

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2024



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2024**

INTRODUCTORY SECTION

SCHOOL BOARD AND ADMINISTRATION	1
---------------------------------	---

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	2
REQUIRED SUPPLEMENTARY INFORMATION	
MANAGEMENT'S DISCUSSION AND ANALYSIS	6
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	17
STATEMENT OF ACTIVITIES	18
BALANCE SHEET – GOVERNMENTAL FUNDS	19
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION – GOVERNMENTAL FUNDS	20
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS	21
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES	22
NOTES TO BASIC FINANCIAL STATEMENTS	23
REQUIRED SUPPLEMENTARY INFORMATION	
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND	54
BUDGETARY COMPARISON SCHEDULE – FOOD SERVICE FUND	55
BUDGETARY COMPARISON SCHEDULE – COMMUNITY SERVICE FUND	56
TRA SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	57
TRA SCHEDULE OF SCHOOL CONTRIBUTIONS	58
GERF SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	59
GERF SCHEDULE OF SCHOOL CONTRIBUTIONS	60
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	61

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2024**

SUPPLEMENTARY INFORMATION

UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE	69
--	----

OTHER REQUIRED REPORTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	70
INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE	72

INTRODUCTORY SECTION

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2024**

SCHOOL BOARD

NAME	TERM ON BOARD EXPIRES	BOARD POSITION
Suzanne McInroy	6/30/25	Chair
Colleen Hansen	6/30/25	Vice Chair
Becky Lund	6/30/25	Secretary
Sasha Ross	6/30/24	Treasurer
Nneka Constantino	6/30/26	Director
Dr. Jeremy Hubbell	6/30/26	Director
Bavi Weston	6/30/26	Director
Theresa Nelson	6/30/24	Director
Todd Sample	6/30/26	Director

BUILDING COMPANY BOARD

Christina Geer	President
Duane Heidemann	Treasurer
Dr. Missy Johnson	Secretary
Jesse Prins	Director

ADMINISTRATION

Dr. Brett Wedlund	Executive Director
Dr. Missy Johnson	Academic Director
Tamra Paschall	Upper School Principal
Brooke Tousignant	Lower School Principal

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Members of the Board of Education
Nova Classical Academy
Charter School No. 4098
St. Paul, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Nova Classical Academy, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Nova Classical Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Nova Classical Academy, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Nova Classical 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Nova Classical 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.

Auditors' 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 auditors' 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 GAAS 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 GAAS 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 Nova Classical Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nova Classical Academy's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison schedules, TRA schedule of the school's proportionate share of the net pension liability, TRA schedule of school contributions, GERS schedule of the school's proportionate share of the net pension liability, and GERS schedule of school contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 GAAS, 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 Nova Classical Academy's basic financial statements. The Uniform Financial Accounting and Reporting Standards (UFARS) compliance table is 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 statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Uniform Financial Accounting and Reporting Standards (UFARS) compliance table is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

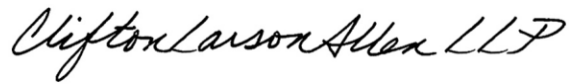
Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information,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

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

Members of the Board of Education
Nova Classical Academy
Charter School No. 4098

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2024, on our consideration of Nova Classical Academy’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Nova Classical Academy’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nova Classical Academy’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 16, 2024

REQUIRED SUPPLEMENTARY INFORMATION

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

This section of Nova Classical Academy – Charter School No. 4098's (the School) annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2024. Please read it in conjunction with the School's financial statements, which immediately follows this section. Certain comparative information between the current year (2023-2024) and the prior year (2022-2023) is required to be presented in the Management's Discussion and Analysis.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2023-2024 fiscal year include the following:

- Total General Fund revenues were \$15,198,774 as compared to \$14,841,063 of expenditures.
- Total fund balance of the General Fund increased by \$215,253.
- As of June 30, 2024, the Food Service fund had a fund balance of \$110.
- As of June 30, 2024, the Community Service fund had a fund balance of \$339,080.
- Average number of students decreased by 9 from the prior year.
- Building Company revenues totaled \$1,757,514 as compared to expenditures of \$1,364,220. This resulted in a Building Company increase in fund balance of \$393,294 and an ending fund balance in the Building Company Fund of \$3,519,837 as of June 30, 2024. This increase in fund balance was a result of the Building Company taking in more rent income than what was paid out in debt service and other miscellaneous building expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

School-Wide Statements

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

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

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

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

- *Governmental Activities* – All of the School's services are included here, including regular and special education, administration, food service, and community education. State and federal aids finance most of these activities.

Fund Financial Statements

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

- Some funds are required by State law and by debt covenants.
- The School establishes other accounts and funds to control and manage money for particular purposes (e.g., repaying its long-term debts).

The School has one fund type:

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's combined net position was \$958,599 on June 30, 2024 (see Table A-1).

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

	Governmental Activities as of June 30,		Percentage Change
	2024	2023	
Assets:			
Current and Other Assets	\$ 11,774,626	\$ 10,497,942	12.16 %
Capital Assets	15,795,418	15,792,001	0.02
Total Assets	<u>27,570,044</u>	<u>26,289,943</u>	4.87
Deferred Outflows of Resources	3,943,518	4,823,392	(18.24)
Liabilities:			
Current Liabilities	2,012,489	1,420,267	41.70
Net Pension Liability	7,015,986	7,271,235	(3.51)
Long-Term Liabilities	<u>20,367,154</u>	<u>20,917,914</u>	(2.63)
Total Liabilities	29,395,629	29,609,416	(0.72)
Deferred Inflows of Resources	<u>1,159,334</u>	<u>2,176,452</u>	(46.73)
Net Position:			
Net Investment in Capital Assets	(28,673)	(237,162)	(87.91)
Restricted	339,190	224,014	51.41
Unrestricted	<u>648,082</u>	<u>(659,385)</u>	(198.29)
Total Net Position	<u>\$ 958,599</u>	<u>\$ (672,533)</u>	(242.54)

The School's increase in unrestricted net position relates primarily to the net increase in fund balance in the governmental funds and the net effect of the School's proportionate share of the net pension liabilities, deferred inflows of resources, and deferred outflows of resources of the unfunded liabilities for the two statewide pension plans in which it participates (TRA and PERA). TRA and PERA experienced large decreases in their actuarial determined net pension liabilities, deferred inflows of resources and deferred outflows of resources, in the School's fiscal year 2024 financial statements, due to changes in actuarial assumptions and plan investments doing well during the actuarial measurement period.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

Changes in Net Position

The School's total revenues were \$15,980,154 for the year ended June 30, 2024. While 55% of revenue was from unrestricted state aid, program related charges and operating grants accounted for 35% of the revenue for the 2023-2024 school year (see Figure A-1).

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

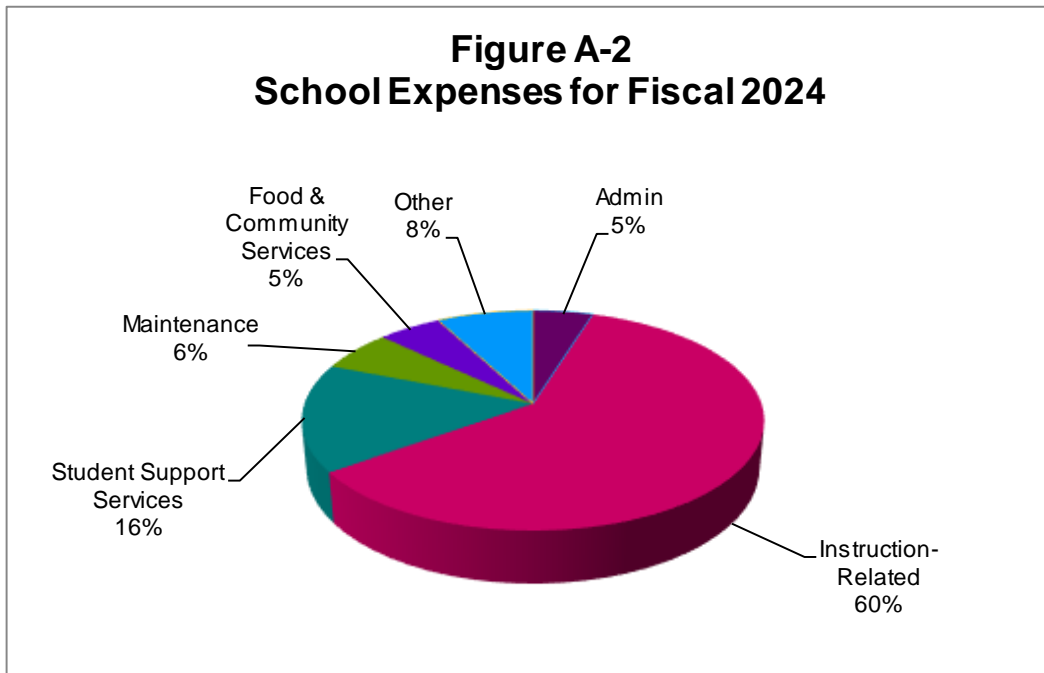
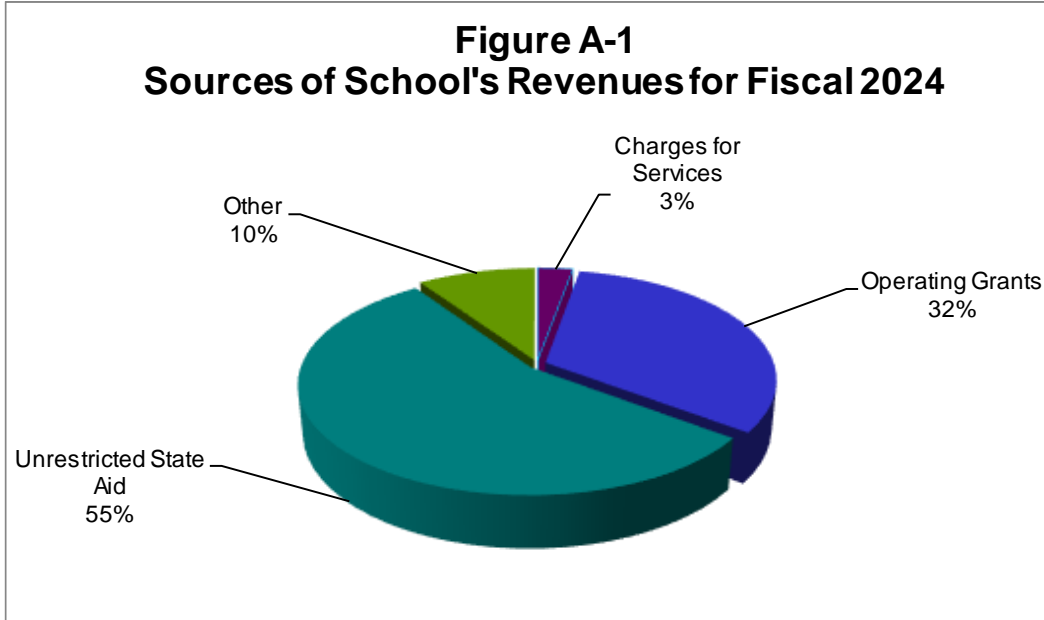
	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2024	2023	
Revenues:			
Program Revenues:			
Charges for Services	\$ 455,036	\$ 653,502	(30.37)%
Operating Grants and Contributions	5,164,799	3,503,747	47.41
General Revenues:			
Unrestricted State Aid	8,827,900	8,474,246	4.17
Investment Earnings	444,879	210,591	111.25
Other	1,087,540	1,682,064	(35.34)
Total Revenues	<u>15,980,154</u>	<u>14,524,150</u>	10.02
Expenses:			
Administration	694,277	436,071	59.21
District Support Services	1,309,522	1,077,286	21.56
Regular Instruction	5,886,154	4,513,363	30.42
Special Education Instruction	2,758,236	1,803,907	52.90
Instructional Support Services	249,987	89,106	180.55
Pupil Support Services	723,033	641,060	12.79
Sites and Buildings	864,851	856,719	0.95
Fiscal and Other Fixed Cost Programs	84,253	74,633	12.89
Food Service	672,707	457,870	46.92
Community Service	67,500	99,327	(32.04)
Interest and Fiscal Charges on Long-Term Liabilities	1,038,502	1,040,546	(0.20)
Total Expenses	<u>14,349,022</u>	<u>11,089,888</u>	29.39
Change in Net Position	1,631,132	3,434,262	
Net Position - Beginning of Year	<u>(672,533)</u>	<u>(4,107,586)</u>	
Net Position - End of Year	<u>\$ 958,599</u>	<u>\$ (673,324)</u>	

The total cost of all programs and services was \$14,349,022. Revenues exceeded expenses, increasing net position by \$1,631,132 from the prior year. The majority of the increase in ending net position related to the net increase in fund balance in the governmental funds and the net effect of changes in the School's proportionate share of the net pension liabilities, deferred inflows of resources, and deferred outflows of resources of the unfunded liabilities for the two statewide pension plans in which it participates (TRA and PERA) that are recorded in accordance with GASB Statement No. 68.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

The cost of all governmental activities this year was \$14,349,022.

- Most of the School's costs were paid for through unrestricted State aid (55%).
- Grants, charges for services, and other revenues paid for the other 45% of the School's costs.



**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

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

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2024	2023		2024	2023	
Administration	\$ 694,277	\$ 436,071	59.21 %	\$ 690,928	\$ 434,454	59.03 %
District Support Services	1,309,522	1,077,286	21.56	1,033,676	1,053,229	(1.86)
Regular Instruction	5,886,154	4,513,363	30.42	5,576,857	4,262,296	30.84
Special Education Instruction	2,758,236	1,803,907	52.90	89,870	73,537	22.21
Instructional Support Services	249,987	89,106	180.55	230,954	89,106	159.19
Pupil Support Services	723,033	641,060	12.79	703,478	641,060	9.74
Sites and Buildings	864,851	856,719	0.95	296,844	285,846	3.85
Fiscal and Other Fixed Cost Programs	84,253	74,633	12.89	84,253	74,633	12.89
Food Service	672,707	457,870	0.47	142,458	76,032	0.87
Community Service	67,500	99,327	(0.32)	(120,131)	(57,554)	1.09
Interest and Fiscal Charges on Long-Term Liabilities	1,038,502	1,040,546	(0.20)	-	-	N/A
Total	<u>\$ 14,349,022</u>	<u>\$ 11,089,888</u>	29.39	<u>\$ 8,729,187</u>	<u>\$ 6,932,639</u>	25.91

GENERAL FUND

The General Fund includes the primary operations of the School in providing educational services to students from Kindergarten through Grade 12, including transportation, capital outlay projects and facility maintenance and leases.

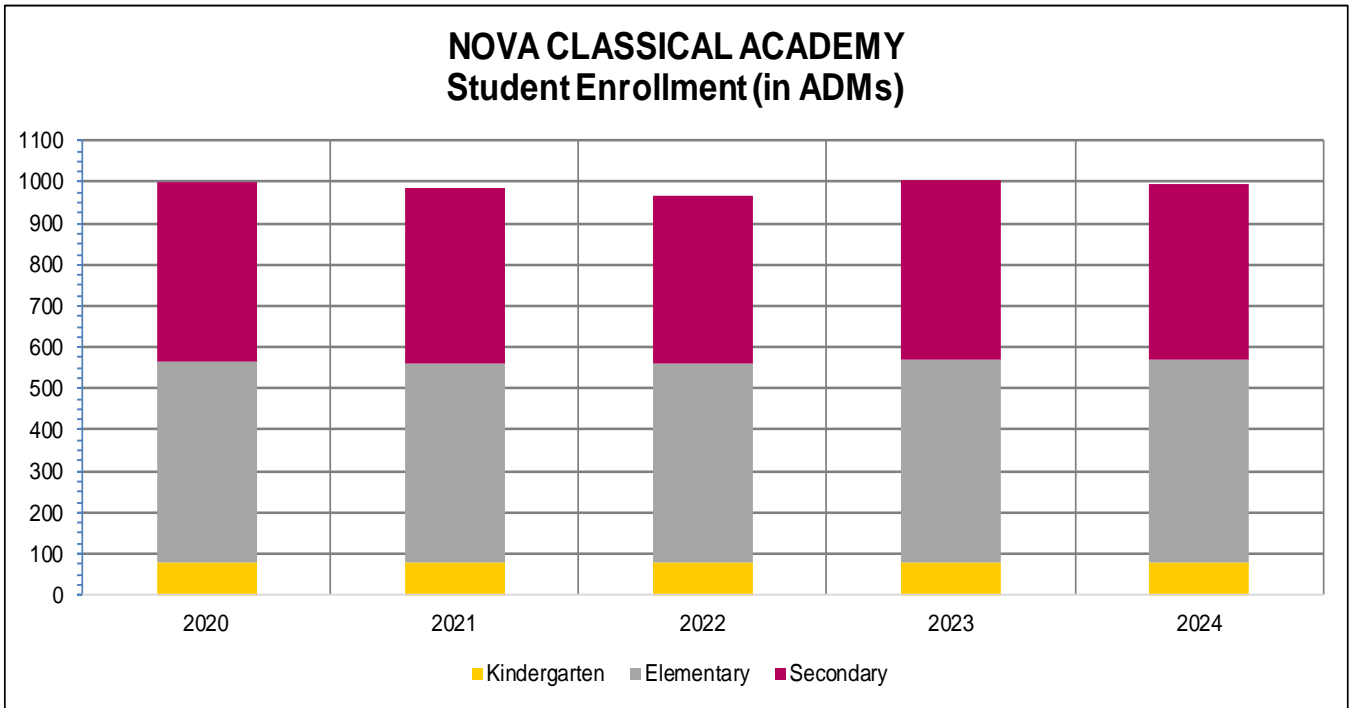
General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. The General Fund state revenue source includes general education aid of 68%, facility lease aid of 11%, and special education aid of 19%.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

ENROLLMENT

Enrollment is a critical factor in determining revenue. The following chart shows that the number of students has increased over the past five years as a full K-12 program. The School's ADM will continue to grow but at a slower pace as enrollment in the upper grades increases in order to create financial stability for the School.

**Table A-4
Average Daily Membership (ADM)**



**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

The following schedule presents a summary of General Fund Revenues.

**Table A-5
General Fund Revenues**

	Year Ended		Change	
	June 30, 2024	June 30, 2023	Increase (Decrease)	Percent Change
Local Sources:				
Earnings and Investments	\$ 310,111	\$ 136,233	\$ 173,878	127.63 %
Other	1,359,855	1,936,505	(576,650)	(29.8)
State Sources	12,978,434	11,697,915	1,280,519	10.9
Federal Sources	550,374	291,416	258,958	88.9
Total General Fund Revenues	<u>\$ 15,198,774</u>	<u>\$ 14,062,069</u>	<u>\$ 1,136,705</u>	8.1

Total General Fund Revenue increased by \$1,136,705 or 8.1% from the previous year. Basic general education revenue is determined by a state formula and is largely enrollment driven. The School's revenue in 2023-2024 increased from 2022-2023 due primarily to the 2.00% increase in the general education formula aid and increases in state special education revenues related to the related increased expenditures.

The following schedule presents a summary of General Fund Expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Change	
	June 30, 2024	June 30, 2023	Increase (Decrease)	Percent Change
Salaries	\$ 7,852,264	\$ 6,287,507	\$ 1,564,757	24.89 %
Employee Benefits	1,868,901	1,528,294	340,607	22.3
Purchased Services	4,404,251	3,925,000	479,251	12.2
Supplies and Materials	503,220	576,996	(73,776)	(12.8)
Capital Expenditures	112,502	147,781	(35,279)	(23.9)
Other Expenditures	99,925	92,738	7,187	7.7
Total General Fund Expenditures	<u>\$ 14,841,063</u>	<u>\$ 12,558,316</u>	<u>\$ 2,282,747</u>	18.2

Total General Fund expenditures increased \$2,282,747 or 18.2% from the previous year. Salaries accounting for the majority of the increase, as those expenditures increased by approximately \$1,564,757.

Ending fund balance of the General Fund is the single best measure of overall financial health. The total fund balance of \$6,680,645 on June 30, 2024 represents 45.0% of annual expenditures. As a full K-12 program, the School continues its commitment to maintain a strong fund balance.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

General Fund Budgetary Highlights

Following approval of the budget prior to the beginning of the fiscal year, the School revised the annual operating budget in mid-year. These budget amendments typically fall into two categories:

- Finalized staffing requirements for the school year affecting total expenses.
- Board approved end-of-year expenditures.

The School's final budget for the General Fund anticipated that revenues and other financing sources would exceed expenditures, and other financing uses by \$649,704. Overall, revenues were \$348,690 or 2.3% over budget. Expenditures were \$714,608 or 5.1% over budget due to the School utilizing their allocation of ESSER funding to support certain initiatives and programs during the 2023-2024 school year.

OTHER MAJOR FUNDS

In the Building Company Fund, revenues exceeded expenditures by \$393,294, resulting in an ending total fund balance of \$3,519,837.

In the Food Service Fund, expenditures exceeded revenues by \$142,458, and the fund ended the year with a fund balance of \$110 as of June 30, 2024, after receiving a transfer in the amount of \$142,458 from the general fund.

In the Community Service Fund, revenues exceeded expenditures by \$115,176, and the fund ended the year with a fund balance of \$339,080 as of June 30, 2024.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Investment in capital assets increased in 2024 from \$19,630,767 to \$20,026,090 before factoring accumulated depreciation/amortization. Depreciation/amortization for the 2023-2024 school year was \$411,592.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

**Table A-7
The School's Capital Assets**

	<u>2024</u>	<u>2023</u>	<u>Percentage Change</u>
Building Company:			
Land	\$ 4,056,522	\$ 4,056,522	-
Buildings and Improvements	14,543,896	14,543,896	-
Furniture and Equipment	21,708	21,708	-
Nova Classical Academy:			
Subscription Based Information Technology Arrangements	-	19,686	(100.0)
Leased Right-to-Use Assets	50,092	50,092	-
Furniture and Equipment	1,353,872	938,863	44.2
Less: Accumulated Depreciation/Amortization	<u>(4,230,672)</u>	<u>(3,838,766)</u>	10.2
Total School Capital Assets	<u>\$ 15,795,418</u>	<u>\$ 15,792,001</u>	0.0

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2024**

Long-Term Liabilities

At year-end, Friends of Nova Classical Academy, a blended component unit of the School, had a net of \$20.83 million in charter school lease revenue bonds. The School also recorded a net pension liability in the amount of \$7 million, representing the school proportionate share of the unfunded liabilities for the two statewide pension plans in which it participates (TRA and PERA). More detailed information about long-term liabilities can be found in Note 5 and Note 6 to the financial statements.

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

	<u>2024</u>	<u>2023</u>	<u>Percentage Change</u>
General Obligation Bonds	\$ 20,880,000	\$ 21,355,000	(2.2)%
Net Bond Discount	(178,688)	(189,499)	(5.7)
Net Bond Premium	127,640	155,155	(17.7)
Lease Liability	41,643	48,915	(14.9)
Subscription Liability	-	9,107	(100.0)
Net Pension Liability	7,015,986	7,271,235	(3.5)
Total Long-Term Liabilities	<u>\$ 27,886,581</u>	<u>\$ 28,649,913</u>	(2.7)
Long-Term Liabilities:			
Due Within One Year	\$ 503,441	\$ 460,764	
Due in More Than One Year	27,383,140	28,189,149	
Total	<u>\$ 27,886,581</u>	<u>\$ 28,649,913</u>	

FACTORS BEARING ON THE SCHOOL'S FUTURE

The School is dependent on the state of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. The Legislature provided for little change in the basic per pupil unit funding during recent fiscal years.

The School will strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility. It is anticipated that enrollment growth will continue at a slow rate. If state funding formulas are not sufficient to continue current instructional program scenarios, staffing or enrollment adjustments will be made to match resources to balance future budgets.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nova Classical Academy, 1455 Victoria Way, St. Paul, MN 55102.

BASIC FINANCIAL STATEMENTS

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
STATEMENT OF NET POSITION
JUNE 30, 2024**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 6,728,610
Cash and Investments with Fiscal Agent	3,152,784
Receivables:	
Other Governments	1,785,646
Other	4,761
Prepaid Items	102,825
Capital Assets:	
Land	4,056,522
Other Capital Assets, Net of Depreciation and Amortization	11,738,896
Total Assets	27,570,044
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows - Pensions	2,354,298
Deferred Outflows - Loss on Refunding of Debt	1,589,220
Total Deferred Outflows of Resources	3,943,518
LIABILITIES	
Salaries Payable	778,434
Accounts and Contracts Payable	388,061
Accrued Interest Payable	274,094
Unearned Revenue	68,459
Long-Term Liabilities:	
Net Pension Liability	7,015,986
Other Long-Term Liabilities Due Within One Year	503,441
Other Long-Term Liabilities Due in More Than One Year	20,367,154
Total Liabilities	29,395,629
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - Pensions	1,159,334
NET POSITION	
Net Investment in Capital Assets	(28,673)
Restricted for:	
Food Service	110
Community Service	339,080
Unrestricted	648,082
Total Net Position	\$ 958,599

See accompanying Notes to Basic Financial Statements.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
GOVERNMENTAL ACTIVITIES				
Administration	\$ 694,277	\$ 3,349	\$ -	\$ (690,928)
District Support Services	1,309,522	-	275,846	(1,033,676)
Regular Instruction	5,886,154	263,888	45,409	(5,576,857)
Special Education Instruction	2,758,236	-	2,668,366	(89,870)
Instructional Support Services	249,987	-	19,033	(230,954)
Pupil Support Services	723,033	-	19,555	(703,478)
Sites and Buildings	864,851	-	568,007	(296,844)
Fiscal and Other Fixed Cost Programs	84,253	-	-	(84,253)
Food Service	672,707	174	530,075	(142,458)
Community Service	67,500	187,625	6	120,131
Interest and Fiscal Charges on Long-Term Liabilities	1,038,502	-	1,038,502	-
Total School District	<u>\$ 14,349,022</u>	<u>\$ 455,036</u>	<u>\$ 5,164,799</u>	(8,729,187)
GENERAL REVENUES				
State Aid Not Restricted to Specific Purposes				8,827,900
Earnings on Investments				444,879
Miscellaneous				1,087,540
Total General Revenues				<u>10,360,319</u>
CHANGE IN NET POSITION				
				1,631,132
Net Position - Beginning of Year				<u>(672,533)</u>
NET POSITION - END OF YEAR				
				<u>\$ 958,599</u>

See accompanying Notes to Basic Financial Statements.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024**

	Major Funds				Governmental Funds
	General	Food Service	Community Service	Building Company	
ASSETS					
Cash and Investments	\$ 5,900,246	\$ 3,603	\$ 389,731	\$ 435,030	\$ 6,728,610
Cash and Investments with Fiscal Agent	-	-	-	3,152,784	3,152,784
Receivables:					
Due from Minnesota Department of Education	1,313,279	8,407	-	-	1,321,686
Due from Federal Through Minnesota Department of Education	431,157	32,803	-	-	463,960
Due from Other Funds	67,977	-	-	-	67,977
Other Receivables	-	4,761	-	-	4,761
Prepaid Items	102,825	-	-	-	102,825
Total Assets	\$ 7,815,484	\$ 49,574	\$ 389,731	\$ 3,587,814	\$ 11,842,603
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Salaries Payable	\$ 436,708	\$ 8,489	\$ 5,004	\$ -	\$ 450,201
Payroll Deductions and Employer Contributions Payable	328,233	-	-	-	328,233
Accounts and Contracts Payable	369,898	18,163	-	-	388,061
Due to Other Funds	-	-	-	67,977	67,977
Unearned Revenue	-	22,812	45,647	-	68,459
Total Liabilities	1,134,839	49,464	50,651	67,977	1,302,931
FUND BALANCE					
Nonspendable:					
Prepaid Items	102,825	-	-	-	102,825
Restricted for:					
Food Service	-	110	-	-	110
Community Service	-	-	339,080	-	339,080
Building Company Debt Service	-	-	-	3,519,837	3,519,837
Unassigned	6,577,820	-	-	-	6,577,820
Total Fund Balance	6,680,645	110	339,080	3,519,837	10,539,672
Total Liabilities and Fund Balance	\$ 7,815,484	\$ 49,574	\$ 389,731	\$ 3,587,814	\$ 11,842,603

See accompanying Notes to Basic Financial Statements.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2024**

Total Fund Balance for Governmental Funds \$ 10,539,672

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	4,056,522
Land Improvements, Net of Accumulated Depreciation	440,957
Buildings and Improvements, Net of Accumulated Depreciation	10,579,617
Leased Equipment, Net of Accumulated Amortization	39,237
Equipment, Net of Accumulated Depreciation	679,085

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (274,094)

The School's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:

Net Pension Liability	(7,015,986)
Deferred Inflows of Resources - Pensions	(1,159,334)
Deferred Outflows of Resources - Pensions	2,354,298

Long-term liabilities that pertain to governmental funds, including bonds and loans payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:

Bonds Payable	(20,880,000)
Unamortized Premiums	(127,640)
Unamortized Discounts	178,688
Deferred Loss on Refunding	1,589,220
Lease Liability	(41,643)
	(20,280,372)

Total Net Position of Governmental Activities \$ 958,599

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024**

	Major Funds				Governmental Funds
	General	Food Service	Community Service	Building Company	
REVENUES					
Local Sources:					
Earnings and Investments	\$ 310,111	\$ -	\$ -	\$ 134,768	\$ 444,879
Other	1,359,855	174	182,547	1,622,746	3,165,322
State Sources	12,978,434	330,927	-	-	13,309,361
Federal Sources	550,374	199,148	-	-	749,522
Total Revenues	<u>15,198,774</u>	<u>530,249</u>	<u>182,547</u>	<u>1,757,514</u>	<u>17,669,084</u>
EXPENDITURES					
Current:					
Administration	760,345	-	-	-	760,345
District Support Services	1,355,932	-	-	-	1,355,932
Elementary and Secondary Regular Instruction	6,176,986	-	-	-	6,176,986
Special Education Instruction	2,897,371	-	-	-	2,897,371
Instructional Support Services	280,336	-	-	-	280,336
Pupil Support Services	731,423	-	-	-	731,423
Sites and Buildings	2,418,681	-	-	61,814	2,480,495
Fiscal and Other Fixed Cost Programs	84,253	-	-	-	84,253
Food Service	-	672,707	-	-	672,707
Community Service	-	-	67,371	-	67,371
Capital Outlay	112,502	-	-	-	112,502
Debt Service:					
Principal	16,379	-	-	475,000	491,379
Interest and Fiscal Charges	6,855	-	-	827,406	834,261
Total Expenditures	<u>14,841,063</u>	<u>672,707</u>	<u>67,371</u>	<u>1,364,220</u>	<u>16,945,361</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	357,711	(142,458)	115,176	393,294	723,723
OTHER FINANCING SOURCES (USES)					
Transfers In	-	142,458	-	-	142,458
Transfers Out	(142,458)	-	-	-	(142,458)
Total Other Financing Sources (Uses)	<u>(142,458)</u>	<u>142,458</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	215,253	-	115,176	393,294	723,723
Fund Balances - Beginning of Year	6,465,392	110	223,904	3,126,543	9,815,949
FUND BALANCES - END OF YEAR	<u>\$ 6,680,645</u>	<u>\$ 110</u>	<u>\$ 339,080</u>	<u>\$ 3,519,837</u>	<u>\$ 10,539,672</u>

See accompanying Notes to Basic Financial Statements.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

Net Change in Fund Balance - Total Governmental Funds **\$ 723,723**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. The amount by which depreciation and amortization exceeded capital outlays in the current period is:

Capital Outlays	415,009
Depreciation/Amortization Expense	(411,592)

Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.

616,854

The governmental funds report debt issuances as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds, loans, and related items is as follows:

Repayment of Bond Principal	475,000
Repayment of Subscription Liability	9,107
Repayment of Lease Liability	7,272
Change in Accrued Interest - General Obligation Bonds	3,416
Amortization of Bond Premium	27,515
Amortization of Bond Discount	(10,811)
Amortization of Deferred Charges on Refunding Bonds	(224,361)
	(224,361)

Total Change in Net Position of Governmental Activities **\$ 1,631,132**

NOTES TO BASIC FINANCIAL STATEMENTS

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Nova Classical Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Financial Reporting Entity

Nova Classical Academy (the School) is a charter school established in November 2001 in accordance with Minnesota Statute §124D.10. The Board is responsible for legislative and fiscal control of the School. A Director is appointed by the Board and is responsible for administrative control of the School. The School is authorized by Friends of Education (the Authorizer), a Minnesota nonprofit corporation, and operates under a charter agreement extending through June 30, 2027.

The mission of the School is in a supportive community and through a systematic, accelerated college-preparatory education in the classical tradition, Nova Classical Academy challenges its students to develop intellect, to attain the habits of learning and mastery, and to live a virtuous life of duty and ideals.

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

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

Based on these criteria, there is one organization that is considered to be a component unit of the School. Friends of Nova Classical Academy (the Building Company) is a Minnesota nonprofit corporation holding Internal Revenue Service (IRS) classification as a 501(c)(3) tax-exempt organization which owns the real estate and building that is leased by the School for its operations. The Building Company is governed by a separate board appointed by the Board of the School. Although it is legally separate from the School, the Building Company is reported as if it were part of the School (as a blended component unit) because its sole purpose is to acquire, construct, and own the educational site. No separate financial statements of the Building Company are issued.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial Reporting Entity (Continued)

Aside from its authorizer role, Friends of Education has no authority, control, power, or administrative responsibilities over Nova Classical Academy. Therefore, the School is not considered a component unit of Friends of Education.

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

C. Basic Financial Statement Presentation

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

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

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

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

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

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

1. Revenue Recognition

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

2. Recording of Expenditures

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds

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

Major Governmental Funds

General Fund

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

Building Company Special Revenue Fund

This Special Revenue Fund accounts for all activities of the Friends of Nova Classical Academy Building Company including the proceeds and uses of resources received to own an educational site for the School. Primary sources of revenue in the building company are from rent received and interest earnings.

Food Service Special Revenue Fund

The Food Service Fund is used to account for food service revenues and expenditures. Primary sources of revenue in the Food Service Fund are from meal sales and state and federal aids.

Community Service Special Revenue Fund

The Community Service Fund is used to account for activities of the Scholar Zone, the School's before and after school program. Primary sources of revenue in the Community Service Fund are from user fees.

E. Income Taxes

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

G. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each May, the School Board adopts an annual budget for the following fiscal year for the General Fund, the Food Service Special Revenue Fund, and Community Service Special Revenue Fund. A budget for the Friends of Nova Classical Academy Building Company was not adopted for fiscal year 2024. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

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

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line-item levels.

Budgeted amounts include a mid-year budget amendment that changed revenue and expenditure budgets as follows:

	Original Budget	Amendments	Amended Budget
Revenues:			
General Fund	\$ 13,358,319	\$ 1,491,765	\$ 14,850,084
Special Revenue Funds:			
Food Service Fund	446,200	62,500	508,700
Community Service Fund	150,000	-	150,000
Expenditures:			
General Fund	\$ 13,108,641	\$ 1,017,814	\$ 14,126,455
Special Revenue Funds:			
Food Service Fund	444,051	138,574	582,625
Community Service Fund	109,298	(5,163)	104,135

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgeting (Continued)

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

H. Cash and Investments

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the Building Company fund, the bond escrow account held by trustee can only be used for capital purposes related to the construction of the school building, for the repair and replacement needs of the educational site or to make payments on the outstanding bonds. Interest earned on these investments is allocated directly to the escrow account.

I. Accounts Receivable

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

J. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. These expenses are allocated over the periods benefitted using the consumption method.

K. Deferred Outflows/Inflows of Resources

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources (Continued)

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

L. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The School maintains a threshold level of \$5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the School-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the School, no salvage value is taken into consideration for depreciation/amortization purposes. Useful lives vary from 5 to 20 years for equipment and 20 to 40 years for buildings and building improvements.

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

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Useful lives vary depending upon the underlying leased assets and follow the School's policies of related depreciable assets.

Subscription-based Information Technology Arrangement (SBITA) assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. Useful lives vary from 3 to 5 years for SBITA assets.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Premiums and discounts are capitalized and amortized over the life of the bonds using the effective interest method.

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

N. Leases

The School determines if an arrangement is a lease at inception. Leases are included in lease assets and lease liabilities in the statements of net position.

Lease assets represent the School's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the School's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the net present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

O. Subscription-Based Information Technology Arrangements (SBITAs)

The School determines if an arrangement is a SBITA at inception. SBITAs are included in right-to-use assets and subscription payable in the statement of net position.

SBITA subscriptions payable represent the School's obligation to make SBITA payments arising from the arrangement. SBITA subscriptions payable are recognized at the commencement date based on the present value of expected SBITA payments over the SBITA term, less any SBITA vendor incentives. Interest expense is recognized ratably over the contract term.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Pensions

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

Q. Accrued Employee Benefits

Substantially all School employees are entitled to personal time off at various rates. Unused balances earned during the year are paid out up to a maximum of three days per employee at 60% of a predetermined daily rate. There is no liability for unused compensated absences at year-end.

R. Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance related to prepaids, inventories, and long-term receivables. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the School Board. The School Board has authorized the Executive Director and the Chair of the Budget and Finance Committee to jointly assign fund balances and its intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the School's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the School's policy to use committed first, then assigned, and finally unassigned amounts.

S. Risk Management

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

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Net Position

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

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

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

Custodial Credit Risk

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

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit.

Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

The School's and Building Company's combined carrying and bank balances of deposits at June 30, 2024 were \$6,728,610 and \$6,808,770, respectively. All deposits which were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

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

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

At June 30, 2024, the Building Company's investment balances were as follows:

Investments Held by Trustee

<u>Type</u>	<u>Total</u>	<u>Maturity Duration in Years</u> <u>Less Than 1</u>	<u>Rating</u>
First American Treasury Obligations Money Market Fund - Class D	\$ 3,152,784	\$ 3,152,784	Aaa-mf

The School's investments are held by an escrow agent in accordance with escrow agreements established with the sale of Revenue Bonds 2016A and 2016B and Revenue Bonds 2021A and 2021B.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At June 30, 2024, the School had money market fund investments invested in the First American Treasury Obligations Fund in the amount of \$3,152,784 which is rated Aaa-mf by Moody's Investors Service.

Concentration of Credit Risk

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

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

Cash and Investments - Statement of Net Position	\$ 6,728,610
Cash and Investments Held with Fiscal Agent - Statement of Net Position	<u>3,152,784</u>
Total Cash and Investments	<u><u>\$ 9,881,394</u></u>

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements

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

The School follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the School has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

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

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

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

The School did not hold any investments measured at fair value as of June 30, 2024. The money market fund investments held by the Building Company's escrow agent are valued at amortized cost.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Building Company:				
Land	\$ 4,056,522	\$ -	\$ -	\$ 4,056,522
Capital Assets, Being Depreciated:				
Building Company:				
Land Improvements	661,437	-	-	661,437
Buildings and Improvements	13,882,459	-	-	13,882,459
Furniture and Equipment	21,708	-	-	21,708
Charter School:				
Furniture and Equipment	938,863	415,009	-	1,353,872
Right-to-Use Assets:				
Charter School:				
Subscription-Based Information				
Technology Arrangements	19,686	-	(19,686)	-
Furniture and Equipment	50,092	-	-	50,092
Total Capital Assets, Being Depreciated and Amortized	15,574,245	415,009	(19,686)	15,969,568
Accumulated Depreciation for:				
Building Company:				
Land Improvements	(187,408)	(33,072)	-	(220,480)
Buildings and Improvements	(3,025,129)	(277,713)	-	(3,302,842)
Furniture and Equipment	(5,980)	(1,022)	-	(7,002)
Charter School:				
Furniture and Equipment	(609,571)	(79,922)	-	(689,493)
Accumulated Amortization for:				
Charter School:				
Subscription-Based Information				
Technology Arrangements	(9,843)	(9,843)	19,686	-
Furniture and Equipment	(835)	(10,020)	-	(10,855)
Total Accumulated Depreciation and Amortization	(3,838,766)	(411,592)	19,686	(4,230,672)
Total Capital Assets, Being Depreciated and Amortized, Net	11,735,479	3,417	-	11,738,896
Governmental Activities Capital Assets, Net	\$ 15,792,001	\$ 3,417	\$ -	\$ 15,795,418

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:	
Administration	\$ 59
District Support Services	25,859
Regular Instruction	345,301
Special Education Instruction	1,015
Sites and Buildings	35,553
Food Service	710
Total Depreciation/Amortization Expense - Governmental Activities	<u>\$ 411,592</u>

NOTE 4 LONG-TERM DEBT

Changes in long-term liabilities are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Series 2016 Lease Revenue Bonds	\$ 16,830,000	\$ -	\$ 50,000	\$ 16,780,000	\$ 55,000
Series 2021 Lease Revenue Bonds	4,525,000	-	425,000	4,100,000	440,000
Premium on Bonds Payable	155,155	-	27,515	127,640	-
Discount on Bonds Payable	(189,499)	-	(10,811)	(178,688)	-
Subscription Payable	9,107	-	9,107	-	-
Lease Payable	48,915	-	7,272	41,643	8,441
Total	<u>\$ 21,378,678</u>	<u>\$ -</u>	<u>\$ 508,083</u>	<u>\$ 20,870,595</u>	<u>\$ 503,441</u>

In October 2016, the Building Company entered into an agreement for a \$17,060,000 loan from the Housing and Redevelopment Authority (HRA) of the City of Saint Paul to advance refund \$10,365,000 of the 2011A Charter School Lease Revenue Bonds and finance the acquisition of two parcels of land adjacent to the School and the construction and equipping of capital improvements to the land and original schoolhouse. The loan is secured by a mortgage on the related land, building, and building contents, as well as the assignment of future lease revenue. The loan represents the proceeds of two lease revenue bond issues sold by the HRA. The first issue is \$16,830,000 of Charter School Lease Revenue Bonds, Series 2016A, which bear interest ranging from 3.5% to 4.125% and have a final maturity of September 1, 2047.

The portion of the 2016 Charter School Lease Revenue Bonds that advance refunded and defeased \$10,365,000 of the 2011A Charter School Lease Revenue Bonds resulted in an increase in future interest payments of \$522,704 and a net present value savings of \$659,857.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 4 LONG-TERM DEBT (CONTINUED)

The second issue is the \$230,000 of Taxable Charter School Lease Revenue Bonds, Series 2016B, which bear an interest rate of 4.75% and have a final maturity of September 1, 2022. Through the terms of the agreement, the Building Company assumes all responsibility for the bonds issued by the HRA and must make loan payments sufficient to meet the scheduled semiannual debt service payments to retire the bonds.

In August 2021, the Building Company entered into an agreement for a \$4,930,000 loan from the Housing and Redevelopment Authority (HRA) of the City of Saint Paul to currently refund \$5,130,000 of the 2011A Charter School Lease Revenue Bonds. The loan is secured by a mortgage on the related land, building, and building contents, as well as the assignment of future lease revenue. The loan represents the proceeds of two lease revenue bond issues sold by the HRA. The first issue is \$4,735,000 of Charter School Lease Revenue Bonds, Series 2021A, which bear interest ranging from 2.0% to 4.0% and have a final maturity of September 1, 2031. The 2021 Charter School Lease Revenue Bonds refunded and defeased \$5,130,000 of the 2011A Charter School Lease Revenue Bonds, which resulted in a decrease in future interest payments of \$738,383 and a net present value savings of \$675,353.

The second issue is the \$195,000 of Taxable Charter School Lease Revenue Bonds, Series 2021B, which bear an interest rate of 3.00% and have a final maturity of September 1, 2022. Through the terms of the agreement, the Building Company assumes all responsibility for the bonds issued by the HRA and must make loan payments sufficient to meet the scheduled semiannual debt service payments to retire the bonds.

The School, in turn, entered into an operating lease agreement to rent the school site from the Building Company. The lease term covers a 35-year period ending June 30, 2051 and requires the School to make monthly base lease payments ranging from \$124,641 to \$128,014, plus operating expenses. The School's base lease payments are closely tied to the loan payments the Building Company is required to make on the loan from the HRA.

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

<u>Year Ending June 30.</u>	<u>Revenue Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 495,000	\$ 816,919
2026	510,000	806,044
2027	535,000	794,732
2028	550,000	777,932
2029	580,000	755,332
2030-2034	3,435,000	3,391,756
2035-2039	4,355,000	2,607,472
2040-2044	5,315,000	1,618,547
2045-2048	5,105,000	431,784
Total	<u>\$ 20,880,000</u>	<u>\$ 12,000,518</u>

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 LEASES

Nova Classical Academy leases copiers under a long-term, noncancelable lease agreement. The lease expires on June 18, 2028, and carries an interest rate of 15.080%.

Total future minimum lease payments under the lease agreement are as follows:

<u>Year Ending June 30,</u>	Lease Liability	
	Principal	Interest
2025	\$ 8,441	\$ 5,685
2026	9,799	4,328
2027	11,375	2,751
2028	12,028	921
Total	\$ 41,643	\$ 13,685

The right-to-use lease assets and the related accumulated amortization are detailed in Note 3.

NOTE 6 DEFINED BENEFIT PENSION PLANS

A. Plan Description

1. General Employees Retirement Fund

The School participates in the following cost-sharing, multiemployer defined benefit pension plans administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax-qualified plans under Section 401(a) of the IRC.

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

2. Teachers Retirement Fund (TRA)

The Teachers Retirement Association (TRA) is an administrator of a multiemployer, 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.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

2. Teachers Retirement Fund (TRA) (Continued)

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

B. Benefits Provided

1. General Employees Plan Benefits

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

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the Social Security Administration (SSA), with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits

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

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

Tier 1 Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First 10 Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First 10 Years if Service Years Are Up to July 1, 2006	1.2% per Year
	First 10 Years if Service Years Are July 1, 2006 or After	1.4% per Year
	All Other Years of Service if Service Years Are Up to July 1, 2006	1.7% per Year
	All Other Years of Service if Service Years Are July 1, 2006 or After	1.9% per Year

With these provisions:

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

or

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statutes. 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.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

Tier II Benefits

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

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

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

C. Contributions

1. General Employees Fund Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2024 and the School was required to contribute 7.50% for Coordinated Plan members. The School's contributions to the General Employees Fund for the year ended June 30, 2024 were \$147,628. The School's contributions were equal to the required contributions as set by state statute.

2. TRA Contributions

Per Minnesota statutes, Chapter 354 rates for the fiscal year 2024 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The School's contributions to TRA for the plan's fiscal year ended June 30, 2024 were \$513,981. The School's contributions were equal to the required contributions for each year as set by state statute.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employees Fund Pension Costs

At June 30, 2024, the School reported a liability of \$1,112,786 for its proportionate share of the General Employees Fund's net pension liability. The School's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the School totaled \$30,753, for a total net pension liability of \$1,143,539 associated with the School.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportionate share of the net pension liability was based on the School's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The School's proportionate share was 0.0199% at the end of the measurement period and 0.0178% for the beginning of the period.

For the year ended June 30, 2024, the School recognized pension expense of \$147,980 for its proportionate share of the General Employees Fund's pension expense. In addition, the School recognized \$138 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution to the General Employees Fund.

At June 30, 2024, the 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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 36,544	\$ 7,666
Changes in Actuarial Assumptions	180,144	305,005
Net Difference Between Projected and Actual		
Earnings on Plan Investments	-	41,614
Changes in Proportion	95,144	51,347
District Contributions Subsequent to the Measurement Date	147,628	-
Total	<u>\$ 459,460</u>	<u>\$ 405,632</u>

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

A total of \$147,628 reported as deferred outflows of resources related to pensions resulting from School contributions to the General Employees Fund subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to General Employees Fund pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2025	\$ 25,780
2026	(153,135)
2027	57,696
2028	(24,141)
Total	\$ (93,800)

2. TRA Pension Costs

At June 30, 2024, the School reported a liability of \$5,903,200 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's contributions to TRA in relation to total system contributions including direct aid from the state of Minnesota, City of Minneapolis, and Minneapolis School District. The School's proportionate share was 0.0715% at the end of the measurement period and 0.0732% for the beginning of the period.

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

Description	Amount
School's Proportionate Share of the TRA Net Pension Liability	\$ 5,903,200
State's Proportionate Share of the Net Pension Liability Associated with the School	413,511
Total	\$ 6,316,711

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

For the year ended June 30, 2024, the School recognized a decrease to pension expense of \$119,464. The School also recognized \$40,877 as a decrease to pension expense and grant revenue for the support provided by direct aid.

At June 30, 2024, the School reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 58,521	\$ 85,959
Changes in Actuarial Assumptions	687,691	-
Net Difference Between Projected and Actual		
Earnings on Plan Investments	-	21,895
Changes in Proportion	634,645	645,848
District Contributions Subsequent to the Measurement Date	513,981	-
Total	<u>\$ 1,894,838</u>	<u>\$ 753,702</u>

A total of \$513,981 reported as deferred outflows of resources related to pensions resulting from School contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2025	\$ 128,084
2026	(166,793)
2027	686,023
2028	13,741
2029	(33,900)
Total	<u>\$ 627,155</u>

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Pension Totals

The aggregate amount of net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for the School's defined benefit pension plans are summarized below. These liabilities are typically liquidated by the individual activity in which the employee's costs are associated.

	<u>GERF</u>	<u>TRA</u>	<u>Total</u>
Net Pension Liability	\$ 1,112,786	\$ 5,903,200	\$ 7,015,986
Deferred Outflows of Resources	459,460	1,894,838	2,354,298
Deferred Inflows of Resources	405,632	753,702	1,159,334
Pension Expense	148,118	(160,341)	(12,223)

E. Long-Term Expected Return on Investment

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	<u>100.00 %</u>	

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Long-Term Expected Return on Investment (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.00 %	

F. Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0% for PERA and 7.0% for TRA. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0% for PERA and 7.0% for TRA was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

TRA pre-retirement mortality rates were based on the RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale. Postretirement mortality rates were based on the 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 mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment.

Inflation is assumed to be 2.5% for TRA. Benefit increases after retirement are assumed to be 1.0% for January 2019 through January 2023 then increasing by 0.10% each year up to 1.5% annually.

Salary growth assumptions for TRA range in annual increments from 2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% after June 30, 2028.

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

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5% to 7.0%

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, noncompounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump-sum for calendar year 2024 by March 31, 2024.

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

Changes in Actuarial Assumptions:

- The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025.

Changes in Plan Provisions:

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Discount Rate

The discount rate used to measure the General Employees Fund pension liability in 2023 was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the TRA pension liability in 2023 was 7.0%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contribution will be made at the fiscal year 2023 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).

H. Pension Liability Sensitivity

The following presents the School's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
GERF Discount Rate:	6.00%	7.00%	8.00%
School's Proportionate Share of the GERF Net Pension Liability	\$ 1,968,607	\$ 1,112,786	\$ 408,840
TRA Discount Rate:	6.00%	7.00%	8.00%
School's Proportionate Share of the TRA Net Pension Liability	\$ 9,415,170	\$ 5,903,200	\$ 3,028,225

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

I. Pension Plan Fiduciary Net Position

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

Detailed information about TRA’s fiduciary net position is available in a separately issued TRA financial report. That report can be obtained at <https://minnesotatra.org>, by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota, 55103-4000; or by calling 651-296-2409 or 800-657-3669.

NOTE 7 INTERFUND BALANCES AND OPERATING TRANSFERS

The School had the following interfund receivable and payable at June 30, 2024:

	Due from Other Fund	Due to Other Fund
General Fund	\$ 67,977	\$ -
Building Company	-	67,977
Total	\$ 67,977	\$ 67,977

The purpose of the interfund balances is as follows:

The Building Company owes the General Fund \$67,977 to maximize the School’s lease aid.

The District had the following interfund transfers at June 30, 2024:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 142,458
Special Revenue Funds:		
Food Service Fund	142,458	-
Total	\$ 142,458	\$ 142,458

The transfers between the General Fund and Food Service Fund are to cover operating losses of the Food Service Fund.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 STEWARDSHIP AND ACCOUNTABILITY

Expenditures exceeded the budgeted amount in the following funds in fiscal year 2024:

	Budget	Expenditures	Excess
General Fund	\$ 14,126,455	\$ 14,841,063	\$ 714,608
Special Revenue Funds:			
Food Service Fund	582,625	672,707	90,082

Management and the School board considers these overages to be necessary to the operations of the School.

NOTE 9 COMMITMENTS AND CONTINGENCIES

A. Federal and State Programs

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

B. Pledged State Revenues

The School has pledged all funds, monies, grants, or other distributions received by the School from the state of Minnesota with respect to general student funding, state building lease aid payments, state distributions of Federal Title I funds, or any other funding sources, net of operating expenses of the School required under state or federal laws to provide required educational program expenditures, for the repayment of the \$17,060,000 2016 lease revenue bonds issued by the Building Company in October of 2016 as well as the \$4,930,000 2021 lease revenue bonds issued by the Building Company in August of 2021. The Company used proceeds of the Series 2016 Bonds to: (i) advance refund the Issuer's \$10,365,000 Charter School Lease Revenue Bonds maturing on September 1, 2042 (the Refunded Series 2011 Bonds), the proceeds of which were used to finance the acquisition, construction, and equipping by the Company of approximately 2.03 acres of land and constructing the current charter school facility located at 1455 Victoria Way in the City of Saint Paul, Minnesota (the City) (the 2011 Project); (ii) finance the acquisition of two parcels of land bounded by Madson Street, Mercer Way and Kay Avenue in the City and the construction and equipping of improvements to the land and to the Schoolhouse (the "2016 Project," and together with the 2011 Project, the Schoolhouse); (iii) make a deposit to increase the amount for the Reserve Fund to the Reserve Fund Requirement for the Non-Refunded Series 2011 Bonds and the Series 2016 Bonds, and (iv) pay the costs of issuance of the Series 2016 Bonds. The bonds are payable solely from lease revenues paid by the School to the Building Company revenues and are payable through September 1, 2047.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 COMMITMENTS AND CONTINGENCIES (CONTINUED)

B. Pledged State Revenues (Continued)

Annual principal and interest payments on the bonds during the year ended June 30, 2024 required 80.3% of net lease revenues. The total principal and interest remaining to be paid on the bonds is \$32,880,518. Principal and interest paid for the current year and total net rent revenues were \$1,302,406 and \$1,622,746, respectively.

C. Lease Commitments and Terms

In October 2011, the School entered into a lease agreement with the Friends of Nova Classical Academy to lease the educational site at 1455 Victoria Way, St. Paul, Minnesota. This lease was revised in August of 2021 when the 2021 bonds were issued. The amended agreement is for a 35-year period commencing August 1, 2016 through June 30, 2051. The extended lease calls for monthly payments over the 35-year period and includes 10 options for the School to extend the lease, each extension option for a period of five years.

The net annual base rent for the term of the lease agreement is tied closely to the debt service requirements of the Friends of Nova Classical Academy, including amounts held in escrow as part of the respective loan agreements. In addition, the School is responsible for all interior and exterior repair and maintenance costs as well as all utility costs. The School is funding 2% of monthly lease payments to a repair and replacement escrow account for this purpose.

Total future minimum lease payments are scheduled as follows:

<u>Year Ending June 30,</u>	<u>Scheduled Lease Payments</u>
2025	\$ 1,455,391
2026	1,459,889
2027	1,466,438
2028	1,472,715
2029	1,481,920
2030 - 2034	7,573,528
2035 - 2039	7,628,646
2040 - 2044	7,628,646
2045 - 2046	3,051,458
Total	<u>\$ 33,218,631</u>

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 COMMITMENTS AND CONTINGENCIES (CONTINUED)

C. Lease Commitments and Terms (Continued)

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

The total amount of rent paid by the School under the terms of the lease agreements for fiscal 2024 was \$1,622,746. The estimated charter school lease state aid entitlement for fiscal 2024 was \$1,460,472. The School qualified for state charter school lease aid based on a statutory cap of \$1,314 per pupil unit. This entitlement is subject to proration by the Minnesota Department of Education to the extent the overall funding that has been provided is insufficient to meet all amounts owed to Minnesota charter schools.

D. Employee Retention Credit

During the fiscal year 2024 and fiscal year 2023, Nova Classical Academy received funding by claiming Employee Retention Credits in the amount of \$817,934 and \$1,455,295, respectively. School management worked with a third party to apply for the credits and believe they qualify for the credit funds received. However, there have been charter schools in Minnesota and nationally that have received letters from the Internal Revenue Service (IRS) questioning claimed amounts. Therefore, it is possible the School could have its Employee Retention Credits reviewed by the IRS which could potentially prompt a request to reclaim part of the Employee Retention Credits, but the likelihood of this occurring is unknown.

REQUIRED SUPPLEMENTARY INFORMATION

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Earnings and Investments	\$ 60,000	\$ 240,000	\$ 310,111	\$ 70,111
Other	307,140	1,250,309	1,359,855	109,546
State Sources	12,706,316	12,848,986	12,978,434	129,448
Federal Sources	284,863	510,789	550,374	39,585
Total Revenues	<u>13,358,319</u>	<u>14,850,084</u>	<u>15,198,774</u>	<u>348,690</u>
EXPENDITURES				
Current:				
Administration	655,642	642,076	760,345	118,269
District Support Services	967,959	1,127,088	1,355,932	228,844
Elementary and Secondary Regular				
Instruction	5,472,261	5,486,635	6,176,986	690,351
Special Education Instruction	2,740,120	2,798,097	2,897,371	99,274
Instructional Support Services	192,324	811,802	280,336	(531,466)
Pupil Support Services	606,517	748,806	731,423	(17,383)
Sites and Buildings	2,263,818	2,286,951	2,418,681	131,730
Fiscal and Other Fixed Cost Programs	50,000	70,000	84,253	14,253
Capital Outlay	160,000	100,000	112,502	12,502
Debt Service:				
Principal	-	55,000	16,379	(38,621)
Interest and Fiscal Charges	-	-	6,855	6,855
Total Expenditures	<u>13,108,641</u>	<u>14,126,455</u>	<u>14,841,063</u>	<u>714,608</u>
EXCESS OF REVENUE OVER EXPENDITURES	249,678	723,629	357,711	(365,918)
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(73,925)	(142,458)	(68,533)
NET CHANGE IN FUND BALANCE	<u>\$ 249,678</u>	<u>\$ 649,704</u>	215,253	<u>\$ (434,451)</u>
Fund Balance - Beginning of Year			<u>6,465,392</u>	
FUND BALANCE - END OF YEAR			<u>\$ 6,680,645</u>	

See accompanying Notes to Required Supplementary Information.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
BUDGETARY COMPARISON SCHEDULE
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	\$ -	\$ 15,000	\$ 174	\$ (14,826)
State Sources	352,300	327,800	330,927	3,127
Federal Sources	93,900	165,900	199,148	33,248
Total Revenues	<u>446,200</u>	<u>508,700</u>	<u>530,249</u>	<u>21,549</u>
EXPENDITURES				
Current:				
Food Service	<u>444,051</u>	<u>582,625</u>	<u>672,707</u>	<u>90,082</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	2,149	(73,925)	(142,458)	(68,533)
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>-</u>	<u>73,925</u>	<u>142,458</u>	<u>68,533</u>
NET CHANGE IN FUND BALANCE	<u>\$ 2,149</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance - Beginning of Year			<u>110</u>	
FUND BALANCE - END OF YEAR			<u>\$ 110</u>	

See accompanying Notes to Required Supplementary Information.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
BUDGETARY COMPARISON SCHEDULE
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Other - Primarily Tuition and Fees	\$ 150,000	\$ 150,000	\$ 182,547	\$ 32,547
EXPENDITURES				
Current:				
Community Service	<u>109,298</u>	<u>104,135</u>	<u>67,371</u>	<u>(36,764)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ 40,702</u></u>	<u><u>\$ 45,865</u></u>	115,176	<u><u>\$ 69,311</u></u>
Fund Balance - Beginning of Year			<u>223,904</u>	
FUND BALANCE - END OF YEAR			<u><u>\$ 339,080</u></u>	

See accompanying Notes to Required Supplementary Information.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
TRA SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST TEN MEASUREMENT DATES**

	Measurement Date June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0715%	0.0732%	0.0669%	0.0709%	0.0802%	0.0676%	0.0677%	0.0669%	0.0662%	0.0708%
School's Proportionate Share of the Net Pension Liability	\$ 5,903,200	\$ 5,861,469	\$ 2,927,744	\$ 5,238,187	\$ 5,111,965	\$ 4,248,395	\$ 13,514,148	\$ 15,957,246	\$ 4,095,125	\$ 3,262,413
State's Proportionate Share of the Net Pension Liability Associated with School	413,511	434,680	246,779	438,737	452,407	399,178	1,305,589	1,601,364	502,171	229,565
Total	<u>\$ 6,316,711</u>	<u>\$ 6,296,149</u>	<u>\$ 3,174,523</u>	<u>\$ 5,676,924</u>	<u>\$ 5,564,372</u>	<u>\$ 4,647,573</u>	<u>\$ 14,819,737</u>	<u>\$ 17,558,610</u>	<u>\$ 4,597,296</u>	<u>\$ 3,491,978</u>
School's Covered Payroll	\$ 4,707,170	\$ 4,292,554	\$ 4,337,872	\$ 4,096,856	\$ 4,060,700	\$ 3,851,493	\$ 3,696,640	\$ 3,479,573	\$ 3,296,773	\$ 3,214,600
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	125.41%	136.55%	67.49%	127.86%	125.89%	110.31%	365.58%	458.60%	124.22%	101.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.42%	76.17%	86.63%	75.48%	78.21%	78.07%	51.57%	44.88%	76.80%	81.50%

See accompanying Notes to Required Supplementary Information.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
TRA SCHEDULE OF SCHOOL CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	Fiscal Year Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 513,981	\$ 402,463	\$ 357,999	\$ 352,669	\$ 324,471	\$ 313,080	\$ 288,862	\$ 277,248	\$ 260,968	\$ 247,258
Contributions in Relation to the Statutorily Required Contribution	<u>(513,981)</u>	<u>(402,463)</u>	<u>(357,999)</u>	<u>(352,669)</u>	<u>(324,471)</u>	<u>(313,080)</u>	<u>(288,862)</u>	<u>(277,248)</u>	<u>(260,968)</u>	<u>(247,258)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 5,874,069	\$ 4,707,170	\$ 4,292,554	\$ 4,337,872	\$ 4,096,856	\$ 4,060,700	\$ 3,851,493	\$ 3,696,640	\$ 3,479,573	\$ 3,296,773
Contributions as a Percentage of Covered Payroll	8.75%	8.55%	8.34%	8.13%	7.92%	7.71%	7.50%	7.50%	7.50%	7.50%

See accompanying Notes to Required Supplementary Information.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
GERF SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST TEN MEASUREMENT DATES**

	Measurement Date June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0199%	0.0178%	0.0191%	0.0201%	0.0212%	0.0192%	0.0171%	0.0145%	0.0132%	0.0132%
School's Proportionate Share of the Net Pension Liability	\$ 1,112,786	\$ 1,409,766	\$ 815,656	\$ 1,205,087	\$ 1,172,101	\$ 1,065,137	\$ 1,091,653	\$ 1,177,328	\$ 684,093	\$ 620,070
State's Proportionate Share of the Net Pension Liability Associated with School	30,753	41,281	24,930	37,125	36,498	34,886	13,748	15,387	-	-
Total	<u>\$ 1,143,539</u>	<u>\$ 1,451,047</u>	<u>\$ 840,586</u>	<u>\$ 1,242,212</u>	<u>\$ 1,208,599</u>	<u>\$ 1,100,023</u>	<u>\$ 1,105,401</u>	<u>\$ 1,192,715</u>	<u>\$ 684,093</u>	<u>\$ 620,070</u>
School's Covered Payroll	\$ 1,623,973	\$ 1,259,680	\$ 1,393,253	\$ 1,429,253	\$ 1,497,307	\$ 1,290,520	\$ 1,109,080	\$ 907,573	\$ 778,631	\$ 647,586
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	68.52%	111.91%	58.54%	84.32%	78.28%	82.54%	98.43%	129.72%	87.86%	95.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.10%	76.67%	87.00%	79.10%	80.23%	79.45%	75.90%	68.90%	78.20%	78.70%

See accompanying Notes to Required Supplementary Information.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
GERF SCHEDULE OF SCHOOL CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	Fiscal Year Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 147,628	\$ 121,798	\$ 94,476	\$ 104,494	\$ 107,194	\$ 112,298	\$ 96,789	\$ 83,181	\$ 68,068	\$ 57,424
Contributions in Relation to the Statutorily Required Contribution	<u>(147,628)</u>	<u>(121,798)</u>	<u>(94,476)</u>	<u>(104,494)</u>	<u>(107,194)</u>	<u>(112,298)</u>	<u>(96,789)</u>	<u>(83,181)</u>	<u>(68,068)</u>	<u>(57,424)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 1,968,373	\$ 1,623,973	\$ 1,259,680	\$ 1,393,253	\$ 1,429,253	\$ 1,497,307	\$ 1,290,520	\$ 1,109,080	\$ 907,573	\$ 778,631
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.38%

See accompanying Notes to Required Supplementary Information.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024**

NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

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

2023

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, noncompounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump-sum for calendar year 2024 by March 31, 2024.

2022

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions:

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

2021

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.5% to 6.5%, 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.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2020

Changes in Actuarial Assumptions:

- 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.

Changes in Plan Provisions:

- 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.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2019

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2018

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost-of-Living Adjustment, not less than 1.00% and not more than 1.50% beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumptions:

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2017 (Continued)

Changes in Plan Provisions:

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

2016

Changes in Actuarial Assumptions:

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

Changes in Actuarial Plan Provisions:

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

Changes in Plan Provisions:

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the state's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

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

2023

Changes in Actuarial Assumptions:

- The employer contribution rate will increase from 8.75% to 9.5 % on July 1, 2025.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2022

Changes in Actuarial Assumptions:

- There have been no changes since the prior valuation.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2021

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2020

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024**

NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2019

Changes in Actuarial Assumptions:

- There have been no changes since the prior valuation.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2018

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2017

Changes in Actuarial Assumptions:

- The cost-of-living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- Adjustment were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the nonvested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for 10 years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions:

- The cost-of-living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back six years, and female rates set back five years. Generational projection uses the MP-2015 scale.
- The postretirement mortality assumption was changed to the RP-2014 while collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustments.
- Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024**

NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2016 (Continued)

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

NOTE 2 COMPLIANCE – BUDGET

The budget and actual amounts are both prepared on the modified accrual basis of accounting in accordance with GAAP.

In the following fund, expenditures exceeded the appropriations during the year ended June 30, 2024:

	Budget	Expenditures	Excess
General Fund	\$ 14,126,455	\$ 14,841,063	\$ 714,608
Special Revenue Funds:			
Food Service Fund	582,625	672,707	90,082

The overages above were considered by management and the School board to be the result of necessary expenditures critical to operations of the School.

SUPPLEMENTARY INFORMATION

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2024**

	AUDIT	UFARS	DIFFERENCE
01 GENERAL FUND			
Total Revenue	\$ 15,198,774	\$ 15,198,773	\$ 1
Total Expenditures	14,841,063	14,841,061	2
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	102,825	102,825	-
<i>Restricted:</i>			
401 Student Activities	-	-	-
402 Scholarships	-	-	-
403 Staff Development	-	-	-
407 Capital Project Levy	-	-	-
408 Cooperative Programs	-	-	-
413 Projects Funded by COP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maintenance	-	-	-
424 Operating Capital	-	-	-
426 \$25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning and Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alternative Programs	-	-	-
436 State-Approved Alternative Programs	-	-	-
438 Gifted and Talented	-	-	-
440 Teacher Development and Evaluations	-	-	-
441 Basic Skills Programs	-	-	-
445 Career and Technical Programs	-	-	-
448 Achievement and Integration	-	-	-
467 LTFM	-	-	-
472 Medical Assistance	-	-	-
473 PPP Loans	-	-	-
473 EIDL Loans	-	-	-
464 Restricted Fund Balance	-	-	-
<i>Committed:</i>			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
<i>Assigned:</i>			
462 Assigned Fund Balance	-	-	-
<i>Unassigned:</i>			
422 Unassigned Fund Balance	6,577,820	6,577,819	1
02 FOOD SERVICE			
Total Revenue	530,249	530,249	-
Total Expenditures	672,707	672,707	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
452 OPEB Liability Not Held in Trust	-	-	-
464 Restricted Fund Balance	110	109	1
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-
04 COMMUNITY SERVICE			
Total Revenue	182,547	182,547	-
Total Expenditures	67,371	67,372	(1)
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
426 \$25 Taconite	-	-	-
431 Community Education	-	-	-
432 E.C.F.E.	-	-	-
440 Teacher Development and Evaluations	-	-	-
444 School Readiness	-	-	-
447 Adult Basic Education	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-
464 Restricted Fund Balance	339,080	339,079	1
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-

OTHER REQUIRED REPORTS



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

Members of the Board of Education
Nova Classical Academy
Charter School No. 4098
St. Paul, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Nova Classical Academy, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Nova Classical Academy's basic financial statements, and have issued our report thereon dated December 16, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Members of the Board of Education
Nova Classical Academy
Charter School No. 4098

Report on Compliance and Other Matters

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

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 entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 16, 2024



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the Board of Education
Nova Classical Academy
Charter School No. 4098
St. Paul, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Nova Classical Academy as of and for the year ended June 30, 2024, 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 December 16, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that Nova Classical Academy failed to comply with the provisions of the charter schools and uniform financial accounting and reporting standards for Minnesota school districts and charter schools sections of the *Minnesota Legal Compliance Audit Guide for Charter Schools*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the 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 relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Charter Schools* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 16, 2024



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.