



# Annual Financial Report

## Skyline Math & Science Academy, Charter School No. 4255

Minneapolis, Minnesota

For the year ended June 30, 2022



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Charter School No. 4255  
Minneapolis, Minnesota  
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INTRODUCTORY SECTION

SKYLINE MATH & SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4255  
MINNEAPOLIS, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

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Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota  
Board of Education and Administration  
For the Year Ended June 30, 2022

**BOARD OF EDUCATION**

<u>Name</u>	<u>Position</u>
Yonis Abdi	Board Chair
Abdi Noor	Vice Board Chair
Mustafa Hassan	Secretary
Mohamud Muse	Treasurer
Sharon Nelson	Teacher

**ADMINISTRATION**

Abdirahman Abdulle	Executive Director
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FINANCIAL SECTION

SKYLINE MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4255  
MINNEAPOLIS, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education  
Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota

### Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund and the remaining aggregate fund information of Skyline Math & Science Academy, Charter School No. 4255 (the Charter School), Minneapolis, Minnesota as of 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 remaining aggregate fund information of the Charter School as of June 30, 2022, and the respective changes in financial position thereof and the budgetary comparison for the General fund as of June 30, 2022 in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Skyline Math & Science 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 Skyline Math & Science 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 Charter School’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Charter School’s ability to continue as a going concern for a reasonable period of time.

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

### ***Change in Accounting Principle***

As described in Note 6 to the financial statements, the Charter School adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 87, Lease, for the year ended June 30, 2022. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

### **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 17, the Schedule of Employer’s Share of the Net Pension Liability and the Schedules of Employer’s Contributions starting on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The individual fund schedules and table, and schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedules, table and the schedule of expenditures of federal awards 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 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 22, 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 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 22, 2022



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## **Management's Discussion and Analysis**

As management of the Skyline Math & Science Academy, Charter School No. 4255 (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.

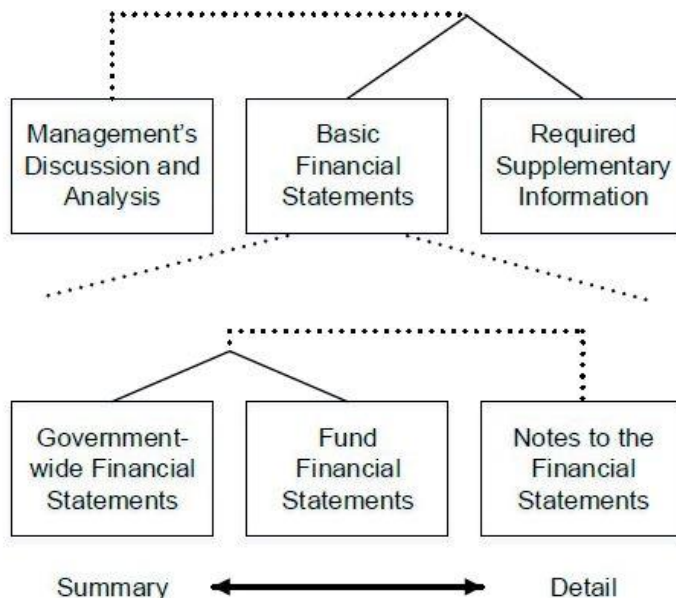
### **Financial Highlights**

- The liabilities and deferred outflows of resources of the Charter School exceeded assets and deferred outflows of resources at the end of the fiscal year ended by \$1,035,425 which was a \$920,206 decrease from the prior year. This decrease from the prior year can mainly be attributed to expenses in excess of program and other revenues during the current fiscal year.
- As of the close of the current fiscal year, the Charter School's governmental funds reported a total ending deficit fund balance of \$142,714, a decrease of \$392,514 from the prior year. Of this amount, \$38,656 represents nonspendable fund and a deficit \$181,370 represents unassigned fund balance.
- At the end of the current fiscal year, the total fund balance for the General fund balance was a deficit of \$128,978 or negative 2.4 percent of total General fund expenditures.

## 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.

### Organization of Skyline Math & Science Academy's Annual Financial Report



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
	Government-wide 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"> <li>Statement of net position</li> <li>Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>Balance sheet</li> <li>Statement of revenues, expenditures, and changes in fund balances</li> </ul>
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, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the 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 district support services and elementary and secondary regular instruction.

The government-wide financial statements can be found starting on page 26 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 individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General and Food Service funds, of which only the General is considered a major fund.

The Charter School adopts an annual appropriated budget for its General and Food Service funds. Budgetary comparison statements have been provided for the General fund and Food Service fund to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found starting on page 30 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 35 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Charter School's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found starting on page 58 of this report.

**Other Information.** The individual fund schedules and table can be found starting on page 65 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, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$1,035,425 at the close of the 2022 fiscal year.

### Skyline Math & Science Academy's Summary of Net Position

	Governmental Activities		
	2022	2021	Increase (Decrease)
<b>Assets</b>			
Current and other assets	\$ 590,635	\$ 816,478	\$ (225,843)
Capital assets	665,215	96,647	568,568
<b>Total Assets</b>	<u>1,255,850</u>	<u>913,125</u>	<u>342,725</u>
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	<u>1,290,428</u>	<u>1,218,694</u>	<u>71,734</u>
<b>Liabilities</b>			
Current and other liabilities	733,349	566,678	166,671
Noncurrent liabilities	1,813,836	1,658,410	155,426
<b>Total Liabilities</b>	<u>2,547,185</u>	<u>2,225,088</u>	<u>322,097</u>
<b>Deferred inflows of resources</b>			
Deferred pension resources	<u>1,034,518</u>	<u>21,950</u>	<u>1,012,568</u>
<b>Net Position</b>			
Net investment in capital assets	49,076	96,647	(47,571)
Unrestricted	<u>(1,084,501)</u>	<u>(211,866)</u>	<u>(872,635)</u>
<b>Total Net Position</b>	<u>\$ (1,035,425)</u>	<u>\$ (115,219)</u>	<u>\$ (920,206)</u>

At the end of the current fiscal year, the Charter School is able to report a positive balance in investment in capital assets, but unrestricted net position was negative due to the net pension liability related to the TRA and PERA defined contribution benefit plans.

A portion of the Charter School's net position (\$49,076) reflects its net investment in capital assets (e.g., building, building improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The Charter School uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending.

**Governmental Activities.** Governmental activities decreased the Charter School’s net position by \$920,206. Key elements of this decrease are shown in the table below.

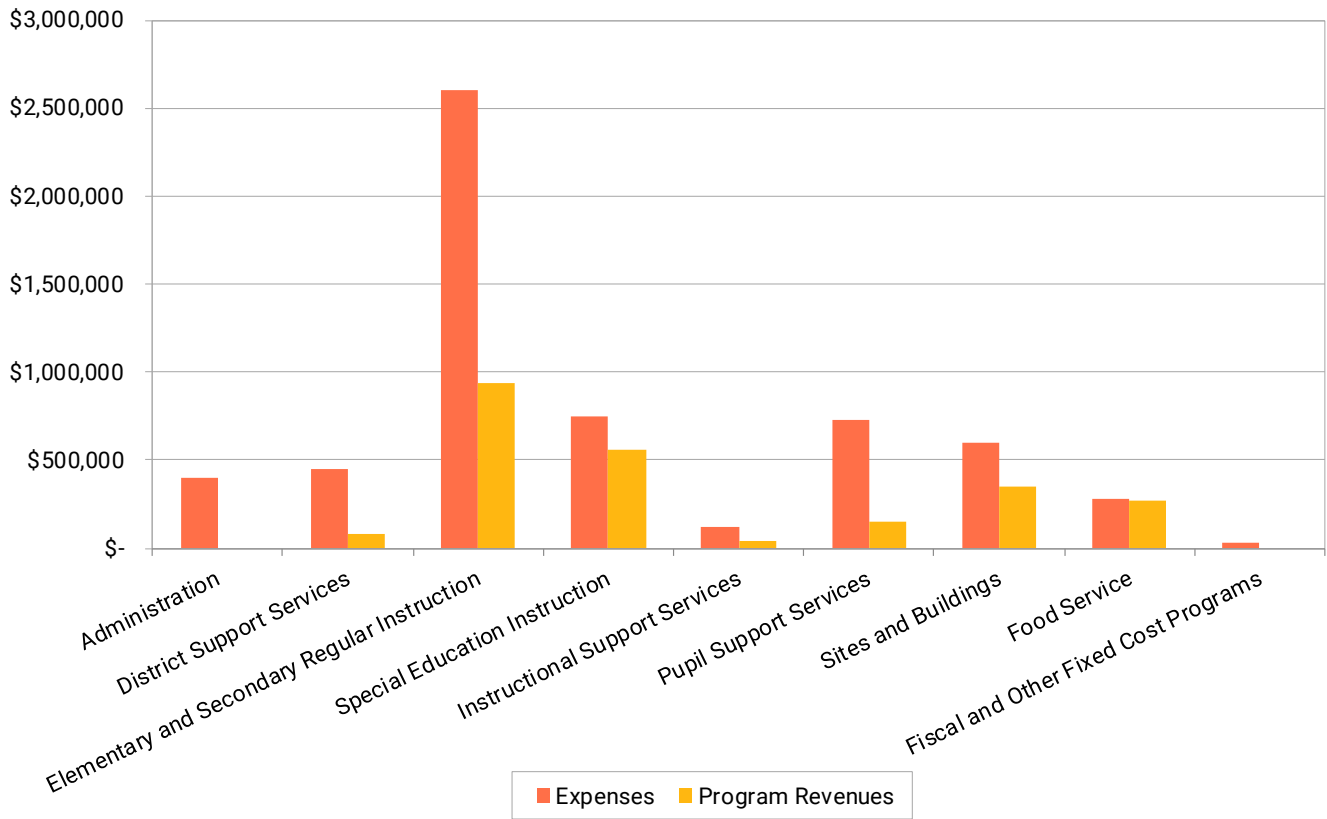
### Skyline Math & Science Academy’s Changes in Net Position

	Governmental Activities		
	2022	2021	Increase (Decrease)
Revenues			
Program revenues			
Operating grants and contributions	\$ 2,394,671	\$ 1,920,916	\$ 473,755
General revenues			
State aid-formula grants	2,623,662	2,486,410	137,252
Loan forgiveness	-	338,500	(338,500)
Other general revenues	63,100	19,940	43,160
Total Revenues	<u>5,081,433</u>	<u>4,765,766</u>	<u>315,667</u>
Expenses			
Administration	396,074	343,497	52,577
District support services	450,183	414,388	35,795
Elementary and secondary regular instruction	2,605,810	1,561,818	1,043,992
Special education instruction	747,859	996,147	(248,288)
Instructional support services	124,699	51,720	72,979
Pupil support services	726,473	483,543	242,930
Sites and buildings	601,813	524,815	76,998
Fiscal and other fixed cost programs	28,296	45,153	(16,857)
Food service	280,844	351,056	(70,212)
Interest on long-term debt	39,588	-	39,588
Total Expenses	<u>6,001,639</u>	<u>4,772,137</u>	<u>1,229,502</u>
Change in Net Position	(920,206)	(6,371)	(913,835)
Net Position, July 1	<u>(115,219)</u>	<u>(108,848)</u>	<u>(6,371)</u>
Net Position, June 30	<u>\$ (1,035,425)</u>	<u>\$ (115,219)</u>	<u>\$ (920,206)</u>

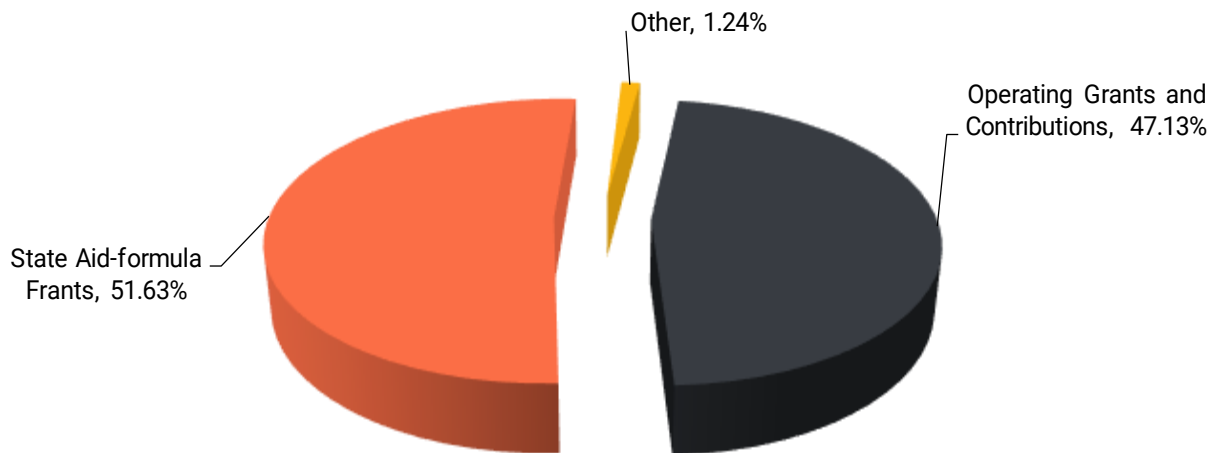
- Total revenues increased \$315,667 due to the increase in operating grants and contributions during the year (\$473,755) offset by the forgiveness of loans (\$338,500) during 2021, which is not present for the year ended June 30, 2022.
- Total expenses increased \$1,229,502 during the year. The largest increase from the prior year was related to elementary and secondary regular instruction which increased \$1,043,992.

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

**Expenses by Program - 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 funds reported an ending fund balance deficit of \$142,714, a decrease of \$392,514 in comparison with the prior year. Because the unassigned fund balance total is in deficit, none of the total constitutes *balances* available for spending at the Charter School's discretion. The remainder of fund balance, nonspendable (\$38,656), is also not available for new spending.

### General Fund Budgetary Highlights

The General fund is the chief operating fund of the Charter School. At the end of the current year, unassigned fund balance of the General fund was a deficit of \$167,634. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents a negative 3.2 percent of total General fund expenditures.

During the fiscal year the Charter School revised their General fund budget, increasing revenues and increasing expenditures by \$1,117,499 and \$1,108,274, respectively.

Total revenues were \$343,179 less than the budget with the largest revenue variance from state sources, which were \$193,850 less than anticipated. Total expenditures were \$186,044 over budget with the largest variance in special education expenditures, which were \$118,334 over budget.

### Capital Assets

The Charter School's investment in capital assets for its governmental activities as of June 30, 2022, amounts to \$665,215 (net of accumulated depreciation). This investment in capital assets includes leased building, lease equipment and equipment. The total depreciation expense for the year was \$502,769. The following is a schedule of capital assets as of June 30, 2022.

	Governmental Activities		
	2022	2021	Increase (Decrease)
Equipment	\$ 196,231	\$ 96,647	\$ 99,584
Leased Equipment (Intangible Right to Use Asset)	7,155	-	7,155
Leased Building (Intangible Right to Use Asset)	461,829	-	461,829
Total	<u>\$ 665,215</u>	<u>\$ 96,647</u>	<u>\$ 568,568</u>

Additional information on the Charter School's capital assets can be found in Note 3B on page 43 of this report.

## Long-term Debt

At the end of the current fiscal year, the Charter School's long-term liabilities consisted of lease payable and loans payable. The balance of the liability is shown below.

	Governmental Activities		
	2022	2021	Increase (Decrease)
Loans Payable	\$ 100,000	\$ -	\$ 100,000
Lease Payable	516,139	-	516,139
Total	<u>\$ 616,139</u>	<u>\$ -</u>	<u>\$ 616,139</u>

The increase is mainly attributable to the issuance of loans payable and recognition of lease payable in accordance with GASB 87.

## Economic Factors and Next Year's Budgets and Rates

- Skyline is dependent on the State of Minnesota for the majority of its revenue. These revenues are based primarily on the number of students enrolled and achieving desired enrollment can be difficult due to the competition in the area. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. Due to this, the Charter School must become creative in how they educate students as well as ensuring that there is no frivolous spending and the Charter School adheres to the approved budget.
- State Special Education funding continues to change causing schools to cut in other areas of the General fund to ensure the rising costs and needs of Special Education students are met. The Charter School is continually updating its' estimates for funds covering those costs and the needs of students. Without the continuous monitoring of the funding sources and expenditures, it can cause the Charter School to quickly have deficit spending.

## 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 Yonis Abdi, Board Chair, Skyline Math & Science Academy, Charter School No. 4255, 2600 26<sup>th</sup> Ave S #100 Minneapolis, MN 55406.



GOVERNMENT-WIDE FINANCIAL STATEMENTS

SKYLINE MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4255  
MINNEAPOLIS, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota  
Statement of Net Position  
June 30, 2022

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and temporary investments	\$ 216,884
Accounts receivable	56,434
Due from the Minnesota Department of Education	30,399
Due from the Federal government	248,262
Prepaid items	38,656
Capital assets	
Depreciable assets, net of accumulated depreciation	665,215
Total Assets	<u>1,255,850</u>
<b>Deferred Outflows of Resources</b>	
Deferred pension resources	<u>1,290,428</u>
<b>Liabilities</b>	
Accounts and other payables	312,795
Accrued salaries payable	311,608
Line of credit	100,000
Unearned revenue	8,946
Noncurrent liabilities	
Due within one year	
Longterm liabilities	519,778
Due in more than one year	
Longterm liabilities	96,361
Net pension Liability	1,197,697
Total Liabilities	<u>2,547,185</u>
<b>Deferred Inflows of Resources</b>	
Deferred pension resources	<u>1,034,518</u>
<b>Net Position</b>	
Net investment in capital assets	49,076
Unrestricted	<u>(1,084,501)</u>
Total Net Position	<u><u>\$ (1,035,425)</u></u>

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

Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota  
Statement of Activities  
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net Revenues (Expenses) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities						
Administration	\$ 396,074	\$ -	\$ -	\$ -		\$ (396,074)
District support services	450,183	-	82,030	-		(368,153)
Elementary and secondary regular instruction	2,605,810	-	939,842	-		(1,665,968)
Special education instruction	747,859	-	558,675	-		(189,184)
Instructional support services	124,699	-	45,134	-		(79,565)
Pupil support services	726,473	-	153,526	-		(572,947)
Sites and buildings	601,813	-	348,356	-		(253,457)
Food service	280,844	-	267,108	-		(13,736)
Fiscal and other fixed cost programs	28,296	-	-	-		(28,296)
Interest on long-term debt	39,588	-	-	-		(39,588)
<b>Total Governmental Activities</b>	<b><u>\$ 6,001,639</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,394,671</u></b>	<b><u>\$ -</u></b>		<b><u>(3,606,968)</u></b>
General Revenues						
State aid-formula grants						2,623,662
Other general revenues						<u>63,100</u>
Total General Revenues						<u>2,686,762</u>
Change in Net Position						(920,206)
Net Position, July 1						<u>(115,219)</u>
Net Position, June 30						<u><u>\$ (1,035,425)</u></u>

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

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FUND FINANCIAL STATEMENTS

SKYLINE MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4255  
MINNEAPOLIS, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota  
Balance Sheet  
Governmental Funds  
June 30, 2022

	General	Nonmajor Food Service	Total Governmental Funds
<b>Assets</b>			
Cash and temporary investments	\$ 216,884	\$ -	\$ 216,884
Accounts receivable	56,434	-	56,434
Due from the Minnesota Department of Education	29,902	497	30,399
Due from the Federal government	220,405	27,857	248,262
Due from other funds	27,172	-	27,172
Prepaid items	38,656	-	38,656
<b>Total Assets</b>	<b><u>\$ 589,453</u></b>	<b><u>\$ 28,354</u></b>	<b><u>\$ 617,807</u></b>
<b>Liabilities</b>			
Accounts and other payables	\$ 308,106	\$ 4,689	\$ 312,795
Accrued salaries payable	310,325	1,283	311,608
Due to other funds	-	27,172	27,172
Line of credit	100,000	-	100,000
Unearned revenue	-	8,946	8,946
<b>Total Liabilities</b>	<b><u>718,431</u></b>	<b><u>42,090</u></b>	<b><u>760,521</u></b>
<b>Fund Balances</b>			
Nonspendable for prepaid items	38,656	-	38,656
Unassigned	(167,634)	(13,736)	(181,370)
<b>Total Fund Balances</b>	<b><u>(128,978)</u></b>	<b><u>(13,736)</u></b>	<b><u>(142,714)</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 589,453</u></b>	<b><u>\$ 28,354</u></b>	<b><u>\$ 617,807</u></b>

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

Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, 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	\$ (142,714)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	1,232,781
Less: accumulated depreciation/amortization	(567,566)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Loans payable	(100,000)
Lease payable	(516,139)
Net pension liability	(1,197,697)
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflow of pension resources	1,290,428
Deferred inflow of pension resources	(1,034,518)
Total Net Position - Governmental Activities	\$ (1,035,425)

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

Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2022

	General	Nonmajor Food Service	Total Governmental Funds
<b>Revenues</b>			
Revenue from federal sources	\$ 1,299,877	\$ 256,379	\$ 1,556,256
Revenue from state sources	3,451,348	10,729	3,462,077
Other local revenue	61,346	-	61,346
<b>Total Revenues</b>	<b>4,812,571</b>	<b>267,108</b>	<b>5,079,679</b>
<b>Expenditures</b>			
<b>Current</b>			
Administration	336,879	-	336,879
District support services	428,066	-	428,066
Elementary and secondary regular instruction	2,365,702	-	2,365,702
Special education instruction	571,661	-	571,661
Instructional support services	125,268	-	125,268
Pupil support services	704,709	-	704,709
Sites and buildings	135,214	-	135,214
Fiscal and other fixed cost programs	28,296	-	28,296
Food service	-	280,844	280,844
<b>Capital outlay</b>			
Elementary and secondary regular instruction	1,677	-	1,677
Instructional support services	9,907	-	9,907
Pupil support services	90,789	-	90,789
Sites and buildings	46,073	-	46,073
<b>Debt service</b>			
Principal	417,427	-	417,427
Interest and other charges	39,588	-	39,588
<b>Total Expenditures</b>	<b>5,301,256</b>	<b>280,844</b>	<b>5,582,100</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(488,685)</b>	<b>(13,736)</b>	<b>(502,421)</b>
<b>Other Financing Sources (Uses)</b>			
Loan issued	100,000	-	100,000
Lease proceeds	9,907	-	9,907
<b>Total Other Financing Sources (Uses)</b>	<b>109,907</b>	<b>-</b>	<b>109,907</b>
<b>Net Change in Fund Balances</b>	<b>(378,778)</b>	<b>(13,736)</b>	<b>(392,514)</b>
<b>Fund Balances, July 1</b>	<b>249,800</b>	<b>-</b>	<b>249,800</b>
<b>Fund Balances, June 30</b>	<b>\$ (128,978)</b>	<b>\$ (13,736)</b>	<b>\$ (142,714)</b>

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



Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances to the Statement of Activities  
Governmental Funds  
For the Year Ended June 30, 2022

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

Net Change in Fund Balances - Total Governmental Funds	\$ (392,514)
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlays	147,678
Depreciation/amortization expense	(502,769)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. The amounts below are the effects of these differences in the treatment of long-term debt and related items.</p>	
Lease proceeds	(9,907)
Retirement of lease payable	417,427
Loans issued	(100,000)
<p>Pension contributions subsequent to the measurement date are reported in governmental funds as expenditures. However, these contributions will be reflected in the net pension liability in the next measurement period, and are therefore eliminated in the statement of activities.</p>	
Pension revenues	1,754
Pension expense	<u>(481,875)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (920,206)</u></u>

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

Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
General Fund  
For the Year Ended June 30, 2022

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Revenue from federal sources	\$ 171,623	\$ 1,357,938	\$ 1,299,877	\$ (58,061)
Revenue from state sources	3,866,628	3,645,198	3,451,348	(193,850)
Other local and county revenue	-	152,614	61,346	(91,268)
Total Revenues	<u>4,038,251</u>	<u>5,155,750</u>	<u>4,812,571</u>	<u>(343,179)</u>
Expenditures				
Current				
Administration	347,726	354,120	336,879	17,241
District support services	324,257	440,215	428,066	12,149
Elementary and secondary regular instruction	1,422,390	2,329,265	2,365,702	(36,437)
Special education instruction	740,359	453,327	571,661	(118,334)
Instructional support services	34,759	123,740	125,268	(1,528)
Pupil support services	488,375	646,323	704,709	(58,386)
Sites and buildings	111,400	118,550	135,214	(16,664)
Fiscal and other fixed cost programs	35,000	25,000	28,296	(3,296)
Capital outlay				
Elementary and secondary regular instruction	-	1,500	1,677	(177)
Instructional support services	-	-	9,907	(9,907)
Pupil support services	-	91,000	90,789	211
Sites and buildings	-	46,000	46,073	(73)
Debt service				
Principal	496,172	483,172	417,427	65,745
Interest and other charges	6,500	3,000	39,588	(36,588)
Total Expenditures	<u>4,006,938</u>	<u>5,115,212</u>	<u>5,301,256</u>	<u>(186,044)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>31,313</u>	<u>40,538</u>	<u>(488,685)</u>	<u>(529,223)</u>
Other Financing Sources (Uses)				
Transfers out	(25,200)	(15,209)	-	15,209
Loan issued	-	-	100,000	100,000
Lease proceeds	-	-	9,907	9,907
Total Other Financing Sources (Uses)	<u>(25,200)</u>	<u>(15,209)</u>	<u>109,907</u>	<u>125,116</u>
Net Change in Fund Balances	6,113	25,329	(378,778)	(404,107)
Fund Balances, July 1	<u>249,800</u>	<u>249,800</u>	<u>249,800</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 255,913</u>	<u>\$ 275,129</u>	<u>\$ (128,978)</u>	<u>\$ (404,107)</u>

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

Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota  
Notes to the Financial Statements  
June 30, 2022

## **Note 1: Summary of Significant Accounting Policies**

### **A. Reporting Entity**

Skyline Math & Science Academy, Charter School No. 4255 (the Charter School), Minneapolis, Minnesota is a nonprofit that was incorporated on March 16, 2016 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 Minnesota Guild of Public Charter Schools. The permanent governing body consists of a five member 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. For the period ended June 30, 2022, the Charter School does not have any extracurricular student activities funds to be accounted for.

Aside from its authorization, Minnesota Guild of Public Charter Schools has no authority, control, power, or administrative responsibilities over the Charter School. Therefore, the Charter School is not considered a component unit of Minnesota Guild of Public Charter Schools.

### **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 items not included among program revenues are reported instead as *general revenues*.

Both major and nonmajor 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.

Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, 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 transactions 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 funds have been established by the State of Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions of the funds included in the report are as follows:

***Major Governmental Fund***

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.

***Nonmajor Governmental Fund***

The *Food Service special revenue fund* is used to account for food service revenues and expenditures. The Food Service fund receives revenue from state and federal sources as well as the receipts from the Charter School's nutrition program.

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

Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota  
Notes to the Financial Statements  
June 30, 2022

**Note 1: Summary of Significant Accounting Policies (Continued)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances**

***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.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

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 any investments or a formal investment policy.

Skyline Math & Science Academy  
 Charter School No. 4255  
 Minneapolis, Minnesota  
 Notes to the Financial Statements  
 June 30, 2022

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Due from the Department of Education and Federal Government***

Due from the Department of Education and Federal Government 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.

***Prepaid Items***

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

***Capital Assets***

Capital assets are recorded at historical cost, or estimated historical cost if purchased or constructed. The Charter School defines capital assets as those with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Equipment	5 - 10

***Deferred Outflows of Resources***

In addition to assets, the statement of net 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 government has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statement of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota  
Notes to the Financial Statements  
June 30, 2022

**Note 1: Summary of Significant Accounting Policies (Continued)**

***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 Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. The General fund is typically used to liquidate the governmental net pension liability. 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 except that PERA's fiscal year end is June 30. 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 Employee Plan (GERP) and TRA is as follows:

	GERP	TRA	Total Pension Expense
Pension Expense	\$ 231,492	\$ 437,648	\$ 669,140

***Deferred Inflows of Resources***

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Charter School has one type of item, which arises only under a full accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, deferred pension resources, is reported only in the statement of net position of the government-wide statements and results from actuarial calculations.

Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, 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. The Board of Directors has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to management.

*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.

The Charter School's policy is to maintain a total fund balance at fiscal year-end of 20 to 25 percent of total General fund expenditures.

***Net Position***

In the government-wide financial statements, net position represents the difference between assets, deferred outflows of resources and liabilities. 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.



Skyline Math & Science Academy  
 Charter School No. 4255  
 Minneapolis, Minnesota  
 Notes to the Financial Statements  
 June 30, 2022

**Note 2: Stewardship, Compliance and Accountability**

**A. Budgetary Information**

The budget for each fund is prepared on the same basis of accounting as the financial statements. Each June, the Board of Education adopts an annual budget for the following fiscal year for the General fund and Food Service fund.

1. Prior to July 1, the Executive Director submits to the Charter School’s Board of Directors, a proposed operating budget for the year commencing the following July1. The operating budget includes proposed expenditures and the means for financing them.
2. The Executive Director is authorized to transfer budgeted amounts between departments within any fund, however, any revisions that alter the total expenditures of any fund must be approved by the Charter School’s Board.
3. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue funds.
4. Budgets are as originally adopted or as amended by the Charter School’s Board of Directors.

Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end.

The General fund budget was amended during the current fiscal year. The revenues budget increased \$1,117,499, primarily related to federal sources. Budgeted expenditures increased by \$1,108,274 with the largest increase in elementary and secondary regular instruction, which increased by \$906,875. The final budgetary amounts called for an increase in fund balance of \$25,329.

The Food Service fund budget was amended during the current fiscal year. The revenues budget increased \$5,000, primarily related to revenues from state sources. Budgeted expenditures decreased by \$4,991. The final budgetary amounts called for a balanced budget, including a transfer in of \$15,209.

**B. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2022 expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
General	\$ 5,115,212	\$ 5,301,256	\$ 186,044

The excess of expenditures over appropriations in the General fund was funded by fund balance.

Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota  
Notes to the Financial Statements  
June 30, 2022

**Note 2: Stewardship, Compliance and Accountability (Continued)**

**C. Deficit Fund Equity**

The following fund had a fund equity deficit at June 30, 2022:

Fund	Amount
General	\$ 128,978

The above deficit is expected to be eliminated with future year revenues in excess of expenditures.

**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 or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

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;
- 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.

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**Note 3: Detailed Notes on All Funds (Continued)**

At year end, the Charter School's carrying amount of deposits were \$216,884 and the bank balance was \$227,865. The bank balance is covered entirely by federal depository insurance.

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2022 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets Being Depreciated/Amortized				
Equipment	\$ 161,444	\$ 137,771	\$ -	\$ 299,215
Leased Building (Intangible Right to Use Asset)	923,659	-	-	923,659
Leased Equipment (Intangible Right to Use Asset)	-	9,907	-	9,907
Total Capital Assets being Depreciated/Amortized	<u>1,085,103</u>	<u>147,678</u>	<u>-</u>	<u>1,232,781</u>
Less Accumulated Depreciation/Amortization				
Equipment	(64,797)	(38,187)	-	(102,984)
Leased Building (Intangible Right to Use Asset)	-	(461,830)	-	(461,830)
Leased Equipment (Intangible Right to Use Asset)	-	(2,752)	-	(2,752)
Total Accumulated Depreciation/Amortization	<u>(64,797)</u>	<u>(502,769)</u>	<u>-</u>	<u>(567,566)</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,020,306</u>	<u>\$ (355,091)</u>	<u>\$ -</u>	<u>\$ 665,215</u>

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

<b>Governmental Activities</b>	
Administration	\$ 4,773
Elementary and secondary regular instruction	20,545
Instructional support services	2,752
Special education instruction	7,600
Sites and buildings	<u>467,099</u>
Total Depreciation/Amortization Expense - Governmental Activities	<u>\$ 502,769</u>

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**Note 3: Detailed Notes on All Funds (Continued)**

**C. Short-term Indebtedness**

The Charter School entered into an agreement with Propel Nonprofits on December 3, 2021, for a short-term line of credit in the amount of \$250,000. The line was secured by all assets of the Charter School and with an interest rate of 6.5%. Interest expense on the line of credit for the year was \$3,541. For the year ended June 30, 2022, the Charter School has the following activity on the line of credit:

	Beginning Balance	Increases	Decreases	Ending Balance
Line of Credit	\$ -	\$ 100,000	\$ -	\$ 100,000

**D. Long-term Liabilities**

Notes Payable

The Charter School entered into a promissory note with Propel Nonprofits on November 8, 2021 for \$100,000 with an interest rate of 3% and a final maturity date of November 30, 2027. The repayment terms consist of no payments for the first 6 months, interest only for months 7 through 12. The total monthly payment will be \$1,350 starting in month 7. The loan has a principal forgiveness clause of 25% or \$25,000. The annual requirements to amortize the note payable are as follows:

Year Ending June 30,	<b>Notes Payable</b>		
	Principal	Interest	Total
2023	\$ 7,758	\$ 2,440	\$ 10,201
2024	13,619	2,581	16,200
2025	14,033	2,167	16,200
2026	14,460	1,740	16,200
2027	14,900	1,300	16,200
2028	35,230	1,275	36,505
Total	\$ 100,000	\$ 11,503	\$ 111,503

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2022 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Loan payable	\$ -	\$ 100,000	\$ -	\$ 100,000	\$ 7,758
Lease payable	923,659	9,907	(417,427)	516,139	512,020
Governmental activity long-term liabilities	\$ 923,659	\$ 109,907	\$ (417,427)	\$ 616,139	\$ 519,778

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**Note 3: Detailed Notes on All Funds (Continued)**

**E. Lease Payable**

Lease agreements are summarized as follows:

Description	Amount Issued	Interest Rate	Issue Date	End Date	Payment Amount	Balance at Year End
Building Lease	\$ 923,659	5.08 %	07/01/21	06/30/23	\$ 43,579 Monthly	\$ 508,837
Copier Lease	9,907	3.06	09/01/21	08/31/24	281 Monthly	7,302
Total						<u>\$ 516,139</u>

On July 8, 2017, the Charter School entered into an agreement with Yingzhe Qu and Wu's Family Trust to lease space at 2600 26th Avenue South, Minneapolis, Minnesota 55401 for a year period commencing August 1, 2017. The lease was amended for a five-year term beginning July 1, 2018. The lease calls for monthly payments of \$37,347 with a fixed interest rate of 5.08%. The Charter School paid rent of \$448,172 during the year ended June 30, 2022.

On September 24, 2021, the Charter School entered into an agreement with Canon Financial Services to lease Marco copiers for a three-year term beginning September 1, 2021 with a fixed interest rate of 3.06%.

The following is a summary of future minimum lease payments:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2023	\$ 512,020	\$ 14,289	\$ 526,309
2024	3,282	80	3,362
2025	837	4	841
Total	<u>\$ 516,139</u>	<u>\$ 14,373</u>	<u>\$ 530,512</u>

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**Note 4: Defined Benefit Pension Plans - Statewide**

**A. Teacher 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 members, one retired member and three statutory officials.

Educators employed in Minnesota's public elementary and secondary school, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members. State university, community college, and technical college educators first employed by (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:

<u>Tier I:</u>	<u>Step Rate Formula</u>	<u>Percentage</u>
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**

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

**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.

**3. Contribution Rates**

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

Plan	Ending June 30, 2020		Ending June 30, 2021		Ending June 30, 2022	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	11.92%	11.00%	12.13%	11.00%	12.34%
Coordinated	7.50%	7.92%	7.50%	8.13%	7.50%	8.34%

The Charter School's contributions to TRA for the year ending June 30, 2022, 2021 and 2020 were \$120,707, \$91,765 and \$66,758, respectively. 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 fiscal year 2021 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	<u>(538,000)</u>
Total Employer Contributions	448,670,000
Total Non-employer Contributions	<u>37,840,000</u>
Total Contributions Reported in Schedule of Employer and Non-Employer Pension Allocations	<u>\$ 486,510,000</u>

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

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.

**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

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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	7.50%
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.



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

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

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

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is 6.00 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 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**

On June 30, 2022, the Charter School reported a liability of \$787,734 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's proportionate share was 0.0180 percent at the end of the measurement period an increase of 0.0031 percent from the beginning of the year.

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

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

Charter School's Proportionate Share of Net Pension Liability	\$ 787,734
State's Proportionate Share of Net Pension Liability Associated with the Charter School	66,375

For the year ended June 30, 2022, the Charter School recognized pension expense of \$436,905. It also recognized \$743 as an increase to pension expense for the support provided by direct aid.

On June 30, 2022, the Charter School had deferred resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Economic Experience	\$ 17,661	\$ 15,067
Changes in Actuarial Assumptions	288,537	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	653,221
Changes in Proportion	376,968	-
Contributions to TRA Subsequent to the Measurement Date	<u>120,707</u>	<u>-</u>
Total	<u><u>\$ 803,873</u></u>	<u><u>\$ 668,288</u></u>

Deferred outflows of resources totaling \$120,707 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. Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2023	\$ 115,563
2024	115,563
2025	(70,826)
2026	(93,588)
2027	(98,169)
Thereafter	46,335

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

**7. Pension Liability Sensitivity**

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

1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
\$ 1,591,261	\$ 787,734	\$ 128,778

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

**8. 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](http://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.

**B. Public Employees Retirement Association (PERA)**

**1. Plan Description**

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

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.

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

**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 Employee 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.

**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, 2021 and 2020 were \$66,558, \$55,306 and \$49,553, respectively. The Charter School's contributions were equal to the contractually required contributions for each year as set by state statute.

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

**4. Pension Costs**

General Employees Fund Pension Costs

At June 30, 2022, the Charter School reported a liability of \$409,963 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 \$12,528. 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 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. The Charter School's proportion was 0.0096 percent which was an increase of 0.0003 percent from its proportion measured as of June 30, 2020.

School's Proportionate Share of the Net Pension Liability	\$ 409,963
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the School	<u>12,528</u>
Total	<u><u>\$ 422,491</u></u>

For the year ended June 30, 2022, the Charter School recognized pension expense of \$230,481 for its proportionate share of the General Employees Plan's pension expense. In addition, the School recognized \$1,011 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At June 30, 2022, the Charter School reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Economic Experience	\$ 1,706	\$ 12,501
Changes in Actuarial Assumptions	230,315	7,943
Net Difference Between Projected and Actual Earnings on Plan Investments	-	345,786
Changes in Proportion	187,976	-
Contributions to GERF Subsequent to the Measurement Date	<u>66,558</u>	<u>-</u>
Total	<u><u>\$ 486,555</u></u>	<u><u>\$ 366,230</u></u>

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

The \$66,558 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. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follow:

2023	\$ 130,886
2024	30,013
2025	(10,295)
2026	(96,837)

**5. Actuarial Assumptions**

The total pension liability in the June 30, 2021 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.

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 Employee Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions 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.

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

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:

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

**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 GERS 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.

**7. Pension Liability Sensitivity**

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

<u>1 Percent Decrease (5.50%)</u>	<u>Current (6.50%)</u>	<u>1 Percent Increase (7.50%)</u>
\$ 836,115	\$ 409,963	\$ 60,279

**8. 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](http://www.mnpera.org).

Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota  
Notes to the Financial Statements  
June 30, 2022

**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.

**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. Economic Dependency**

The Charter School has a significant amount of revenue (68.1 percent) coming from state sources.

**D. Income Taxes**

The Charter School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Charter School also qualifies as a tax-exempt organization under applicable statutes of the State of Minnesota.

Management believes that it is not reasonably possible for any tax position benefits to increase or decrease significantly over the next 12 months. As of June 30, 2022, there were no income tax related accrued interest or penalties recognized in either the statement of financial position or the statement of activities.

The Charter School files informational returns in the U.S. federal jurisdiction, and in the Minnesota state jurisdiction. U.S. federal returns and Minnesota returns for the prior three fiscal years are open and all others are closed. No returns are currently under examination in any tax jurisdiction.

**Note 6: Change in Accounting Principles**

For fiscal year 2022, the Charter School implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the Charter School's 2022 financial statements. The Charter School's recognition of the beginning balances related to the lease liability and the intangible right to use lease asset were equal balances and had no effect on the beginning net position of the Governmental Activities.

**Note 7: Subsequent Event**

The Charter School approved the issuance of a line of credit from Propel Nonprofits for \$200,000 with an interest rate of 6.5%. The line of credit was approved October 13, 2022, and has a maturity date of October 31, 2023.



REQUIRED SUPPLEMENTARY INFORMATION

SKYLINE MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4255  
MINNEAPOLIS, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota  
Required Supplementary Information  
For the Year Ended June 30, 2022

**Schedule of Employer's Share of Teachers Retirement Association Net Pension Liability**

Fiscal Year	Charter School's Proportion of the Net Pension Liability	Charter School's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the Charter School (b)	Total (a+b)	Charter School's Covered Payroll (c)	Charter School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2022	0.0180 %	\$ 787,734	\$ 66,375	\$ 854,109	\$ 1,128,721	69.8 %	86.6 %
6/30/2021	0.0149	1,100,832	91,975	1,192,807	842,902	130.6	75.5
6/30/2020	0.0147	936,981	82,915	1,019,896	820,882	114.1	78.2

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

**Schedule of Employer's Share of TRA Contributions**

Fiscal Year Ended	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)
6/30/2022	\$ 120,707	\$ 120,707	\$ -	\$ 1,447,326	8.34
6/30/2021	91,765	91,765	-	1,128,721	8.13
6/30/2020	66,758	66,758	-	842,902	7.92
6/30/2019	63,290	63,290	-	820,882	7.71

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

Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2022

**Notes to the Required Supplementary Information - Teachers Retirement Association**

Changes in Actuarial Assumptions

2021 - The investment return assumption was changed from 7.50 percent to 7.00 percent.

2020 - Assumed termination rates were changed to more closely reflect actual experience. The pre-retirement mortality assumption was changed to RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 - No changes noted.

Changes in Plan Provisions

2021 - No changes noted.

2020 - No changes noted.

2019 - No changes noted.

Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2022

**Schedule of Employer's Public Employees Retirement Association Net Pension Liability**

Fiscal Year	Charter School's Proportion of the Net Pension Liability	Charter School's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the Charter School (b)	Total (a+b)	Charter School's Covered Payroll (b)	Charter School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2022	0.0096 %	\$ 409,963	\$ 12,528	\$ 422,491	\$ 737,413	55.6 %	87.0 %
6/30/2021	0.0093	557,578	17,217	574,795	660,713	84.4	79.0
6/30/2019	0.0065	359,370	11,166	370,536	458,587	78.4	80.2

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

**Schedule of Employer's Share of PERA Contributions**

Fiscal Year Ended	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)
6/30/2022	\$ 66,558	\$ 66,558	\$ -	\$ 887,440	7.50 %
6/30/2021	55,306	55,306	-	737,413	7.50
6/30/2020	49,553	49,553	-	660,713	7.50
6/30/2019	34,394	34,394	-	458,587	7.50

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

Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2022

**Notes to the Required Supplementary Information – PERA**

Changes in Actuarial Assumptions

2021 - 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.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

2021 - There were no changes in plan provisions since the previous valuation.

2020 - Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

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INDIVIDUAL FUND SCHEDULE AND TABLE

SKYLINE MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4255  
MINNEAPOLIS, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

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Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota  
General Fund  
Comparative Schedules of Assets, Liabilities and Fund Balances  
June 30, 2022 and 2021

	2022	2021
<b>Assets</b>		
Cash and temporary investments	\$ 216,884	\$ 141,954
Accounts receivable	56,434	-
Due from Department of Education	29,902	450,329
Due from the Federal government	220,405	171,408
Due from other funds	27,172	-
Prepaid items	38,656	9,225
<b>Total Assets</b>	<b>\$ 589,453</b>	<b>\$ 772,916</b>
<b>Liabilities</b>		
Accounts and other payables	\$ 308,106	\$ 196,515
Accrued salaries payable	310,325	326,601
Line of credit	100,000	-
<b>Total Liabilities</b>	<b>718,431</b>	<b>523,116</b>
<b>Fund Balances</b>		
Nonspendable prepaid items	38,656	9,225
Unassigned	(167,634)	240,575
<b>Total Fund Balances</b>	<b>(128,978)</b>	<b>249,800</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 589,453</b>	<b>\$ 772,916</b>

Skyline Math & Science Academy

Charter School No. 4255

Minneapolis, Minnesota

General Fund

Schedule of Revenues, Expenditures and

Changes in Fund Balances - Budget and Actual (Continued on the Following Page)

For the Year Ended June 30, 2022

(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>Revenues</b>					
Revenue from federal sources	\$ 171,623	\$ 1,357,938	\$ 1,299,877	\$ (58,061)	\$ 362,271
Revenue from state sources	3,866,628	3,645,198	3,451,348	(193,850)	3,708,717
Other local revenue	-	152,614	61,346	(91,268)	19,940
Total Revenues	<u>4,038,251</u>	<u>5,155,750</u>	<u>4,812,571</u>	<u>(343,179)</u>	<u>4,090,928</u>
<b>Expenditures</b>					
<b>Current</b>					
<b>Administration</b>					
Salaries	246,000	234,690	231,457	3,233	237,353
Fringe benefits	73,726	86,430	80,697	5,733	71,095
Purchased services	-	5,000	5,581	(581)	-
Other	28,000	28,000	19,144	8,856	23,937
Total administration	<u>347,726</u>	<u>354,120</u>	<u>336,879</u>	<u>17,241</u>	<u>332,385</u>
<b>District support services</b>					
Salaries	98,202	121,600	103,664	17,936	81,842
Fringe benefits	17,055	33,215	29,393	3,822	17,900
Purchased services	172,000	206,950	214,385	(7,435)	168,535
Supplies and materials	34,000	73,450	76,334	(2,884)	76,947
Other	3,000	5,000	4,290	710	5,441
Total district support services	<u>324,257</u>	<u>440,215</u>	<u>428,066</u>	<u>12,149</u>	<u>350,665</u>
<b>Elementary and secondary regular instruction</b>					
Salaries	975,554	1,585,983	1,584,129	1,854	908,612
Fringe benefits	268,787	370,385	338,431	31,954	215,502
Purchased services	63,165	146,950	144,944	2,006	65,359
Supplies and materials	114,884	225,947	298,198	(72,251)	186,296
Total elementary and secondary regular instruction	<u>1,422,390</u>	<u>2,329,265</u>	<u>2,365,702</u>	<u>(36,437)</u>	<u>1,375,769</u>
<b>Special education instruction</b>					
Salaries	546,793	241,700	342,710	(101,010)	615,669
Fringe benefits	117,617	45,785	64,324	(18,539)	120,265
Purchased services	53,449	105,020	91,696	13,324	145,803
Supplies and materials	22,500	60,822	72,931	(12,109)	27,000
Total special education instruction	<u>740,359</u>	<u>453,327</u>	<u>571,661</u>	<u>(118,334)</u>	<u>908,737</u>

Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual (Continued)  
For the Year Ended June 30, 2022  
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Instructional support services					
Salaries	\$ 30,000	\$ 70,100	\$ 60,179	\$ 9,921	\$ 12,471
Fringe benefits	4,759	18,190	15,983	2,207	1,889
Purchased services	-	34,000	34,878	(878)	38,295
Supplies and materials	-	1,450	14,228	(12,778)	-
Total instructional support services	<u>34,759</u>	<u>123,740</u>	<u>125,268</u>	<u>(1,528)</u>	<u>52,655</u>
Pupil support services					
Salaries	-	18,300	15,000	3,300	-
Purchased services	487,375	622,623	663,611	(40,988)	481,115
Supplies and materials	1,000	5,400	26,098	(20,698)	34
Total pupil support services	<u>488,375</u>	<u>646,323</u>	<u>704,709</u>	<u>(58,386)</u>	<u>481,149</u>
Sites and buildings					
Purchased services	101,500	100,550	114,693	(14,143)	520,197
Supplies and materials	9,900	18,000	20,521	(2,521)	4,618
Total sites and buildings	<u>111,400</u>	<u>118,550</u>	<u>135,214</u>	<u>(16,664)</u>	<u>524,815</u>
Fiscal and other fixed cost programs					
Purchased services	35,000	25,000	28,296	(3,296)	41,068
Total current	<u>3,504,266</u>	<u>4,490,540</u>	<u>4,695,795</u>	<u>(205,255)</u>	<u>4,067,243</u>
Capital outlay					
Elementary and secondary regular instruction	-	1,500	1,677	(177)	-
Instructional support services	-	-	9,907	(9,907)	-
Pupil support services	-	91,000	90,789	211	-
Sites and buildings	-	46,000	46,073	(73)	-
Total capital outlay	<u>-</u>	<u>138,500</u>	<u>148,446</u>	<u>(9,946)</u>	<u>-</u>
Debt service					
Principal	496,172	483,172	417,427	65,745	-
Interest and other charges	6,500	3,000	39,588	(36,588)	4,085
Total debt service	<u>502,672</u>	<u>486,172</u>	<u>457,015</u>	<u>29,157</u>	<u>4,085</u>
Total Expenditures	<u>4,006,938</u>	<u>5,115,212</u>	<u>5,301,256</u>	<u>(186,044)</u>	<u>4,071,328</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>31,313</u>	<u>40,538</u>	<u>(488,685)</u>	<u>(529,223)</u>	<u>19,600</u>
Other Financing Sources (Uses)					
Transfers out	(25,200)	(15,209)	-	15,209	(14,718)
Loan issued	-	-	100,000	100,000	-
Lease proceeds	-	-	9,907	9,907	-
Total Other Financing Sources (Uses)	<u>(25,200)</u>	<u>(15,209)</u>	<u>109,907</u>	<u>125,116</u>	<u>(14,718)</u>
Net Change in Fund Balances	6,113	25,329	(378,778)	(404,107)	4,882
Fund Balances, July 1	<u>249,800</u>	<u>249,800</u>	<u>249,800</u>	<u>-</u>	<u>244,918</u>
Fund Balances, June 30	<u>\$ 255,913</u>	<u>\$ 275,129</u>	<u>\$ (128,978)</u>	<u>\$ (404,107)</u>	<u>\$ 249,800</u>

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Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
Food Service Special Revenue Fund  
For the Year Ended June 30, 2022

	Food Service Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Revenue from federal sources	\$ 330,000	\$ 330,000	\$ 256,379	\$ (73,621)
Revenue from state sources	-	5,000	10,729	5,729
Total Revenues	<u>330,000</u>	<u>335,000</u>	<u>267,108</u>	<u>(67,892)</u>
Expenditures				
Current				
Food service	<u>355,200</u>	<u>350,209</u>	<u>280,844</u>	<u>69,365</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(25,200)	(15,209)	(13,736)	1,473
Other Financing Sources (Uses)				
Transfers in	<u>25,200</u>	<u>15,209</u>	<u>-</u>	<u>(15,209)</u>
Net Change in Fund Balances	-	-	(13,736)	(13,736)
Fund Balances, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (13,736)</u></u>	<u><u>\$ (13,736)</u></u>

**Fiscal Compliance Report - 6/30/2022  
District: SKYLINE MATH & SCIENCE (4255-7)**

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenue	\$4,812,571	<u>\$4,812,569</u>	<u>\$2</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$5,301,256	<u>\$5,301,254</u>	<u>\$2</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$38,656	<u>\$38,656</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>	4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>	4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>
4.03 Staff Development	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>				
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>	<b>07 DEBT SERVICE</b>			
4.24 Operating Capital	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>	<i>Non Spendable:</i>			
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$0	<u>\$0</u>	<u>\$0</u>	4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.41 Basic Skills Programs	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.49 Safe School Crime - Crime Levy	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>				
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>	<b>08 TRUST</b>			
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.72 Medical Assistance	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.73 PPP Loan	\$0	<u>\$0</u>	<u>\$0</u>	4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>	4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	<u>\$0</u>	<b>18 CUSTODIAL</b>			
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
<i>Committed:</i>				Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
<i>Assigned:</i>				4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.62 Assigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>				4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance	(\$167,634)	<u>(\$167,635)</u>	<u>\$1</u>				
<b>02 FOOD SERVICES</b>				<b>20 INTERNAL SERVICE</b>			
Total Revenue	\$267,108	<u>\$267,108</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$280,844	<u>\$280,843</u>	<u>\$1</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				
<i>Restricted / Reserved:</i>				<b>25 OPEB REVOCABLE TRUST</b>			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				
<i>Unassigned:</i>				<b>45 OPEB IRREVOCABLE TRUST</b>			
4.63 Unassigned Fund Balance	(\$13,736)	<u>(\$13,736)</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
				Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<b>04 COMMUNITY SERVICE</b>				4.22 Unassigned Fund Balance (Net Assets)	\$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>	<b>47 OPEB DEBT SERVICE</b>			
<i>Non Spendable:</i>				Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>				<i>Non Spendable:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
				<i>Restricted:</i>			

4.31 Community Education	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.32 E.C.F.E	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.44 School Readiness	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$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>				

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OTHER REQUIRED REPORTS

SKYLINE MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4255  
MINNEAPOLIS, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

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

Members of the Board of Education  
Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the remaining aggregate fund information of the Skyline Math & Science Academy (the Charter School), Minneapolis, Minnesota as of June 30, 2022 and the related notes to the financial statements, and have issued our report thereon dated November 22, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that the Skyline Math & Science Academy failed to comply with the provisions of the uniform financial accounting and reporting standards, and charter schools sections of the *Minnesota Legal Compliance Audit Guide for Charter School*, except as described in the Schedule of Findings, Responses and Questioned Costs 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.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



**Abdo**  
Minneapolis, Minnesota  
November 22, 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  
Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the remaining aggregate fund information of the Skyline Math & Science Academy, (the Charter School), Minneapolis, Minnesota, as of 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 22, 2022.

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

**Report on 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 as described below in 2022-001.

## Response to Findings

The Charter School's responses to the finding identified in our audit are described in the accompanying Schedule of Findings, Responses and Questioned Costs. The Charter School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## 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 22, 2022



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FEDERAL FINANCIAL AWARD PROGRAMS

SKYLINE MATH AND SCIENCE ACADEMY  
CHARTER SCHOOL NO. 4255  
MINNEAPOLIS, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

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

Members of the Board of Education  
Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited the Skyline Math & Science Academy (the Charter School), Minneapolis, Minnesota compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Charter School's major federal programs for the year ended June 30, 2022. The Charter School's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022

**Basis for Opinion on Each Major Federal Program**

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

We are required to be independent of the Charter School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Charter School's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

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

## **Auditor's Responsibilities for the Audit of Compliance**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Charter School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Charter School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control Over Compliance**

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



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

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

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



**Abdo**  
Minneapolis, Minnesota  
November 22, 2022



Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022

Administering Department	Grant Name	Federal Domestic Assistance Number	Federal Program Clusters	Subtotals	Federal Expenditures
U.S. Department of Education					
MN Department of Education	Title I Grants to Local Educational Agencies	84.010			\$ 126,449
MN Department of Education	English Language Acquisition State Grants	84.365			35,311
MN Department of Education	COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief and Economic Security Act - ESSER II	84.425D		\$ 257,753	
MN Department of Education	American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U		<u>585,632</u>	
	Total Education Stabilization Fund				843,385
MN Department of Education	Special Education (IDEA, Part B)	84.027	\$ 79,345		
	Total Special Education (IDEA) Cluster				<u>79,345</u>
Total U.S. Department of Education					<u>1,084,490</u>
U.S. Department of Agriculture					
MN Department of Education	School Breakfast Program	10.553	86,287		
MN Department of Education	National School Lunch Program	10.555	<u>170,092</u>		
	Total Child Nutrition Cluster				256,379
Total U.S. Department of Agriculture					<u>256,379</u>
U.S. Department of Treasury					
MN Department of Education	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027C			215,387
Total U.S. Department of Treasury					<u>215,387</u>
Total					<u>\$ 1,556,256</u>

Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter School under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of operations of the Charter School, it is not intended to and does not present the financial position, changes in net position or cash flows of the Charter School.

**Note 2: Summary of Significant Accounting Policies for Expenditures**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for governmental funds, which is described in Note 1C to the Charter School's financial statements. This activity is reported in the General fund and nonmajor governmental funds.

**Note 3: Pass-through Entity Identifying Numbers**

Pass-through entity identifying numbers are presented where available.

**Note 4: Subrecipients**

No federal expenditures presented in this schedule were provided to subrecipients.

**Note 5: Indirect Cost Rate**

During the year ended June 30, 2022, the Charter School did not elect to use the 10 percent de minimis indirect cost rate.

Skyline Math & Science Academy  
Charter School No. 4255  
Schedule of Findings, Responses and Questioned Costs  
For the Year Ended June 30, 2022

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	Yes

**Federal Awards**

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 516(a) of Uniform Guidance?	No

**Identification of Major Programs/Projects**

	<b>CFDA No.</b>
Department of Education	
Total Education Stabilization Fund Under The Coronavirus Aid, Relief, and Economic Security Act	84.425
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	No

**Section II - Financial Statement Findings**

The financial statements include finding 2022-001 titled late payment of claims in relation to the school paying claims outside of Minnesota State Statutes.

**Section III - Major Federal Award Findings and Questioned Costs**

There were no Federal Award findings in the current fiscal year.

**Section IV - Schedule of Prior Year Audit Findings**

There was one finding, described as finding 2021-001, titled late payment of claims in relation to the school paying claims outside of Minnesota State Statutes. This finding was not corrected and is once again reported for the current fiscal year.

Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota  
Schedule of Findings, Responses and Questioned Costs (Continued)  
For the Year Ended June 30, 2022

<u>Finding</u>	<u>Description</u>
<b>2022-001</b>	<b>Time Period for Payment</b>
<i>Condition:</i>	During our audit, we reviewed a sample of purchases made by Charter School and found that several payments were made late in comparison with the timeframe set forth by state statutes.
<i>Criteria:</i>	Minnesota statute §471.425 requires the Charter School to pay bills within 35 days from receipt. If the invoice is not paid within 35 days, interest at 1.50 percent per month is to be added to the amount due.
<i>Cause:</i>	While testing disbursements and subsequent payments to year-end, we noted that several invoices sampled indicated that timely payments had not been made. Specifically, the Charter School had not paid the original invoice within 35 days set forth in State statute.
<i>Effect:</i>	The Charter School is out of compliance with Minnesota statute.
<i>Recommendation:</i>	We recommend that the Charter School review the 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:*

The Charter School is aware of the situation and plans to implement procedures to ensure that timely payments are made from now on.



**CORRECTIVE ACTION PLAN**

The following is our response to the finding in the audit as of June 30, 2022.

**FINDING 2022-001**

During our audit, we reviewed a sample of purchases made by Charter School and found that several payments were made late in comparison with the timeframe set forth by state statutes.

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Action Planned in Response to Finding:

Management is aware of the issue and will implement the recommended procedures.

3. Official Responsible for Ensuring CAP:

Abdirahman Abdulle, Executive Director, as well as the contracted accountant would be responsible for reviewing the policies and procedures.

1. Planned Completion Date for CAP:

Policies and procedures will be reviewed in the current fiscal year with the Charter School's contracted accountant.

2. Plan to Monitor Completion of CAP:

Abdirahman Abdulle, Executive Director, will be responsible for ensuring bills are paid on time in future years.

Sincerely,

A handwritten signature in black ink, appearing to read "Abdirahman Abdulle".

Abdirahman Abdulle  
Executive Director  
Skyline Math & Science Academy



Skyline Math & Science Academy  
Charter School No. 4255  
Minneapolis, Minnesota  
Schedule of Prior Year Findings, Responses and Questioned Costs  
For the Year Ended June 30, 2022

<u>Finding</u>	<u>Description</u>
<b>2021-001</b>	<b>Time Period for Payment</b>
<i>Condition:</i>	During our audit, we reviewed a sample of purchases made by Charter School and found that several payments were made late in comparison with the timeframe set forth by state statutes.
<i>Criteria:</i>	Minnesota statute §471.425 requires the Charter School to pay bills within 35 days from receipt. If the invoice is not paid within 35 days, interest at 1.50 percent per month is to be added to the amount due.
<i>Cause:</i>	While testing disbursements and subsequent payments to year-end, we noted that several invoices sampled indicated that timely payments had not been made. Specifically, the Charter School had not paid the original invoice within 35 days set forth in State statute.
<i>Effect:</i>	The Charter School is out of compliance with Minnesota statute.
<i>Recommendation:</i>	We recommend that the Charter School review the 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:*

The Charter School is aware of the situation and plans to implement procedures to ensure that timely payments are made from now on.