financial position 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 Charter School has one item that qualifies for reporting in this category. Accordingly, the deferred pension resources are reported only in the statement of net position. The pension resources result from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Due from the Federal Government

Due from the Department of Education include amounts billed for services provided before year end as well as amounts for expenditures that have been incurred before year end that will be reimbursed with state and federal funding. No substantial losses are anticipated from present receivable balances, therefore no allowance for uncollectible has been recorded.

Pensions

Teachers Retirement Association (TRA)

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of St. Paul and St. Paul School District. The direct aid is a result of the merger of the St. Paul 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 4.

Public Employees Retirement Association (PERA)

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

The total pension expense for the General Employees Plan (GERP) and TRA is as follows:

	GERP	TRA	Total
Pension Expense	\$ 3,076	\$ 13,103	\$ 16,179

STEAM Academy
Charter School No. 4270
St. Paul, Minnesota
Notes to the Financial Statements
June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

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

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

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

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

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board of Education itself or by an official to which the governing body delegates the authority.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The Charter School considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the Charter School would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Net Position

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

- a. Investment in capital assets - Consists of capital assets, net of accumulated depreciation.
- b. Restricted net position – Consist of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of “restricted” or “investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is the Charter School's policy to use restricted resources first, then unrestricted resources as they are needed

STEAM Academy
Charter School No. 4270
St. Paul, Minnesota
Notes to the Financial Statements
June 30, 2022

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Budgets are prepared for Charter School funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the General fund. All funds budgets were amended during the current fiscal year. The Charter School's original General fund budget called for a decrease of \$6,314, and the revised budget called for an increase of \$206,936 in fund balance.

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

1. Prior to July 1, the budget is prepared by the Director to be adopted by the Board of Education.
2. Budgets for the General fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
3. Budgeted amounts are as originally adopted, or as amended.
4. Budget appropriations lapse at year end.
5. The legal level of control is the fund level.
6. The Charter School does not use encumbrance accounting.

Note 3: Detailed Notes on All Funds

A. Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the Charter School's deposits and investments may not be returned or the Charter School will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Board of Education, the Charter School maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all Charter School deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;

STEAM Academy
Charter School No. 4270
St. Paul, Minnesota
Notes to the Financial Statements
June 30, 2022

Note 3: Detailed Notes on All Funds (Continued)

- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

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

At period end, the Charter School's carrying amount of deposits was \$111,582 and the bank balance was \$139,468. The entire balance was covered by federal depository insurance.

Note 4: Defined Benefit Pension Plans - Statewide

A. Teachers Retirement Association (TRA)

1. Plan Description

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

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

2. Benefits Provided

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

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

STEAM Academy
Charter School No. 4270
St. Paul, Minnesota
Notes to the Financial Statements
June 30, 2022

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

With these provisions:

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

or

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

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

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

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

STEAM Academy
Charter School No. 4270
St. Paul, Minnesota
Notes to the Financial Statements
June 30, 2022

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

3. Contribution Rate

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

Plan	Ending June 30, 2022	
	Employee	Employer
Basic	11.00%	12.34%
Coordinated	7.50%	8.34%

The Charter School’s contributions to TRA for the years ending June 30, 2022 was \$13,103. The Charter School’s contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

The following is a reconciliation of employer contributions in TRA’s Annual Comprehensive Financial Report “Statement of Changes in Fiduciary Net Position” to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

Employer Contributions Reported in TRA's Annual Comprehensive Financial Report Statement of Changes in Fiduciary Net Position	\$ 448,829,000
Add Employer Contributions Not Related to Future Contribution Efforts	379,000
Deduct TRA's Contributions Not Included in Allocation	(538,000)
Total Employer Contributions	448,670,000
Total Non-Employer Contributions	37,840,000
 Total contributions reported in schedule of employer and non-employer pension allocations	 \$ 486,510,000

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

STEAM Academy
Charter School No. 4270
St. Paul, Minnesota
Notes to the Financial Statements
June 30, 2022

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

4. Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation date	July 1, 2021
Experience study	June 30, 2021
	June 5, 2019 (demographic assumptions)
	November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% thereafter
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% thereafter
Cost of living adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality Assumption	
Pre-retirement	RP-2014 white collar employee table, male rates set back six years and female rates set back seven years. Generational projection uses the MP-2015 scale
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	35.50 %	5.10 %
International Equity	17.50	5.30
Private Markets	25.00	5.90
Fixed Income	20.00	0.75
Unallocated Cash	2.00	-
Total	<u>100.00 %</u>	

STEAM Academy
Charter School No. 4270
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Notes to the Financial Statements
June 30, 2022

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2021 is 6.0 years. The "Difference Between Expected and Actual Experience", "Changes of Assumptions" and "Changes in Proportion" use the amortization period of 6.00 years in the schedule presented. The amortization period for "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is over a period of 5.00 years as required by GASB 68.

Changes in actuarial assumptions since the 2020 valuation:

- The investment return assumption was changed from 7.5 percent to 7.00 percent

5. Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The discount rate used to measure the TPL at the Prior Measurement Date was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2021 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).

6. Net Pension Liability

At June 30, 2022, the Charter School reported a liability of \$0 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Charter School's proportion of the net pension liability was based on the Charter 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 Charter School proportionate share was 0.0000 percent at the end of the measurement period and 0.0000 percent for the beginning of the year.

Deferred outflows of resources totaling \$13,103 related to pensions resulting from the Charter School's contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

7. Pension Plan Fiduciary Net Position

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

STEAM Academy
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Notes to the Financial Statements
June 30, 2022

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

B. Public Employees Retirement Association (PERA)

1. Plan Description

The Charter School participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Retirement Plan

All full-time and certain part-time employees of the Charter School 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. Benefits Provided

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for 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.

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

STEAM Academy
Charter School No. 4270
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Notes to the Financial Statements
June 30, 2022

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

3. Contributions

Minnesota statutes chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the Charter School was required to contribute 7.50 percent for Coordinated Plan members. The Charter School's contributions to the General Employees Fund for the year ending June 30, 2022 were \$3,076. The Charter School's contributions were equal to the contractually required contributions for each year as set by state statute.

4. Pension Costs

At June 30, 2022, the Charter School reported a liability of \$0 for its proportionate share of the General Employee Fund's net pension liability. The Charter School's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Charter School totaled \$0. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Charter School's proportionate share of the net pension liability was based on the Charter School's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the Charter School's proportion was 0.0000 percent which was a 0.0000 percent change from its proportion measured as of June 30, 2021.

The \$3,076 reported as deferred outflows of resources related to pensions resulting from the Charter School's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

5. Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA's experience.

STEAM Academy
Charter School No. 4270
St. Paul, Minnesota
Notes to the Financial Statements
June 30, 2022

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Actuarial assumptions used in the June 30, 2022 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. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.50 %	5.10 %
Alternative Assets (Private Markets)	25.00	5.90
Bonds (Fixed Income)	25.00	0.80
International Equity	16.50	5.30
Total	100.00 %	

6. Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

STEAM Academy
Charter School No. 4270
St. Paul, Minnesota
Notes to the Financial Statements
June 30, 2022

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

7. Pension Plan Fiduciary Net Position

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

Note 5: Other Information

A. Risk Management

The Charter School is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Charter School carries commercial insurance. Settled claims have not exceeded this commercial coverage in fiscal year 2022.

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

B. Commitments and Contingencies

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 Charter School expects such amounts, if any, to be immaterial.

C. Income Taxes

The Charter School is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Organization is not a private foundation and contributions to the Charter School qualify as a charitable tax deduction by the contributor.

The Organization has evaluated and determined that there are no uncertain tax positions as of June 30, 2022. The Association's tax returns are subject to possible examination by the taxing authorities.

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REQUIRED SUPPLEMENTARY INFORMATION

STEAM ACADEMY
CHARTER SCHOOL NO. 4270
ST. PAUL, MINNESOTA

FOR THE PERIOD OF INCEPTION
OCTOBER 8, 2018 TO JUNE 30, 2022

STEAM Academy
Charter School No. 4270
St. Paul, Minnesota
Required Supplementary Information
For the Period of Inception October 8, 2018 to June 30, 2022

Schedule of Employer's Teachers Retirement Association Contributions

Fiscal Period Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Charter School's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2021	\$ 13,103	\$ 13,103	\$ -	\$ 157,110	8.34 %

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's Public Employees Retirement Association Contributions

Fiscal Period Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Charter School's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2021	\$ 3,076	\$ 3,076	\$ -	\$ 41,013	7.5 %

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

INDIVIDUAL FUND SCHEDULES AND TABLE

STEAM ACADEMY
CHARTER SCHOOL NO. 4270
ST. PAUL, MINNESOTA

FOR THE PERIOD OF INCEPTION
OCTOBER 8, 2018 TO JUNE 30, 2022

STEAM Academy
Charter School No. 4270
 St. Paul, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 For the Period of Inception (October 8, 2018) to June 30, 2022

	2022			
	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Other local revenue	\$ 2,500	\$ 8,500	\$ 34,300	\$ 25,800
Revenue from state sources	1,182,232	885,288	838,211	(47,077)
Revenue from federal sources	247,646	486,581	323,853	(162,728)
Total Revenues	<u>1,432,378</u>	<u>1,380,369</u>	<u>1,196,364</u>	<u>(184,005)</u>
Expenditures				
Current				
Administration				
Salaries	73,703	35,000	10,027	24,973
Fringe benefits	1,520	1,520	1,519	1
Supplies and materials	7,500	2,500	30	2,470
Other	20,000	14,000	13,295	705
Total administration	<u>102,723</u>	<u>53,020</u>	<u>24,871</u>	<u>28,149</u>
District Support Services				
Salaries	20,000	19,001	19,000	1
Fringe benefits	5,211	5,211	5,209	2
Purchased services	156,906	170,566	162,237	8,329
Supplies and materials	28,000	13,000	8,766	4,234
Other	2,500	2,500	1,031	1,469
Total district support services	<u>212,617</u>	<u>210,278</u>	<u>196,243</u>	<u>14,035</u>
Elementary and secondary regular instruction				
regular instruction				
Salaries	204,438	204,156	191,582	12,574
Purchased services	60,330	47,866	45,298	2,568
Supplies and materials	194,950	168,851	96,608	72,243
Total elementary and secondary regular instruction	<u>459,718</u>	<u>420,873</u>	<u>333,488</u>	<u>87,385</u>
Special education instruction				
Salaries	92,875	10,000	8,026	1,974
Fringe benefits	4,715	2,091	2,090	1
Purchased services	100,000	85,409	72,138	13,271
Supplies and materials	27,500	6,500	1,138	5,362
Total special education instruction	<u>225,090</u>	<u>104,000</u>	<u>83,392</u>	<u>20,608</u>

STEAM Academy
Charter School No. 4270
St. Paul, Minnesota
General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Period of Inception (October 8, 2018) to June 30, 2022

	2022			
	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Expenditures (Continued)				
Current (continued)				
Instructional support services				
Salaries	\$ 7,500	\$ 5,001	\$ 5,000	\$ 1
Fringe benefits	758	758	758	-
Purchased services	500	500	500	-
Total instructional support services	<u>8,758</u>	<u>6,259</u>	<u>6,258</u>	<u>1</u>
Pupil support services				
Purchased services	142,000	100,250	98,500	1,750
Supplies and materials	3,500	32,500	1,226	31,274
Total pupil support services	<u>145,500</u>	<u>132,750</u>	<u>99,726</u>	<u>33,024</u>
Sites and buildings				
Purchased services	75,000	67,000	63,504	3,496
Supplies and materials	19,500	8,900	5,146	3,754
Total sites and buildings	<u>94,500</u>	<u>75,900</u>	<u>68,650</u>	<u>7,250</u>
Fiscal and other fixed cost programs				
Purchased services	9,500	5,753	6,329	(576)
Total fiscal and other fixed cost programs	<u>9,500</u>	<u>5,753</u>	<u>6,329</u>	<u>(576)</u>
Total current	<u>1,258,406</u>	<u>1,008,833</u>	<u>818,957</u>	<u>189,876</u>
Capital outlay				
Elementary and secondary regular instruction	39,726	70,000	23,481	46,519
Instructional support services	7,500	5,000	4,815	185
Sites and buildings	133,060	89,600	87,550	2,050
Total capital outlay	<u>180,286</u>	<u>164,600</u>	<u>115,846</u>	<u>48,754</u>
Total Expenditures	<u>1,438,692</u>	<u>1,173,433</u>	<u>934,803</u>	<u>238,630</u>
Net Change in Fund Balances	(6,314)	206,936	261,561	54,625
Fund Balance, as of (October 8, 2018)	-	-	-	-
Fund Balance, June 30	<u>\$ (6,314)</u>	<u>\$ 206,936</u>	<u>\$ 261,561</u>	<u>\$ 54,625</u>

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STEAM Academy
Charter School No. 4270
 St. Paul, Minnesota
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 Food Service
 For the Period of Inception (October 8, 2018) to June 30, 2022

	Food Service			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Revenue from state sources	\$ 7,250	\$ 6,000	\$ 6,629	\$ 629
Revenue from federal sources	63,335	41,116	47,828	6,712
Total Revenues	<u>70,585</u>	<u>47,116</u>	<u>54,457</u>	<u>7,341</u>
Expenditures				
Current				
Food service	70,585	47,116	39,462	7,654
Total Expenditures	<u>70,585</u>	<u>47,116</u>	<u>39,462</u>	<u>7,654</u>
Net Change in Fund Balances	-	-	14,995	14,995
Fund Balances, October 8, 2018	-	-	-	-
Fund Balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,995</u>	<u>\$ 14,995</u>

Fiscal Compliance Report - 6/30/2022
District: STEAM ACADEMY CHARTER (4270-7)

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$1,196,364	\$1,196,365	(\$1)	Total Revenue	\$0	\$0	\$0
Total Expenditures	\$934,803	\$934,803	\$0	Total Expenditures	\$0	\$0	\$0
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$47,477	\$47,477	\$0	4.60 Non Spendable Fund Balance	\$0	\$0	\$0
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	\$0	\$0	4.07 Capital Projects Levy	\$0	\$0	\$0
4.02 Scholarships	\$0	\$0	\$0	4.13 Project Funded by COP	\$0	\$0	\$0
4.03 Staff Development	\$0	\$0	\$0	4.67 LTFM	\$0	\$0	\$0
4.07 Capital Projects Levy	\$0	\$0	\$0	<i>Restricted:</i>			
4.08 Cooperative Revenue	\$0	\$0	\$0	4.64 Restricted Fund Balance	\$0	\$0	\$0
4.13 Project Funded by COP	\$0	\$0	\$0	<i>Unassigned:</i>			
4.14 Operating Debt	\$0	\$0	\$0	4.63 Unassigned Fund Balance	\$0	\$0	\$0
4.16 Levy Reduction	\$0	\$0	\$0	07 DEBT SERVICE			
4.17 Taconite Building Maint	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
4.24 Operating Capital	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
4.26 \$25 Taconite	\$0	\$0	\$0	<i>Non Spendable:</i>			
4.27 Disabled Accessibility	\$0	\$0	\$0	4.60 Non Spendable Fund Balance	\$0	\$0	\$0
4.28 Learning & Development	\$0	\$0	\$0	<i>Restricted / Reserved:</i>			
4.34 Area Learning Center	\$0	\$0	\$0	4.25 Bond Refundings	\$0	\$0	\$0
4.35 Contracted Alt. Programs	\$0	\$0	\$0	4.33 Maximum Effort Loan Aid	\$0	\$0	\$0
4.36 State Approved Alt. Program	\$0	\$0	\$0	4.51 QZAB Payments	\$0	\$0	\$0
4.38 Gifted & Talented	\$0	\$0	\$0	4.67 LTFM	\$0	\$0	\$0
4.40 Teacher Development and Evaluation	\$0	\$0	\$0	<i>Restricted:</i>			
4.41 Basic Skills Programs	\$0	\$0	\$0	4.64 Restricted Fund Balance	\$0	\$0	\$0
4.48 Achievement and Integration	\$0	\$0	\$0	<i>Unassigned:</i>			
4.49 Safe School Crime - Crime Levy	\$0	\$0	\$0	4.63 Unassigned Fund Balance	\$0	\$0	\$0
4.51 QZAB Payments	\$0	\$0	\$0	08 TRUST			
4.52 OPEB Liab Not In Trust	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
4.53 Unfunded Sev & Retirement Levy	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
4.59 Basic Skills Extended Time	\$0	\$0	\$0	<i>Restricted / Reserved:</i>			
4.67 LTFM	\$0	\$0	\$0	4.01 Student Activities	\$0	\$0	\$0
4.72 Medical Assistance	\$0	\$0	\$0	4.02 Scholarships	\$0	\$0	\$0
4.73 PPP Loan	\$0	\$0	\$0	4.22 Unassigned Fund Balance (Net Assets)	\$0	\$0	\$0
4.74 EIDL Loan	\$0	\$0	\$0	18 CUSTODIAL			
<i>Restricted:</i>				Total Revenue	\$0	\$0	\$0
4.64 Restricted Fund Balance	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
4.75 Title VII Impact Aid	\$0	\$0	\$0	<i>Restricted / Reserved:</i>			
4.76 Payments in Lieu of Taxes	\$0	\$0	\$0	4.01 Student Activities	\$0	\$0	\$0
<i>Committed:</i>				4.02 Scholarships	\$0	\$0	\$0
4.18 Committed for Separation	\$0	\$0	\$0	4.48 Achievement and Integration	\$0	\$0	\$0
4.61 Committed Fund Balance	\$0	\$0	\$0	4.64 Restricted Fund Balance	\$0	\$0	\$0
<i>Assigned:</i>				20 INTERNAL SERVICE			
4.62 Assigned Fund Balance	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
<i>Unassigned:</i>				Total Expenditures	\$0	\$0	\$0
4.22 Unassigned Fund Balance	\$214,084	\$214,084	\$0	4.22 Unassigned Fund Balance (Net Assets)	\$0	\$0	\$0
02 FOOD SERVICES				25 OPEB REVOCABLE TRUST			
Total Revenue	\$54,457	\$54,457	\$0	Total Revenue	\$0	\$0	\$0
Total Expenditures	\$39,462	\$39,462	\$0	Total Expenditures	\$0	\$0	\$0
<i>Non Spendable:</i>				4.22 Unassigned Fund Balance (Net Assets)			
4.60 Non Spendable Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>Restricted / Reserved:</i>				45 OPEB IRREVOCABLE TRUST			
4.52 OPEB Liab Not In Trust	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
4.74 EIDL Loan	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
<i>Restricted:</i>				4.22 Unassigned Fund Balance (Net Assets)			
4.64 Restricted Fund Balance	\$14,995	\$14,995	\$0	\$0	\$0	\$0	\$0
<i>Unassigned:</i>				04 COMMUNITY SERVICE			
4.63 Unassigned Fund Balance	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
04 COMMUNITY SERVICE				Total Expenditures	\$0	\$0	\$0
Total Revenue				4.22 Unassigned Fund Balance (Net Assets)	\$0	\$0	\$0

47 OPEB DEBT SERVICE

Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>	\$0	<u>\$0</u>	<u>\$0</u>
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	\$0	<u>\$0</u>	<u>\$0</u>
4.32 E.C.F.E	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	\$0	<u>\$0</u>	<u>\$0</u>
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.73 PPP Loan	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

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OTHER REQUIRED REPORTS

STEAM ACADEMY
CHARTER SCHOOL NO. 4270
ST. PAUL, MINNESOTA

FOR THE PERIOD OF INCEPTION
OCTOBER 8, 2018 TO JUNE 30, 2022

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**INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE**

Members of the Board of Education
STEAM Academy
Charter School No. 4270
St. Paul, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Accounting Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of STEAM Academy (the Charter School), St. Paul, Minnesota as of and for the year ended June 30, 2022, and the related notes to the financial statements which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated November 23, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that the Charter School failed to comply with the provisions of the charter school and uniform financial accounting and reporting standards for Charter Schools sections of the *Minnesota Legal Compliance Audit Guide for Charter Schools*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the Schedule of Findings and Responses as item 2022-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Charter School's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of those charged with governance and management of the STEAM Academy and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.



Abdo
Edina, Minnesota
November 23, 2022

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

Members of the Board of Education
STEAM Academy
Charter School No. 4270
St. Paul, 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 governmental activities, the major fund, and the aggregate remaining fund information of STEAM Academy (the Charter School), St. Paul, Minnesota, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated November 23, 2022.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Response to Findings

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

Purpose of this Report

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



Abdo
Minneapolis, Minnesota
November 23, 2022



STEAM Academy
Charter School No. 4270
St. Paul, Minnesota
Schedule of Findings and Responses
For the Period of Inception October 8, 2018 to June 30, 2022

<u>Finding</u>	<u>Description</u>
2022-001	Time Period of Payment
<i>Condition:</i>	Auditing for legal compliance requires a review of the Charter School's payment of claims. Our study indicated instances of non-compliance that we believe is required to be remedied.
<i>Criteria:</i>	Minnesota statute section 471.425 requires that the Charter School pay bills within 35 days from receipt. If the invoice is not paid within the 35 days, interest at 1.5 percent per month is to be added to amount due.
<i>Cause:</i>	We noted multiple invoices that were paid after the 35 day period.
<i>Effect:</i>	The Charter School is in violation of this statute.
<i>Recommendation:</i>	We recommend that the Charter School develop policies and procedures related to the accounts payable cycle. These policies and procedures should include payment terms that are outlined within State statutes. Implementing this recommendation will not result in any additional cost to the Charter School.

Management Response:

Management believes that current procedures are sufficient to prevent future noncompliance. The reason for noncompliance is related to insufficient cash flow due to delays in grant funding.



FINDING 2022-001

Auditing for legal compliance requires a review of the Charter School's disbursements. Our study indicated instances of noncompliance that we believe are required to be remedied. During our testing of a sample of disbursements we noted several invoices were not paid within the 35-day time frame.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

2. Action Planned in Response to Finding:

Management is aware of the compliance issue and feels current procedures are sufficient to address the finding.

3. Official Responsible for Ensuring CAP:

Amina Adan, Executive Director, would be responsible for procedures.

4. Planned Completion Date for CAP:

Procedures will be implemented in the current fiscal year.

5. Plan to Monitor Completion of CAP:

Amina Adan, Executive Director, will review invoices and ensure compliance.

Sincerely,

A handwritten signature in black ink, appearing to be "Amina Adan", with a long horizontal stroke extending to the right.

Amina Adan
Executive Director
Steam Academy