# CROSSLAKE COMMUNITY SCHOOL, INC.
CHARTER SCHOOL NO. 4059-07
CROSSLAKE, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2021

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CROSSLAKE COMMUNITY SCHOOL, INC.

## Table of Contents

CROSSLAKE COMMUNITY SCHOOL, INC.

## Table of Contents (continued)

# INTRODUCTORY SECTION

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CROSSLAKE COMMUNITY SCHOOL, INC.

Board and Administration
as of June 30, 2021

## BOARD

| | Board Position |
|---|---|
| Cinda Jensen | Chair |
| Lance Swanson | Vice Chair |
| Heidi O'Brien | Secretary |
| Beverly Loeffler | Treasurer |
| Kysa Corbett | Member |
| Maggie Heggerston | Member |
| Ronda Veit | Member |

## ADMINISTRATION

| | |
|---|---|
| Annette Klang | Interim Executive Director |

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FINANCIAL SECTION

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

PRINCIPALS
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

# INDEPENDENT AUDITOR'S REPORT

To the Board and Management of
Crosslake Community School, Inc.
Crosslake, Minnesota

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Crosslake Community School, Inc. (the School) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

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

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

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

(continued)



Malloy, Montague, Karnowski, Radosevich & Co., P.A.
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## OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the School as of June 30, 2021, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## OTHER MATTERS

### Required Supplementary Information

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

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The introductory section and supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the School.

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

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

(continued)

**Prior Year Comparative Information**

We have previously audited the School's 2020 financial statements, and expressed unmodified audit opinions on the respective financial statements of the governmental activities, the major fund, and the aggregate remaining fund information in their report dated December 23, 2020. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2021 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
December 7, 2021

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This section of Crosslake Community School, Inc.'s (the School) annual financial statements presents management's discussion and analysis (MD&A) of the School's financial performance during the year ended June 30, 2021. Please read it in conjunction with the other components of the School's annual financial statements.

## FINANCIAL HIGHLIGHTS

- The School's assets and deferred outflows of resources were exceeded by liabilities and deferred inflows of resources at June 30, 2021 by $519,846 (deficit net position). The School's total net position improved by $228,264 during the year ended June 30, 2021.

- At June 30, 2021, the School's governmental funds reported a combined ending fund balance of $1,229,703, an increase of $136,617 from the prior year.

- The School's General Fund, its primary operating fund, closed the year with a total fund balance of $1,224,851, an increase of $135,216 from the previous year, as compared to an increase of $15,144 projected in the final budget.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual financial statements consists of the following parts:

- Independent Auditor's Report;

- Management's discussion and analysis;

- Basic financial statements, including the entity-wide financial statements, fund financial statements, and the notes to basic financial statements;

- Required supplementary information related to defined benefit pension plan liabilities and contributions; and

- Combining and individual fund statements and schedules, presented as supplemental information.

The following explains the two types of statements included in the basic financial statements:

**Entity-Wide Financial Statements**

The entity-wide financial statements (Statement of Net Position and Statement of Activities) 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 entity-wide financial statements report the School's *net position* and how it has changed. Net position—the difference between 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 indicators of whether its financial position is improving or deteriorating, respectively.

To assess the overall health of the School requires consideration of additional nonfinancial factors, such as changes in the School's student population and the condition of the School's buildings and other facilities.

In the entity-wide financial statements, the School's activities are shown in one category titled "governmental activities." These activities, including regular and special education, transportation, administration, food services, and community services, are primarily financed with state aids.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the School's *funds*, focusing on its most significant or "major" funds, rather than the School as a whole. Funds (such as the Food Service and Community Service Special Revenue Funds) that do not meet the threshold to be classified as major funds are called "nonmajor" funds. Detailed financial information for nonmajor funds can be found in the supplemental information section.

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 or by debt covenants.
- The School may establish other funds to control and manage money for particular purposes.

The School's basic services are reported 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 fund financial statements provide a detailed *short-term* view that helps determine whether there are more or less 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 entity-wide financial statements, we provide additional information (reconciliation schedules) immediately following the governmental fund financial statements that explain the relationship (or differences) between these two types of financial statement presentations.

## FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Table 1 is a summarized view of the School's Statement of Net Position:

**Table 1**
**Summary Statement of Net Position**
**as of June 30, 2021 and 2020**

| | 2021 | 2020 |
|---|---|---|
| Assets | | |
| Current and other assets | $ 1,693,123 | $ 1,469,714 |
| Capital assets, net of depreciation | 146,731 | 201,076 |
| Total assets | $ 1,839,854 | $ 1,670,790 |
| Deferred outflows of resources | | |
| Pension plan deferments | $ 1,843,317 | $ 2,082,978 |
| Liabilities | | |
| Current and other liabilities | $ 463,420 | $ 376,628 |
| Long-term liabilities, including due within one year | 2,404,423 | 2,161,091 |
| Total liabilities | $ 2,867,843 | $ 2,537,719 |
| Deferred inflows of resources | | |
| Pension plan deferments | $ 1,335,174 | $ 1,964,159 |
| Net position | | |
| Net investment in capital assets | $ 146,731 | $ 201,076 |
| Restricted | 8,534 | 3,451 |
| Unrestricted | (675,111) | (952,637) |
| Total net position | $ (519,846) | $ (748,110) |

The School's financial position is the product of many factors. For example, determination of the School's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies will produce significant differences in the calculated amounts. Unrestricted net position includes the School's long-term liability for pensions, which are not fully funded.

Total net position increased by $228,264 in the current year. Current assets increased due to primarily positive operating results in the General Fund in fiscal year 2021. The changes in deferred outflows of resources and inflows of resources, as well as a portion of the change in long-term liabilities, were related to changes in the School's proportionate share of two state-wide pension plans administered by the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA). Long-term liabilities and the improvement in the unrestricted portion of net position were also impacted by the forgiveness of the School's Paycheck Protection Program (PPP) loan during the year.

Table 2 is a summarized view of the Statement of Activities of the School:

**Table 2**
**Summary Statement of Activities**
**for the Years Ended June 30, 2021 and 2020**

| | 2021 | 2020 |
|---|---|---|
| Revenues | | |
| Program revenues | | |
| Charges for services | $ 52,475 | $ 71,474 |
| Operating grants and contributions | 1,408,143 | 1,135,434 |
| General revenues | | |
| General grants and aids | 3,195,499 | 2,666,447 |
| PPP loan forgiveness | 451,800 | – |
| Other | 22,702 | 61,038 |
| Total revenues | 5,130,619 | 3,934,393 |
| Expenses | | |
| Administration | 107,165 | 115,047 |
| District support services | 175,902 | 193,778 |
| Elementary and secondary regular instruction | 2,241,437 | 1,943,629 |
| Special education instruction | 743,099 | 628,749 |
| Instructional support services | 461,652 | 280,641 |
| Pupil support services | 335,334 | 258,730 |
| Sites and buildings | 653,033 | 581,310 |
| Fiscal and other fixed cost programs | 13,154 | 12,203 |
| Food service | 93,642 | 113,460 |
| Community service | 77,937 | 73,435 |
| Total expenses | 4,902,355 | 4,200,982 |
| Change in net position | 228,264 | (266,589) |
| Net position – beginning | (748,110) | (481,521) |
| Net position – ending | $ (519,846) | $ (748,110) |

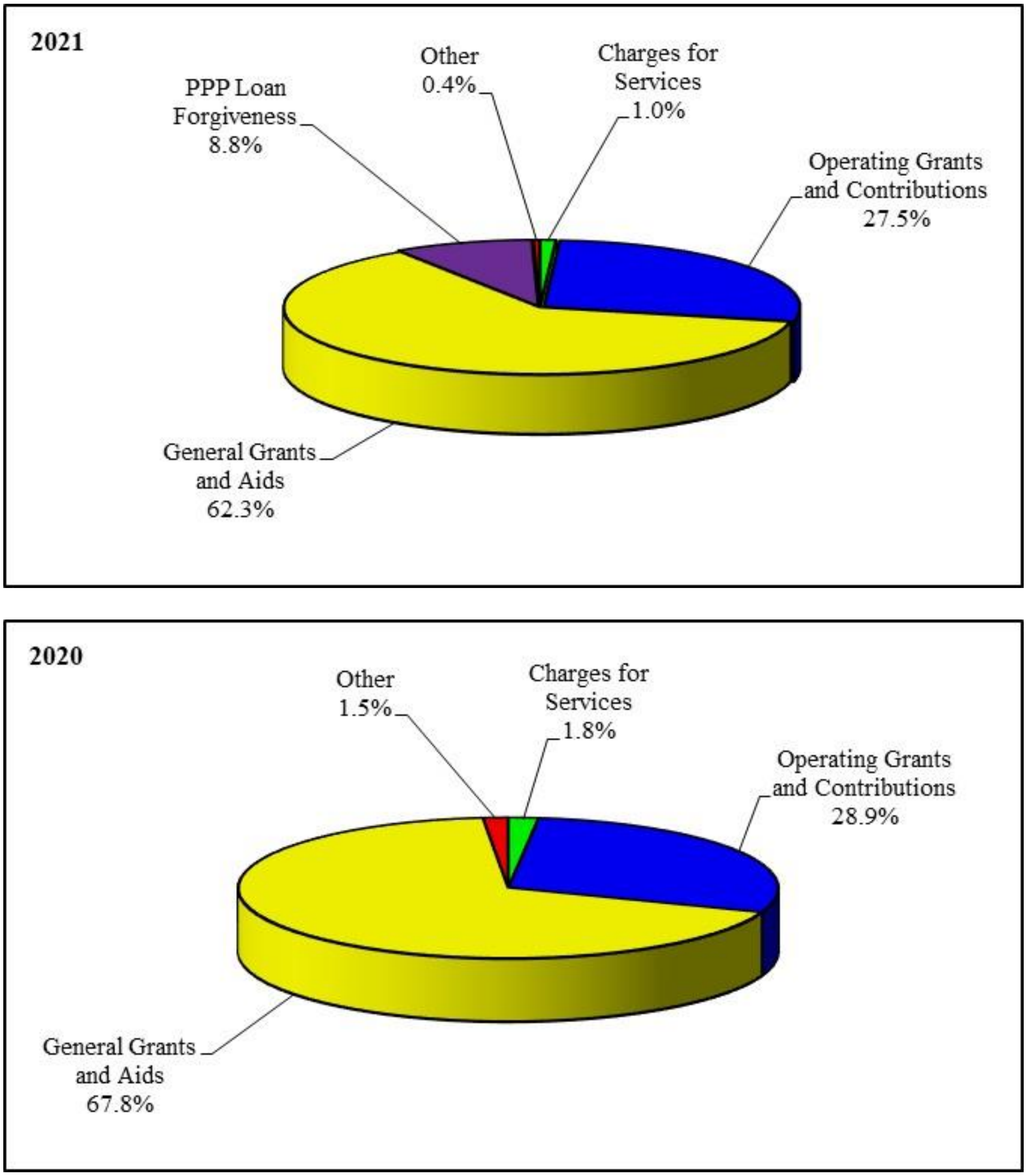
This statement is presented on an accrual basis of accounting and includes all of the governmental activities of the School. This statement includes depreciation expense but excludes capital asset purchase costs and principal payments on debt.

Total revenues increased $1,196,226 in 2021. Operating grants and contributions were $272,709 higher than last year, mainly because the School earned more special education state aid this year. General grants and aids were $529,052 higher than last year as a result of an increase in general education aid, as well as additional federal funding received through new COVID-19-related federal awards. The School also obtained forgiveness of the $451,800 PPP loan obtained in the prior year.

Expenses increased $701,373 (16.7 percent) from the prior year, mainly due to program growth resulting from an increase in enrollment.

Figure A shows further analysis of these revenue sources:

**Figure A – Sources of Revenue for Fiscal Years 2021 and 2020**

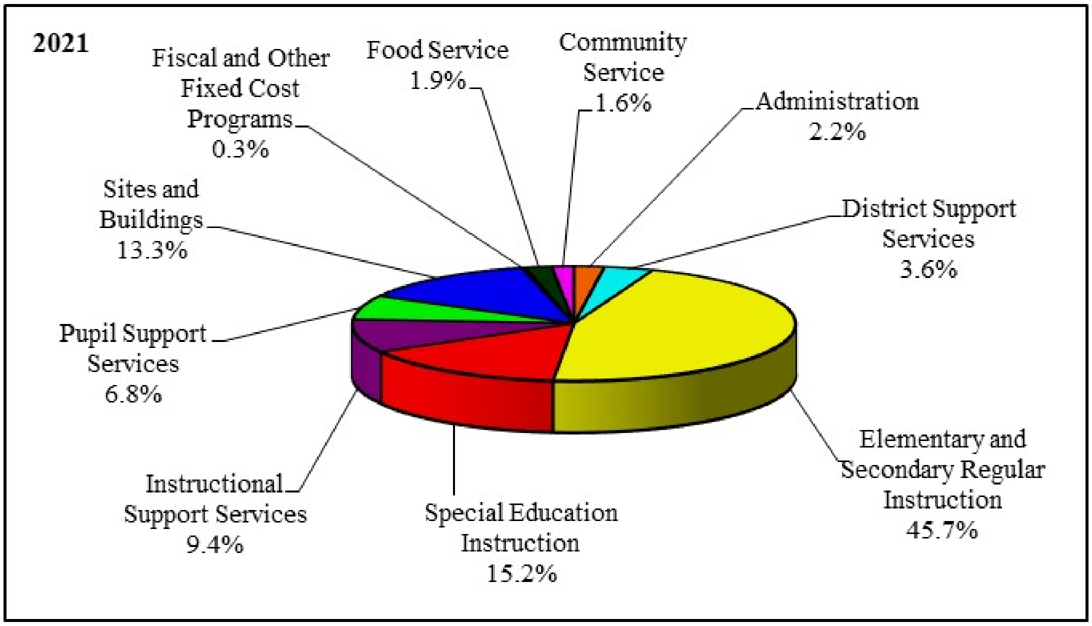


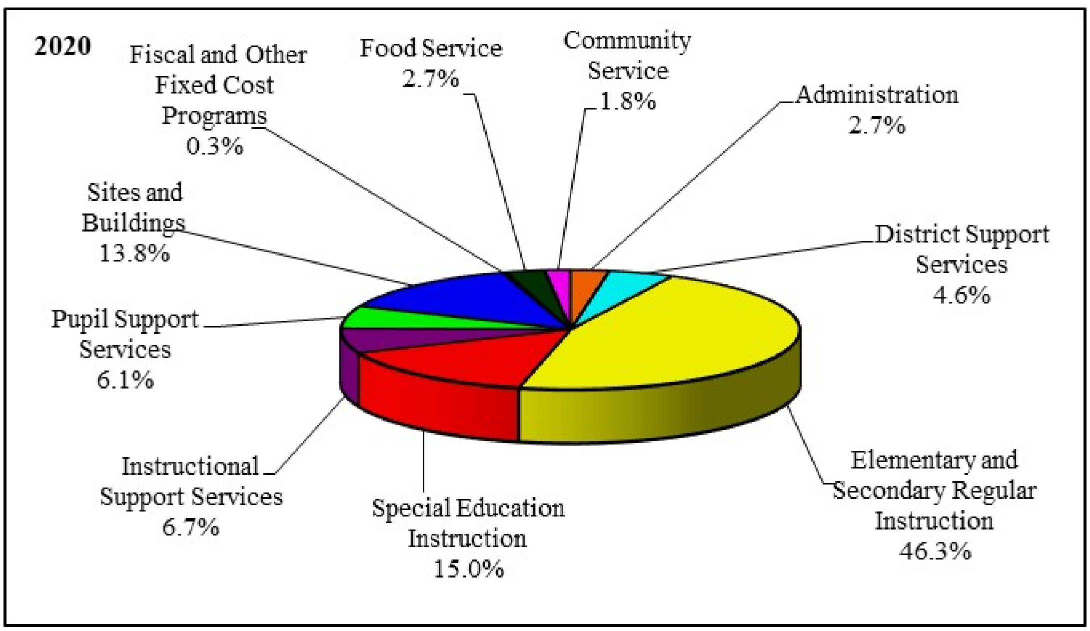

The largest share of the School's revenue is received from the state, including most of the general and operating grants. This significant reliance on the state for funding has placed pressure on charter schools, as funding increases have generally not kept pace with inflation in recent years.

The School's total governmental activity revenues were $5,130,619 for the year ended June 30, 2021, which is an increase of $1,196,226 from the previous year.

Figure B shows further analysis of these expense functions:

**Figure B – Expenses for Fiscal Years 2021 and 2020**




The School's governmental activities expenses for 2021 were $4,902,355, an increase of $701,373 from the prior year.

Approximately 70.3 percent of the School's 2021 expenses were in categories directly related to providing instruction, including: elementary and secondary regular instruction; special education instruction; and instructional support services. The remaining programs support instruction or are related to leasing and maintaining the School's facilities.

## FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The financial performance of the School as a whole is also reflected in its governmental funds. Table 3 shows the change in total fund balances of each of the School's governmental funds:

**Table 3**
**Governmental Fund Balances**
**as of June 30, 2021 and 2020**

| | 2021 | 2020 | Change |
|---|---|---|---|
| Governmental funds | | | |
| General | $ 1,224,851 | $ 1,089,635 | $ 135,216 |
| Nonmajor funds | | | |
| Food Service Special Revenue | 2,757 | 1,356 | 1,401 |
| Community Service Special Revenue | 2,095 | 2,095 | – |
| Total governmental funds | $ 1,229,703 | $ 1,093,086 | $ 136,617 |

### Analysis of the General Fund

Table 4 summarizes the operating results of the General Fund:

**Table 4**
**General Fund**
**for the Years Ended June 30, 2021 and 2020**

| | Budget | | | Variance From Final Budget | Change From Prior Year |
|---|---|---|---|---|---|
| | Original | Final | Actual | Amount | Amount |
| Revenues | $ 4,327,428 | $ 4,531,868 | $ 4,538,717 | $ 6,849 | $ 734,792 |
| Expenditures | 4,314,183 | 4,490,240 | 4,373,053 | (117,187) | 647,695 |
| Other financing sources | – | – | – | – | (451,800) |
| Other financing (uses) | (36,018) | (26,484) | (30,448) | (3,964) | 22,734 |
| Net change in fund balances | $ (22,773) | $ 15,144 | $ 135,216 | $ 120,072 | $ (341,969) |

The School is required to adopt an operating budget prior to the beginning of its fiscal year, referred to as the original budget. The School has the ability to amend that budget for known significant changes in circumstances, such as: updated enrollment estimates, legislative funding changes, additional funding received from grants or other local sources, or staffing changes. Budgeted revenues and expenditures were both increased during the year, primarily to reflect the School's increased enrollment.

General Fund revenues and expenditures were higher than the previous year by 19.3 percent and 17.4 percent, respectively, which primarily resulted from the School serving more students in fiscal 2021.

General Fund revenue ended above budget by 0.2 percent, as federal grant revenues were $28,403 more than anticipated.

General Fund expenditures were under budget by 2.6 percent, mainly in the special education instruction salaries and benefits, which did not increase as much as anticipated.

The General Fund also transferred $6,349 and $24,099 to the Food Service Special Revenue Fund and Community Service Special Revenue Fund, respectively, to support those programs.

**Food Service Special Revenue Fund**

Expenditures exceeded revenues by $4,948 in the Food Service Special Revenue Fund in fiscal 2021. In order to eliminate this operating deficit in the Food Service Special Revenue Fund, the School transferred $6,349 from the General Fund in fiscal 2021, resulting in a year-end fund balance of $2,757.

**Community Service Special Revenue Fund**

Expenditures exceeded revenues by $24,099 in the Community Service Special Revenue Fund in fiscal 2021. In order to eliminate this operating deficit in the Community Service Special Revenue Fund, the School transferred $24,099 from the General Fund in fiscal 2021, resulting in a year-end fund balance of $2,095.

## CAPITAL ASSETS AND LONG-TERM LIABILITIES

Table 5 shows the School's capital assets, together with the changes from the previous year. The table also shows the total depreciation expense for the years ended June 30, 2021 and 2020.

**Table 5**
**Capital Assets**

| | 2021 | 2020 | Change |
|---|---|---|---|
| Leasehold improvements | $ 40,855 | $ 40,855 | $ – |
| Furniture and equipment | 306,483 | 300,272 | 6,211 |
| Less accumulated depreciation | (200,607) | (140,051) | (60,556) |
| Total | $ 146,731 | $ 201,076 | $ (54,345) |
| Depreciation expense | $ 60,556 | $ 51,950 | $ 8,606 |

The School had no significant capital asset additions in fiscal 2021.

## Long-Term Liabilities

Table 6 shows the School's long-term debt liabilities, together with changes from the previous year:

**Table 6**
**Outstanding Long-Term Liabilities**

| | 2021 | 2020 | Change |
|---|---|---|---|
| PPP loan payable | $ – | $ 451,800 | $ (451,800) |
| Net pension liability | 2,404,423 | 1,709,291 | 695,132 |
| Total | $ 2,404,423 | $ 2,161,091 | $ 243,332 |

The School obtained a PPP loan of $451,800 in the previous year, which was repaid by the Small Business Association with federal Coronavirus Aid, Relief, and Economic Security Act funding in the current year. The net pension liability represents the School's proportionate share of PERA and TRA state-wide pension plan liabilities.

More detailed information on the School's capital assets and long-term liabilities can be found in the notes to basic financial statements.

## FACTORS BEARING ON THE SCHOOL'S FUTURE

The School is dependent on the state of Minnesota for much of its revenue. In recent years, legislated revenue increases have made it difficult to meet the instructional program needs and increased costs, due to inflation for Minnesota charter schools

The general education program is the method by which charter schools receive the majority of their financial support. The source of funding is primarily state aid and, as such, charter schools rely heavily on the state of Minnesota for educational resources. The Legislature has added $161, or 2.45 percent, and $135, or 2.00 percent, per pupil to the formula for fiscal years 2022 and 2023, respectively.

The COVID-19 pandemic caused numerous financial and operational challenges for charter schools in fiscal 2021, and is expected to continue to have a significant impact in fiscal 2022 and possibly beyond.

## CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our customers, 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 these statements or need additional financial information, contact Crosslake Community School, Inc., 35808 County Road 66, P.O. Box 1020, Crosslake, Minnesota 56442.

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BASIC FINANCIAL STATEMENTS

CROSSLAKE COMMUNITY SCHOOL, INC.

Statement of Net Position
as of June 30, 2021
(With Partial Comparative Information as of June 30, 2020)

| | Governmental Activities | |
|---|---|---|
| | 2021 | 2020 |
| **Assets** | | |
| Cash and temporary investments | $ 1,185,372 | $ 884,838 |
| Receivables | | |
| Due from other governmental units | 503,315 | 569,853 |
| Prepaid items | 4,436 | 15,023 |
| Capital assets, net of depreciation | 146,731 | 201,076 |
| Total assets | 1,839,854 | 1,670,790 |
| **Deferred outflows of resources** | | |
| Pension plan deferments | 1,843,317 | 2,082,978 |
| Total assets and deferred outflows of resources | $ 3,683,171 | $ 3,753,768 |
| **Liabilities** | | |
| Salaries and benefits payable | $ 412,048 | $ 308,610 |
| Accounts and contracts payable | 49,212 | 68,018 |
| Unearned revenue | 2,160 | – |
| Long-term liabilities | | |
| Due within one year | – | 198,698 |
| Due in more than one year | 2,404,423 | 1,962,393 |
| Total long-term liabilities | 2,404,423 | 2,161,091 |
| Total liabilities | 2,867,843 | 2,537,719 |
| **Deferred inflows of resources** | | |
| Pension plan deferments | 1,335,174 | 1,964,159 |
| **Net position** | | |
| Net investment in capital assets | 146,731 | 201,076 |
| Restricted for Medical Assistance | 3,682 | – |
| Restricted for food service | 2,757 | 1,356 |
| Restricted for community service | 2,095 | 2,095 |
| Unrestricted | (675,111) | (952,637) |
| Total net position | (519,846) | (748,110) |
| Total liabilities, deferred inflows of resources, and net position | $ 3,683,171 | $ 3,753,768 |

CROSSLAKE COMMUNITY SCHOOL, INC.

Statement of Activities
Year Ended June 30, 2021
(With Partial Comparative Information for the Year Ended June 30, 2020)

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | Net (Expense) Revenue and Changes in Net Position |
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities | Governmental Activities |
| Governmental activities | | | | | |
| Administration | $ 107,165 | $ – | $ – | $ (107,165) | $ (115,047) |
| District support services | 175,902 | – | – | (175,902) | (193,778) |
| Elementary and secondary regular instruction | 2,241,437 | 3,682 | 95,490 | (2,142,265) | (1,822,999) |
| Special education instruction | 743,099 | – | 735,412 | (7,687) | (69,241) |
| Instructional support services | 461,652 | – | – | (461,652) | (280,641) |
| Pupil support services | 335,334 | – | – | (335,334) | (258,730) |
| Sites and buildings | 653,033 | – | 490,983 | (162,050) | (184,219) |
| Fiscal and other fixed cost programs | 13,154 | – | – | (13,154) | (12,203) |
| Food service | 93,642 | 2,862 | 85,043 | (5,737) | (27,204) |
| Community service | 77,937 | 45,931 | 1,215 | (30,791) | (30,012) |
| Total governmental activities | $ 4,902,355 | $ 52,475 | $ 1,408,143 | (3,441,737) | (2,994,074) |
| General revenues | | | | | |
| General grants and aids | | | | 3,195,499 | 2,666,447 |
| PPP loan forgiveness | | | | 451,800 | – |
| Other general revenues | | | | 22,180 | 60,717 |
| Investment earnings | | | | 522 | 321 |
| Total general revenues | | | | 3,670,001 | 2,727,485 |
| Change in net position | | | | 228,264 | (266,589) |
| Net position – beginning | | | | (748,110) | (481,521) |
| Net position – ending | | | | $ (519,846) | $ (748,110) |

CROSSLAKE COMMUNITY SCHOOL, INC.

Balance Sheet
Governmental Funds
as of June 30, 2021
(With Partial Comparative Information as of June 30, 2020)

| | General Fund | Nonmajor Funds | Total Governmental Funds 2021 | Total Governmental Funds 2020 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and temporary investments | $ 1,164,624 | $ 20,748 | $ 1,185,372 | $ 884,838 |
| Receivables | | | | |
| Due from other governmental units | 503,315 | – | 503,315 | 569,853 |
| Prepaid items | 4,436 | – | 4,436 | 15,023 |
| Total assets | $ 1,672,375 | $ 20,748 | $ 1,693,123 | $ 1,469,714 |
| **Liabilities** | | | | |
| Salaries and benefits payable | $ 396,152 | $ 15,896 | $ 412,048 | $ 308,610 |
| Accounts and contracts payable | 49,212 | – | 49,212 | 68,018 |
| Unearned revenue | 2,160 | – | 2,160 | – |
| Total liabilities | 447,524 | 15,896 | 463,420 | 376,628 |
| **Fund balances** | | | | |
| Nonspendable for prepaid items | 4,436 | – | 4,436 | 15,023 |
| Restricted for Medical Assistance | 3,682 | – | 3,682 | – |
| Restricted for food service | – | 2,757 | 2,757 | 1,356 |
| Restricted for community service | – | 2,095 | 2,095 | 2,095 |
| Assigned for subsequent year’s budget | 135,356 | – | 135,356 | 22,773 |
| Unassigned | 1,081,377 | – | 1,081,377 | 1,051,839 |
| Total fund balances | 1,224,851 | 4,852 | 1,229,703 | 1,093,086 |
| Total liabilities and fund balances | $ 1,672,375 | $ 20,748 | $ 1,693,123 | $ 1,469,714 |

CROSSLAKE COMMUNITY SCHOOL, INC.

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2021
(With Partial Comparative Information as of June 30, 2020)

| | 2021 | 2020 |
|---|---|---|
| Total fund balances – governmental funds | $ 1,229,703 | $ 1,093,086 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources. | | |
| Cost of capital assets | 347,338 | 341,127 |
| Accumulated depreciation | (200,607) | (140,051) |
| Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. | | |
| PPP loan payable | – | (451,800) |
| Net pension liability | (2,404,423) | (1,709,291) |
| The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements. | | |
| Deferred outflows of resources – pension plan deferments | 1,843,317 | 2,082,978 |
| Deferred inflows of resources – pension plan deferments | (1,335,174) | (1,964,159) |
| Total net position – governmental activities | $ (519,846) | $ (748,110) |

CROSSLAKE COMMUNITY SCHOOL, INC.

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2021
(With Partial Comparative Information for the Year Ended June 30, 2020)

| | General Fund | Nonmajor Funds | Total Governmental Funds 2021 | Total Governmental Funds 2020 |
|---|---|---|---|---|
| Revenue | | | | |
| Federal sources | $ 288,469 | $ 84,857 | $ 373,326 | $ 190,395 |
| State sources | 4,223,864 | 1,401 | 4,225,265 | 3,610,697 |
| Local sources | | | | |
| Investment earnings | 522 | – | 522 | 321 |
| Other | 25,862 | 48,793 | 74,655 | 132,191 |
| Total revenue | 4,538,717 | 135,051 | 4,673,768 | 3,933,604 |
| Expenditures | | | | |
| Current | | | | |
| Administration | 96,966 | – | 96,966 | 115,047 |
| District support services | 173,471 | – | 173,471 | 189,399 |
| Elementary and secondary regular instruction | 1,992,015 | – | 1,992,015 | 1,737,645 |
| Special education instruction | 680,397 | – | 680,397 | 576,932 |
| Instructional support services | 441,834 | – | 441,834 | 266,004 |
| Pupil support services | 334,181 | – | 334,181 | 256,438 |
| Sites and buildings | 641,035 | – | 641,035 | 571,690 |
| Fiscal and other fixed cost programs | 13,154 | – | 13,154 | 12,203 |
| Food service | – | 92,853 | 92,853 | 112,893 |
| Community service | – | 71,245 | 71,245 | 66,517 |
| Total expenditures | 4,373,053 | 164,098 | 4,537,151 | 3,904,768 |
| Excess (deficiency) of revenue over expenditures | 165,664 | (29,047) | 136,617 | 28,836 |
| Other financing sources (uses) | | | | |
| PPP loan | – | – | – | 451,800 |
| Transfers in | – | 30,448 | 30,448 | 53,182 |
| Transfers (out) | (30,448) | – | (30,448) | (53,182) |
| Total other financing sources (uses) | (30,448) | 30,448 | – | 451,800 |
| Net change in fund balances | 135,216 | 1,401 | 136,617 | 480,636 |
| Fund balances | | | | |
| Beginning of year | 1,089,635 | 3,451 | 1,093,086 | 612,450 |
| End of year | $ 1,224,851 | $ 4,852 | $ 1,229,703 | $ 1,093,086 |

CROSSLAKE COMMUNITY SCHOOL, INC.

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2021
(With Partial Comparative Information for the Year Ended June 30, 2020)

| | 2021 | 2020 |
|---|---|---|
| Total net change in fund balances – governmental funds | $ 136,617 | $ 480,636 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase. | | |
| Capital outlays | 6,211 | – |
| Depreciation expense | (60,556) | (51,950) |
| The amount of debt issued or repaid is reported in the governmental funds as a source of financing or expenditure. In the Statement of Activities debt issued or repaid constitute changes in long-term liabilities. | | |
| PPP loan issued | – | (451,800) |
| PPP loan forgiven | 451,800 | – |
| Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances. | | |
| Net pension liability | (695,132) | (124,424) |
| The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements. | | |
| Deferred outflows of resources – pension plan deferments | (239,661) | (626,440) |
| Deferred inflows of resources – pension plan deferments | 628,985 | 507,389 |
| Change in net position – governmental activities | $ 228,264 | $ (266,589) |

CROSSLAKE COMMUNITY SCHOOL, INC.

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2021

| | Budget | | | Over (Under) |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| Revenue | | | | |
| Federal sources | $ 157,116 | $ 260,066 | $ 288,469 | $ 28,403 |
| State sources | 4,078,062 | 4,248,320 | 4,223,864 | (24,456) |
| Local sources | | | | |
| Investment earnings | 500 | 424 | 522 | 98 |
| Other | 91,750 | 23,058 | 25,862 | 2,804 |
| Total revenue | 4,327,428 | 4,531,868 | 4,538,717 | 6,849 |
| Expenditures | | | | |
| Current | | | | |
| Administration | 134,221 | 97,626 | 96,966 | (660) |
| District support services | 199,291 | 243,612 | 173,471 | (70,141) |
| Elementary and secondary regular instruction | 1,928,103 | 1,966,933 | 1,992,015 | 25,082 |
| Special education instruction | 796,786 | 810,765 | 680,397 | (130,368) |
| Instructional support services | 316,312 | 392,447 | 441,834 | 49,387 |
| Pupil support services | 258,794 | 329,301 | 334,181 | 4,880 |
| Sites and buildings | 655,676 | 624,556 | 641,035 | 16,479 |
| Fiscal and other fixed cost programs | 25,000 | 25,000 | 13,154 | (11,846) |
| Total expenditures | 4,314,183 | 4,490,240 | 4,373,053 | (117,187) |
| Excess of revenue over expenditures | 13,245 | 41,628 | 165,664 | 124,036 |
| Other financing (uses) | | | | |
| Transfers (out) | (36,018) | (26,484) | (30,448) | (3,964) |
| Net change in fund balances | $ (22,773) | $ 15,144 | 135,216 | $ 120,072 |
| Fund balances | | | | |
| Beginning of year | | | 1,089,635 | |
| End of year | | | $ 1,224,851 | |

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

Crosslake Community School, Inc. (the School) is a charter school established in accordance with Minnesota Statutes § 124D.10. The School's financial statements include all funds, departments, agencies, boards, commissions, and other organizations for which it 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 includes 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 are no organizations considered to be component units of the School.

The School is required to operate under a charter agreement with an entity that has been approved by the Minnesota Department of Education (MDE) to be a charter school "authorizer." The authorizer monitors and evaluates the School's performance, and periodically determines whether to renew the School's charter. The School's authorizer is Osprey Wilds Environmental Learning Center (the Center), a nonprofit organization. Aside from its responsibilities as authorizer, the Center has no authority or control over the School, and is not financially accountable for it. Therefore, the School is not considered a component unit of the Center.

### B. Basis of Statement Presentation

As required by state law, 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 Schools, which mandates the use of a governmental fund accounting structure.

### C. Entity-Wide Financial Statement Presentation

The entity-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the School. Generally, the effect of material interfund activity has been removed from the entity-wide financial statements. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 internally directed revenues are reported instead as general revenues.

The entity-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.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest is considered an indirect expense and is reported separately on the Statement of Activities.

### D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

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. For this purpose, the School generally considers revenues to be available if they are collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Grants and similar revenues are recognized when all eligibility requirements imposed by the provider have been met. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for long-term pension benefits, which are recognized as an expenditure to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

### Description of Funds

The existence of the various school funds has been established by the MDE. Each fund is accounted for as an independent entity. 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.

### Nonmajor Governmental Funds

**Food Service Special Revenue Fund** – The Food Service Special Revenue Fund is used to account for the School's child nutrition program.

**Community Service Special Revenue Fund** – The Community Service Special Revenue Fund is used to account for student activity programs.

### E. Budgetary Information

The School's Board adopts an annual budget for the following fiscal year for all governmental funds, prepared on the same basis of accounting as the financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. Actual expenditures for the current year exceeded budgeted amounts by $17,493 in the Food Service Special Revenue Fund and $378 in the Community Service Special Revenue Fund. These variances were funded by revenue or other financing sources in excess of budget.

## 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 amounts reported in the financial statements. Actual results could differ from those estimates.

### G. Cash and Temporary Investments

Cash and temporary investments balances from all funds are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled balances are allocated to the respective funds on the basis of cash participation by each fund. Investments are generally stated at fair value; however, the School held no investments at June 30, 2021 or during the fiscal year then ended.

### H. Receivables

When necessary, the School utilizes an allowance for uncollectible accounts to value its receivables. However, the School considers all of its current receivables to be collectible.

### I. Prepaid Items

Certain payments from vendors reflect costs applicable to future periods and are recorded as prepaid items. Prepaid items are recorded as expenditures/expenses at the time of consumption.

### J. Capital Assets

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

Capital assets are recorded in the entity-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the School, no salvage value is taken into consideration for depreciation purposes. Useful lives vary, ranging from 5 to 15 years for furniture and equipment and leasehold improvements. Construction in progress is not depreciated.

### K. Long-Term Obligations

In the entity-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Any debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. In the fund financial statements, governmental fund types recognize debt proceeds as other financing sources in the year of issue, and premiums or discounts on debt issuances are reported as other financing sources or uses, respectively.

### L. Vacation Pay and Sick Leave

Substantially all school employees are entitled to personal time off (PTO) at various rates. Employees are not compensated for unused PTO upon termination of employment, therefore, no long-term liability for unused vacation pay and sick leave has been recorded.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### M. State-Wide Pension Plans

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 the Teachers Retirement Association (TRA) and additions to/deductions from the PERA's and the TRA's fiduciary net positions have been determined on the same basis as they are reported by the PERA and the 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.

The TRA has a special funding situation created by direct aid contributions made by the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into the TRA in 2006. A second direct aid source is from the state of Minnesota for the merger of the Duluth Teachers Retirement Fund Association in 2015.

### N. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, a statement of financial position will sometimes report separate sections for deferred outflows/inflows of resources. These separate financial statement elements represent a consumption/acquisition of net position that applies to a future period, which will not be recognized as an outflow of resources (expense/expenditure) or inflow of resources (revenue) until then. The School has one type of item that qualifies for reporting in these categories, deferred outflows/inflows of resources related to pensions, which are reported in the entity-wide Statement of Net Position. These deferred outflows/inflows result from differences between expected and actual earnings, changes of assumptions, the difference between projected and actual earnings on pension plan investments, changes in proportion, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension standards.

### O. Income Taxes

The School is exempt from federal and state income taxes under Internal Revenue Code (IRC) § 501(c)(3). The School is subject to tax on income from any unrelated business.

The School follows recognition requirements for uncertain income tax positions as required by the Financial Accounting Standards Board Account Standards Codification 740-10. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The School has analyzed tax positions taken for filing with the Internal Revenue Service and the state jurisdiction where it operates. The School believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the School's financial condition, results of operations, or cash flows. Accordingly, the School has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at year-end.

The School is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### P. Net Position

In the entity-wide financial statements, net position represents the residual of all other financial statement elements presented in a Statement of Net Position. Net position is displayed in three components:

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.

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

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

The School applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

### Q. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.

- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

- **Committed** – Consists of internally imposed constraints that are established by resolution of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the School for specific purposes, but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the Board itself or by an official to which the governing body delegates the authority.

- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, the School first uses restricted resources, then use unrestricted resources as they are needed.

When committed, assigned, or unassigned resources are available for use, the School uses resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

The School's policy is to maintain a minimum unassigned General Fund balance of 23.0 percent of the current fiscal year's budgeted expenditures. At June 30, 2021, the unassigned fund balance was 24.1 percent of fiscal 2021 budgeted General Fund expenditures.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### R. Interfund Transfers

During the fiscal year, the General Fund made transfers to support the operations of the Food Service Special Revenue Fund and Community Service Special Revenue Fund of $6,349 and $24,099, respectively. Interfund transfers reported in the governmental fund financial statements are eliminated in the entity-wide financial statements.

### S. Risk Management

The School is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and workers' compensation. The School carries commercial insurance for these risks. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage in the current year.

### T. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the prior year, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

## NOTE 2 – DEPOSITS

In accordance with applicable Minnesota Statutes, the School maintains deposits at depository banks authorized by the Board. The following is considered the most significant risk associated with deposits:

**Custodial Credit Risk** – In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit 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 investment policy does not further limit depository choices.

At June 30, 2021, the School had deposits with a carrying value of $1,185,372 and a bank balance of $1,201,674. At June 30, 2021, the School's deposits were covered by federal deposit insurance or pledged collateral held by the School's agent in the School's name.

## NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021 is as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| Capital assets, depreciated | | | | |
| Leasehold improvements | $ 40,855 | $ – | $ – | $ 40,855 |
| Furniture and equipment | 300,272 | 6,211 | – | 306,483 |
| Total capital assets, depreciated | 341,127 | 6,211 | – | 347,338 |
| Less accumulated depreciation for | | | | |
| Leasehold improvements | (40,321) | (346) | – | (40,667) |
| Furniture and equipment | (99,730) | (60,210) | – | (159,940) |
| Total accumulated depreciation | (140,051) | (60,556) | – | (200,607) |
| Net capital assets, depreciated | $ 201,076 | $ (54,345) | $ – | $ 146,731 |

Depreciation expense for the current year was charged to the following governmental functions:

| | |
|---|---|
| Elementary and secondary regular instruction | $ 43,699 |
| Sites and buildings | 16,857 |
| Total depreciation expense | $ 60,556 |

## NOTE 4 – PAYCHECK PROTECTION PROGRAM LOAN

In April, 2020, the School obtained a Paycheck Protection Program (PPP) loan of $451,800 through a local bank, which carried an annual interest rate of 1.0 percent and called for monthly payments of $25,435 commencing after six months from the disbursement of the loan until repaid on April 24, 2022. Pursuant to the School's application for loan forgiveness under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the School was notified on April 21, 2021, that the Small Business Administration had paid $451,800 to the lender bank to be applied to the outstanding balance of the loan. The School recognized revenue of $451,800 in fiscal 2021 in its entity-wide financial statements for the forgiveness of this loan. The $4,543 of accrued interest forgiven was considered immaterial and not reflected in these financial statements. PPP loan activity for the year was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| PPP loan payable | $ 451,800 | $ – | $ 451,800 | $ – |

## NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The School reports its proportionate share of the unfunded net pension liabilities for two state-wide defined benefit pension plans administered by the PERA and the TRA in which its employees participate. The School remits employee withholdings and employer contributions to the plans from the governmental funds paying the related salary, mainly the General Fund. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2021:

| Pension Plans | Net Pension Liabilities | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense |
|---|---|---|---|---|
| PERA | $ 335,745 | $ 106,927 | $ 23,120 | $ 44,688 |
| TRA | 2,068,678 | 1,736,390 | 1,312,054 | 463,852 |
| Total | $ 2,404,423 | $ 1,843,317 | $ 1,335,174 | $ 508,540 |

### A. Plan Descriptions

The School participates in the following cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and the TRA. The PERA's and the TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes. The PERA's and the TRA's defined benefit pension plans are tax qualified plans under Section 401(a) of the IRC.

#### 1. General Employees Retirement Fund (GERF)

The PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

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

#### 2. Teachers Retirement Association (TRA)

The 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. The TRA is a separate statutory entity, administered by a Board of Trustees. The Board of Trustees consists of four active members, one retired member, and three statutory officials.

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

## NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

### B. Benefits Provided

The PERA and the TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statutes and can only be modified by the State Legislature.

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

#### 1. GERF Benefits

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 the 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 Plan members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at age 66.

Benefit increases are provided to benefit recipients each January. The post-retirement increase will be equal to 50.0 percent of the cost of living adjustment (COLA) announced by the Social Security Administration, with a minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. For recipients receiving the annuity or benefit for at least one month, but less than a full year as of the June 30 before the effective date of the increase, will receive a reduced prorated increase. For members retiring on January 1, 2024 or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

#### 2. TRA Benefits

The 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 Statutes 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 the 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.

## NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

### Tier I Benefits

| Step-Rate Formula | Percentage per Year |
|---|---|
| **Basic Plan** | |
| First 10 years of service | 2.2 % |
| All years after | 2.7 % |
| **Coordinated Plan** | |
| First 10 years if service years are up to July 1, 2006 | 1.2 % |
| First 10 years if service years are July 1, 2006 or after | 1.4 % |
| All other years of service if service years are up to July 1, 2006 | 1.7 % |
| All other years of service if service years are up to July 1, 2006 or after | 1.9 % |

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) Three percent per year early retirement reduction factor for all years under normal retirement age.

(c) Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

### Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for Coordinated Plan members and 2.7 percent per year for Basic Plan members applies. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated Plan members and 2.7 percent per year for Basic Plan 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.

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

## NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

### C. Contributions

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

#### 1. GERF Contributions

Minnesota Statutes, Chapter 353 set the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2021 and the School was required to contribute 7.5 percent for Coordinated Plan members. The School's contributions to the GERF for the year ended June 30, 2021, were $32,054. The School's contributions were equal to the required contributions as set by state statutes.

#### 2. TRA Contributions

Minnesota Statutes, Chapter 354 sets the rates for employer and employee contributions. Rates for each fiscal year were:

| | Year Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Employee | Employer | Employee | Employer | Employee | Employer |
| **Basic Plan** | 11.00 % | 11.71 % | 11.00 % | 11.92 % | 11.00 % | 12.13 % |
| **Coordinated Plan** | 7.50 % | 7.71 % | 7.50 % | 7.92 % | 7.50 % | 8.13 % |

The School's contributions to the TRA for the plan's fiscal year ended June 30, 2021, were $154,510. The School's contributions were equal to the required contributions for each year as set by state statutes.

The following is a reconciliation of employer contributions in the TRA's Comprehensive Annual Financial Report Statement of Changes in Fiduciary Net Position to the employer contributions used in the Schedule of Employer and Nonemployer Pension Allocations:

| | *in thousands* |
|---|---|
| Employer contributions reported in the TRA's Comprehensive Annual Financial Report Statement of Changes in Fiduciary Net Position | $ 425,223 |
| Add employer contributions not related to future contribution efforts | (56) |
| Deduct the TRA's contributions not included in allocation | (508) |
| Total employer contributions | 424,659 |
| Total nonemployer contributions | 35,587 |
| Total contributions reported in the Schedule of Employer and Nonemployer Pension Allocations | $ 460,246 |

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

## D. Pension Costs

### 1. GERF Pension Costs

At June 30, 2021, the School reported a liability of $335,745 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 $10,402. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The School's proportionate share was 0.0056 percent at the end of the measurement period and 0.0044 percent for the beginning of the period:

| | | |
|---|---|---|
| School's proportionate share of the net pension liability | $ | 335,745 |
| State's proportionate share of the net pension liability associated with the School | $ | 10,402 |

For the year ended June 30, 2021, the School recognized pension expense of $43,783 for its proportionate share of the GERF's pension expense. In addition, the School recognized $905 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the annual $16 million contribution.

At June 30, 2021, the School reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 2,396 | $ 1,270 |
| Changes in actuarial assumptions | – | 10,678 |
| Net collective difference between projected and actual investment earnings | 11,623 | – |
| Changes in proportion | 60,854 | 11,172 |
| School's contributions to the GERF subsequent to the measurement date | 32,054 | – |
| Total | $ 106,927 | $ 23,120 |

The $32,054 reported as deferred outflows of resources related to pensions resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | Pension Expense Amount |
|---|---|
| 2022 | $ (2,831) |
| 2023 | $ 23,612 |
| 2024 | $ 22,862 |
| 2025 | $ 8,110 |

## 2. TRA Pension Costs

At June 30, 2021, the School reported a liability of $2,068,678 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2020, 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 the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The School's proportionate share was 0.0280 percent at the end of the measurement period and 0.0230 percent for the beginning of the period.

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

| | |
|---|---|
| School's proportionate share of the net pension liability | $ 2,068,678 |
| State's proportionate share of the net pension liability associated with the School | $ 173,096 |

For the year ended June 30, 2021, the School recognized pension expense of $447,995. It also recognized $15,857 as an increase to pension expense for the support provided by direct aid.

At June 30, 2021, the School had deferred resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 41,485 | $ 22,111 |
| Changes of actuarial assumptions | 350,739 | 1,289,943 |
| Net difference between projected and actual investment earnings on pension plan investments | 75,818 | – |
| Changes in proportion | 1,113,838 | – |
| School's contributions to the TRA subsequent to the measurement date | 154,510 | – |
| Total | $ 1,736,390 | $ 1,312,054 |

A total of $154,510 reported as deferred outflows of resources related to pensions resulting from school contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| Year Ending June 30, | Pension Expense Amount |
|---|---|
| 2022 | $ 250,264 |
| 2023 | $ (70,595) |
| 2024 | $ (85,430) |
| 2025 | $ 113,862 |
| 2026 | $ 61,725 |

## E. Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

| Assumptions | GERF | TRA |
|---|---|---|
| Inflation | 2.25% | 2.50% |
| Wage growth rate | | 2.85% before July 1, 2028, and 3.25% thereafter |
| Projected salary increase | 3.00% | |
| Active member payroll growth | | 2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter |
| Investment rate of return | 7.50% | 7.50% |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on Pub-2010 General Employee Mortality Table for the GERF Plan and RP-2014 tables for the TRA for males and females, as appropriate, with slight adjustments to fit the PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the GERF and 1.00 percent for January 2020 through January 2023, then increasing by 0.10 percent each year, up to 1.50 percent annually for the TRA.

Actuarial assumptions used in the June 30, 2020 valuations were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent experience study in the TRA plan was completed in 2015, with economic assumptions updated in 2017.

## NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The following changes in actuarial assumptions and plan provisions occurred in 2020:

### 1. GERF

#### CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, 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 MP-2018 to 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 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

#### CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

### 2. TRA

#### CHANGES IN ACTUARIAL ASSUMPTIONS

- Employer contribution rate increased from 7.92 percent to 8.13 percent in July 2020.

## NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic equity | 35.50 % | 5.10 % |
| Private markets | 25.00 | 5.90 % |
| Fixed income | 20.00 | 0.75 % |
| International equity | 17.50 | 5.30 % |
| Cash equivalents | 2.00 | – % |
| Total | 100.00 % | |

### F. Discount Rate

#### 1. GERF

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### 2. TRA

The discount rate used to measure the total pension liability was 7.50 percent. There was no change since the prior measurement. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2020 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).

## NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

### G. Pension Liability Sensitivity

The following table 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:

| | 1% Decrease in Discount Rate | Discount Rate | 1% Increase in Discount Rate |
|---|---|---|---|
| GERF discount rate | 6.50% | 7.50% | 8.50% |
| School's proportionate share of the GERF net pension liability | $ 538,084 | $ 335,745 | $ 168,833 |
| TRA discount rate | 6.50% | 7.50% | 8.50% |
| School's proportionate share of the TRA net pension liability | $ 3,167,123 | $ 2,068,678 | $ 1,163,614 |

### H. 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 PERA website at www.mnpera.org.

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

## NOTE 6 – COMMITMENTS AND CONTINGENCIES

### A. Operating Leases

In July 2017, the School entered into an agreement to lease space located at 35808 County Road 66, Crosslake, Minnesota from the Lakes Area Kids Enrichment Foundation, a Minnesota nonprofit corporation. The lease term covers a 30-year period ending June 30, 2047, with 10 renewal options of 5 years each after the initial lease term. The lease calls for monthly payments of base rent, plus utilities and operating costs. The School paid $488,516 in total rent payments on this lease during fiscal 2021.

This lease and all rights of the School under the terms of this lease are, and shall be, subordinate to any mortgage or deed of trust constituting a lien on the premises or any part thereof. In the event of default by the School, the lessor may be entitled to repossess the premises, and be entitled to recover 1) the costs of recovering the premise, including reasonable attorney fees, 2) unpaid gross rent at the time of termination, plus interest thereon from the due date at a rate not to exceed 10.0 percent, 3) the balance of gross rent for the remainder of the lease term, less the rent the lessor can reasonably expect to recover by rental of the premises for said period, reduced to present value discounted at a rate of 5.0 percent per annum, and 4) any other damages owed by the School to the lessor.

Future minimum base lease payments under these agreements are as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2022 | $ 351,885 |
| 2023 | 351,885 |
| 2024 | 351,885 |
| 2025 | 351,885 |
| 2026 | 351,885 |
| 2027–2031 | 1,759,425 |
| 2032–2036 | 1,759,425 |
| 2037–2041 | 1,759,425 |
| 2042–2046 | 1,759,425 |
| 2047 | 351,885 |
| | $ 9,149,010 |

### B. Legal Claims

The School has the usual and customary types of miscellaneous legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose. Although the outcomes of these claims are not presently determinable, the School believes that the resolution of these matters will not have a material adverse effect on its financial position.

### C. Federal and State Revenues

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 funds. 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.

### D. COVID-19 Pandemic

The COVID-19 pandemic caused numerous financial and operational challenges for charter schools in fiscal 2021, and is expected to have a significant impact for fiscal 2022 and possibly beyond. Any potential effects it may have on the School’s future operations and financial condition cannot be determined at this time and have not been reflected in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CROSSLAKE COMMUNITY SCHOOL, INC.

Public Employees Retirement Association Pension Benefits Plan
Schedule of School's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2021

| School Fiscal Year-End Date | PERA Fiscal Year-End Date (Measurement Date) | School's Proportion of the Net Pension Liability | School's Proportionate Share of the Net Pension Liability | School's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability | Proportionate Share of the Net Pension Liability and the School's Share of the State of Minnesota's Share of the Net Pension Liability | School's Covered Payroll | School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|---|---|---|
| 06/30/2015 | 06/30/2014 | 0.0030% | $ 140,925 | $ – | $ 140,925 | $ 151,200 | 93.20% | 78.70% |
| 06/30/2016 | 06/30/2015 | 0.0030% | $ 155,476 | $ – | $ 155,476 | $ 173,173 | 89.78% | 78.20% |
| 06/30/2017 | 06/30/2016 | 0.0038% | $ 308,541 | $ 4,082 | $ 312,623 | $ 222,160 | 138.88% | 68.90% |
| 06/30/2018 | 06/30/2017 | 0.0047% | $ 300,045 | $ 3,780 | $ 303,825 | $ 303,053 | 99.01% | 75.90% |
| 06/30/2019 | 06/30/2018 | 0.0040% | $ 221,904 | $ 7,224 | $ 229,128 | $ 268,573 | 82.62% | 79.50% |
| 06/30/2020 | 06/30/2019 | 0.0044% | $ 243,266 | $ 7,666 | $ 250,932 | $ 314,258 | 77.41% | 80.20% |
| 06/30/2021 | 06/30/2020 | 0.0056% | $ 335,745 | $ 10,402 | $ 346,147 | $ 399,983 | 83.94% | 79.10% |

Public Employees Retirement Association Pension Benefits Plan
Schedule of School Contributions
Year Ended June 30, 2021

| School Fiscal Year-End Date | Statutorily Required Contributions | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 06/30/2014 | $ 11,340 | $ 11,340 | $ – | $ 151,200 | 7.50% |
| 06/30/2015 | $ 12,988 | $ 12,988 | $ – | $ 173,173 | 7.50% |
| 06/30/2016 | $ 16,662 | $ 16,662 | $ – | $ 222,160 | 7.50% |
| 06/30/2017 | $ 22,729 | $ 22,729 | $ – | $ 303,053 | 7.50% |
| 06/30/2018 | $ 20,143 | $ 20,143 | $ – | $ 268,573 | 7.50% |
| 06/30/2019 | $ 23,570 | $ 23,570 | $ – | $ 314,258 | 7.50% |
| 06/30/2020 | $ 29,999 | $ 29,999 | $ – | $ 399,983 | 7.50% |
| 06/30/2021 | $ 32,054 | $ 32,054 | $ – | $ 427,385 | 7.50% |

Note: The School implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

CROSSLAKE COMMUNITY SCHOOL, INC.

Teachers Retirement Association Pension Benefits Plan
Schedule of School's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2021

| School Fiscal Year-End Date | TRA Fiscal Year-End Date (Measurement Date) | School's Proportion of the Net Pension Liability | School's Proportionate Share of the Net Pension Liability | School's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability | Proportionate Share of the Net Pension Liability and the School's Share of the State of Minnesota's Share of the Net Pension Liability | School's Covered Payroll | School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|---|---|---|
| 06/30/2015 | 06/30/2014 | 0.0115% | $ 529,912 | $ 37,251 | $ 567,163 | $ 525,843 | 100.77% | 81.50% |
| 06/30/2016 | 06/30/2015 | 0.0116% | $ 717,575 | $ 87,863 | $ 805,438 | $ 631,357 | 113.66% | 76.80% |
| 06/30/2017 | 06/30/2016 | 0.0132% | $ 3,148,515 | $ 315,486 | $ 3,464,001 | $ 688,760 | 457.13% | 44.88% |
| 06/30/2018 | 06/30/2017 | 0.0167% | $ 3,333,623 | $ 321,998 | $ 3,655,621 | $ 898,723 | 370.93% | 51.57% |
| 06/30/2019 | 06/30/2018 | 0.0217% | $ 1,362,963 | $ 127,845 | $ 1,490,808 | $ 1,202,200 | 113.37% | 78.07% |
| 06/30/2020 | 06/30/2019 | 0.0230% | $ 1,466,025 | $ 129,555 | $ 1,595,580 | $ 1,304,448 | 112.39% | 78.21% |
| 06/30/2021 | 06/30/2020 | 0.0280% | $ 2,068,678 | $ 173,096 | $ 2,241,774 | $ 1,627,866 | 127.08% | 75.48% |

Teachers Retirement Association Pension Benefits Plan
Schedule of School Contributions
Year Ended June 30, 2021

| School Fiscal Year-End Date | Statutorily Required Contributions | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 06/30/2014 | $ 36,809 | $ 36,809 | $ – | $ 525,843 | 7.00% |
| 06/30/2015 | $ 44,195 | $ 44,195 | $ – | $ 631,357 | 7.00% |
| 06/30/2016 | $ 51,657 | $ 51,657 | $ – | $ 688,760 | 7.50% |
| 06/30/2017 | $ 67,396 | $ 67,396 | $ – | $ 898,723 | 7.50% |
| 06/30/2018 | $ 90,165 | $ 90,165 | $ – | $ 1,202,200 | 7.50% |
| 06/30/2019 | $ 100,298 | $ 100,298 | $ – | $ 1,304,448 | 7.69% |
| 06/30/2020 | $ 128,926 | $ 128,926 | $ – | $ 1,627,859 | 7.92% |
| 06/30/2021 | $ 154,510 | $ 154,510 | $ – | $ 1,900,494 | 8.13% |

Note: The School implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

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## PERA – GENERAL EMPLOYEES RETIREMENT FUND

### 2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, 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 MP-2018 to 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 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

### 2020 CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

### 2019 CHANGES IN PLAN PROVISIONS

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

### 2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

## PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

### 2018 CHANGES IN PLAN PROVISIONS

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

### 2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044, and 2.50 percent per year thereafter, to 1.25 percent per year.

### 2017 CHANGES IN PLAN PROVISIONS

- The state’s contribution for the Minneapolis Employees Retirement Fund equals $16.0 million in 2017 and 2018, and $6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21.0 million to $31.0 million in calendar years 2019 to 2031. The state’s contribution changed from $16.0 million to $6.0 million in calendar years 2019 to 2031.

### 2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

## PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

### 2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

### 2015 CHANGES IN PLAN PROVISIONS

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892.0 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.

### 2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2035, and 2.50 percent per year thereafter.

## TEACHERS RETIREMENT ASSOCIATION (TRA)

### 2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit, are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90.00 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.
- The single discount rate changed from 5.12 percent to 7.50 percent.

### 2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The COLA was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

## TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

### 2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The single discount rate was changed from 8.00 percent to 4.66 percent.

### 2015 CHANGES IN PLAN PROVISIONS

- The Duluth Teachers Retirement Fund Association was merged into the TRA on June 30, 2015.

### 2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

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SUPPLEMENTAL INFORMATION

CROSSLAKE COMMUNITY SCHOOL, INC.

Combining Balance Sheet
Nonmajor Governmental Funds
as of June 30, 2021

| | Special Revenue Funds | | |
|---|---|---|---|
| | Food Service | Community Service | Total |
| **Assets** | | | |
| Cash and temporary investments | $ 10,213 | $ 10,535 | $ 20,748 |
| **Liabilities** | | | |
| Salaries and benefits payable | $ 7,456 | $ 8,440 | $ 15,896 |
| **Fund balances** | | | |
| Restricted for food service | 2,757 | – | 2,757 |
| Restricted for community service | – | 2,095 | 2,095 |
| Total fund balances | 2,757 | 2,095 | 4,852 |
| Total liabilities and fund balances | $ 10,213 | $ 10,535 | $ 20,748 |

CROSSLAKE COMMUNITY SCHOOL, INC.

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2021

| | Special Revenue Funds | | |
|---|---|---|---|
| | Food Service | Community Service | Total |
| Revenue | | | |
| Federal sources | $ 83,642 | $ 1,215 | $ 84,857 |
| State sources | 1,401 | – | 1,401 |
| Local sources | | | |
| Other | 2,862 | 45,931 | 48,793 |
| Total revenue | 87,905 | 47,146 | 135,051 |
| Expenditures | | | |
| Current | | | |
| Food service | 92,853 | – | 92,853 |
| Community service | – | 71,245 | 71,245 |
| Total expenditures | 92,853 | 71,245 | 164,098 |
| Excess (deficiency) of revenue over expenditures | (4,948) | (24,099) | (29,047) |
| Other financing sources | | | |
| Transfers in | 6,349 | 24,099 | 30,448 |
| Net change in fund balances | 1,401 | – | 1,401 |
| Fund balances | | | |
| Beginning of year | 1,356 | 2,095 | 3,451 |
| End of year | $ 2,757 | $ 2,095 | $ 4,852 |

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CROSSLAKE COMMUNITY SCHOOL, INC.

General Fund
Comparative Balance Sheet
as of June 30, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| Assets | | |
| Cash and temporary investments | $ 1,164,624 | $ 874,739 |
| Receivables | | |
| Due from other governmental units | 503,315 | 569,853 |
| Prepaid items | 4,436 | 15,023 |
| Total assets | $ 1,672,375 | $ 1,459,615 |
| Liabilities | | |
| Salaries and benefits payable | $ 396,152 | $ 301,962 |
| Accounts and contracts payable | 49,212 | 68,018 |
| Unearned revenue | 2,160 | – |
| Total liabilities | 447,524 | 369,980 |
| Fund balances | | |
| Nonspendable for prepaid items | 4,436 | 15,023 |
| Restricted for Medical Assistance | 3,682 | – |
| Assigned for subsequent year’s budget | 135,356 | 22,773 |
| Unassigned | 1,081,377 | 1,051,839 |
| Total fund balances | 1,224,851 | 1,089,635 |
| Total liabilities and fund balances | $ 1,672,375 | $ 1,459,615 |

CROSSLAKE COMMUNITY SCHOOL, INC.

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

| | 2021 | | | 2020 |
|---|---|---|---|---|
| | Budget | Actual | Over (Under) Budget | Actual |
| Revenue | | | | |
| Federal sources | $ 260,066 | $ 288,469 | $ 28,403 | $ 133,988 |
| State sources | 4,248,320 | 4,223,864 | (24,456) | 3,605,656 |
| Local sources | | | | |
| Investment earnings | 424 | 522 | 98 | 321 |
| Other | 23,058 | 25,862 | 2,804 | 63,960 |
| Total revenue | 4,531,868 | 4,538,717 | 6,849 | 3,803,925 |
| Expenditures | | | | |
| Current | | | | |
| Administration | | | | |
| Salaries | 76,541 | 76,541 | – | 102,805 |
| Employee benefits | 18,585 | 19,705 | 1,120 | 11,990 |
| Purchased services | 2,500 | 346 | (2,154) | 252 |
| Other expenditures | – | 374 | 374 | – |
| Total administration | 97,626 | 96,966 | (660) | 115,047 |
| District support services | | | | |
| Employee benefits | 12,433 | 12,433 | – | 7,371 |
| Purchased services | 128,000 | 116,952 | (11,048) | 151,910 |
| Supplies and materials | 103,179 | 40,630 | (62,549) | 29,718 |
| Other expenditures | – | 3,456 | 3,456 | 400 |
| Total district support services | 243,612 | 173,471 | (70,141) | 189,399 |
| Elementary and secondary regular instruction | | | | |
| Salaries | 1,430,281 | 1,467,199 | 36,918 | 1,269,293 |
| Employee benefits | 351,168 | 362,398 | 11,230 | 301,890 |
| Purchased services | 6,600 | 3,183 | (3,417) | 12,389 |
| Supplies and materials | 178,884 | 159,035 | (19,849) | 117,927 |
| Capital expenditures | – | – | – | 23,044 |
| Other expenditures | – | 200 | 200 | 13,102 |
| Total elementary and secondary regular instruction | 1,966,933 | 1,992,015 | 25,082 | 1,737,645 |
| Special education instruction | | | | |
| Salaries | 612,368 | 518,649 | (93,719) | 417,274 |
| Employee benefits | 119,400 | 80,054 | (39,346) | 85,610 |
| Purchased services | 38,877 | 74,844 | 35,967 | 63,724 |
| Supplies and materials | 40,120 | 4,401 | (35,719) | 6,074 |
| Other expenditures | – | 2,449 | 2,449 | 4,250 |
| Total special education instruction | 810,765 | 680,397 | (130,368) | 576,932 |



(continued)

CROSSLAKE COMMUNITY SCHOOL, INC.

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

| | 2021 | | | 2020 |
|---|---|---|---|---|
| | Budget | Actual | Over (Under) Budget | Actual |
| Expenditures (continued) | | | | |
| Current (continued) | | | | |
| Instructional support services | | | | |
| Salaries | 214,650 | 222,044 | 7,394 | 192,644 |
| Employee benefits | 38,166 | 41,560 | 3,394 | 35,832 |
| Purchased services | 101,131 | 107,595 | 6,464 | 3,608 |
| Supplies and materials | 5,000 | 29,903 | 24,903 | – |
| Other expenditures | 33,500 | 40,732 | 7,232 | 33,920 |
| Total instructional support services | 392,447 | 441,834 | 49,387 | 266,004 |
| Pupil support services | | | | |
| Salaries | 100,174 | 100,175 | 1 | 38,445 |
| Employee benefits | 15,907 | 16,195 | 288 | 5,982 |
| Purchased services | 211,220 | 216,042 | 4,822 | 211,628 |
| Supplies and materials | 2,000 | 1,654 | (346) | 173 |
| Other expenditures | – | 115 | 115 | 210 |
| Total pupil support services | 329,301 | 334,181 | 4,880 | 256,438 |
| Sites and buildings | | | | |
| Salaries | 49,954 | 57,570 | 7,616 | 45,034 |
| Employee benefits | 7,743 | 8,892 | 1,149 | 6,837 |
| Purchased services | 534,516 | 541,079 | 6,563 | 498,487 |
| Supplies and materials | 26,343 | 27,149 | 806 | 21,210 |
| Capital expenditures | 6,000 | 6,211 | 211 | – |
| Other expenditures | – | 134 | 134 | 122 |
| Total sites and buildings | 624,556 | 641,035 | 16,479 | 571,690 |
| Fiscal and other fixed cost programs | | | | |
| Purchased services | 25,000 | 13,154 | (11,846) | 12,203 |
| Total expenditures | 4,490,240 | 4,373,053 | (117,187) | 3,725,358 |
| Excess of revenue over expenditures | 41,628 | 165,664 | 124,036 | 78,567 |
| Other financing sources (uses) | | | | |
| PPP loan | – | – | – | 451,800 |
| Transfers (out) | (26,484) | (30,448) | (3,964) | (53,182) |
| Total other financing sources (uses) | (26,484) | (30,448) | (3,964) | 398,618 |
| Net change in fund balances | $ 15,144 | 135,216 | $ 120,072 | 477,185 |
| Fund balances | | | | |
| Beginning of year | | 1,089,635 | | 612,450 |
| End of year | | $ 1,224,851 | | $ 1,089,635 |

CROSSLAKE COMMUNITY SCHOOL, INC.

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| **Assets** | | |
| Cash and temporary investments | $ 10,213 | $ 8,004 |
| **Liabilities** | | |
| Salaries and benefits payable | $ 7,456 | $ 6,648 |
| **Fund balances** | | |
| Restricted for food service | 2,757 | 1,356 |
| Total liabilities and fund balances | $ 10,213 | $ 8,004 |

CROSSLAKE COMMUNITY SCHOOL, INC.

Food Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

| | 2021 | | | 2020 |
|---|---|---|---|---|
| | Budget | Actual | Over (Under) Budget | Actual |
| Revenue | | | | |
| Federal sources | $ 70,000 | $ 83,642 | $ 13,642 | $ 56,407 |
| State sources | – | 1,401 | 1,401 | 5,041 |
| Local sources | | | | |
| Other – primarily meal sales | 1,918 | 2,862 | 944 | 24,808 |
| Total revenue | 71,918 | 87,905 | 15,987 | 86,256 |
| Expenditures | | | | |
| Current | | | | |
| Salaries | 42,736 | 57,485 | 14,749 | 65,120 |
| Employee benefits | 6,624 | 9,016 | 2,392 | 10,838 |
| Purchased services | 500 | 379 | (121) | 306 |
| Supplies and materials | 24,000 | 24,960 | 960 | 35,036 |
| Other expenditures | 1,500 | 1,013 | (487) | 1,593 |
| Total expenditures | 75,360 | 92,853 | 17,493 | 112,893 |
| Excess (deficiency) of revenue over expenditures | (3,442) | (4,948) | (1,506) | (26,637) |
| Other financing sources | | | | |
| Transfers in | 3,443 | 6,349 | 2,906 | 27,993 |
| Net change in fund balances | $ 1 | 1,401 | $ 1,400 | 1,356 |
| Fund balances | | | | |
| Beginning of year | | 1,356 | | – |
| End of year | | $ 2,757 | | $ 1,356 |

CROSSLAKE COMMUNITY SCHOOL, INC.

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| **Assets** | | |
| Cash and temporary investments | $ 10,535 | $ 2,095 |
| **Liabilities** | | |
| Salaries and benefits payable | $ 8,440 | $ – |
| **Fund balances** | | |
| Restricted for community service | 2,095 | 2,095 |
| Total liabilities and fund balances | $ 10,535 | $ 2,095 |

CROSSLAKE COMMUNITY SCHOOL, INC.

Community Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

| | 2021 | | | 2020 |
|---|---|---|---|---|
| | Budget | Actual | Over (Under) Budget | Actual |
| Revenue | | | | |
| Federal sources | $ 226 | $ 1,215 | $ 989 | $ – |
| Other – primarily program fees | 47,600 | 45,931 | (1,669) | 43,423 |
| Total revenue | 47,826 | 47,146 | (680) | 43,423 |
| Expenditures | | | | |
| Current | | | | |
| Salaries | 46,755 | 51,282 | 4,527 | 48,293 |
| Employee benefits | 14,217 | 14,113 | (104) | 11,433 |
| Purchased services | 1,340 | 1,015 | (325) | 1,136 |
| Supplies and materials | 8,555 | 4,835 | (3,720) | 5,655 |
| Total expenditures | 70,867 | 71,245 | 378 | 66,517 |
| Excess (deficiency) of revenue over expenditures | (23,041) | (24,099) | (1,058) | (23,094) |
| Other financing sources | | | | |
| Transfers in | 23,042 | 24,099 | 1,057 | 25,189 |
| Net change in fund balances | $ 1 | – | $ (1) | 2,095 |
| Fund balances | | | | |
| Beginning of year | | 2,095 | | – |
| End of year | | $ 2,095 | | $ 2,095 |

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# OTHER REQUIRED REPORTS

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

**PRINCIPALS**
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

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

To the Board and Management of
Crosslake Community School, Inc.
Crosslake, 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, the major fund, and the aggregate remaining fund information of Crosslake Community School, Inc. (the School) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 7, 2021.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

(continued)



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**COMPLIANCE AND OTHER MATTERS**

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

**PURPOSE OF THIS REPORT**

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

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
December 7, 2021

MMKR
CERTIFIED PUBLIC ACCOUNTANTS

**PRINCIPALS**
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

# INDEPENDENT AUDITOR'S REPORT

# ON MINNESOTA LEGAL COMPLIANCE

To the Board and Management of
Crosslake Community School, Inc.
Crosslake, 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, the major fund, and the aggregate remaining fund information of Crosslake Community School, Inc. (the School) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 7, 2021.

## MINNESOTA LEGAL COMPLIANCE

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

## PURPOSE OF THIS REPORT

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

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
December 7, 2021



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CROSSLAKE COMMUNITY SCHOOL, INC.

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2021

| | | Audit | UFARS | Audit – UFARS |
|---|---|---|---|---|
| **General Fund** | | | | |
| Total revenue | | $ 4,538,717 | $ 4,538,717 | $ – |
| Total expenditures | | $ 4,373,053 | $ 4,373,054 | $ (1) |
| Nonspendable | | | | |
| 460 | Nonspendable fund balance | $ 4,436 | $ 4,436 | $ – |
| Restricted | | | | |
| 401 | Student activities | $ – | $ – | $ – |
| 402 | Scholarships | $ – | $ – | $ – |
| 403 | Staff development | $ – | $ – | $ – |
| 407 | Capital projects levy | $ – | $ – | $ – |
| 408 | Cooperative revenue | $ – | $ – | $ – |
| 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 program | $ – | $ – | $ – |
| 438 | Gifted and talented | $ – | $ – | $ – |
| 440 | Teacher development and evaluation | $ – | $ – | $ – |
| 441 | Basic skills programs | $ – | $ – | $ – |
| 448 | Achievement and integration | $ – | $ – | $ – |
| 449 | Safe schools levy | $ – | $ – | $ – |
| 451 | QZAB payments | $ – | $ – | $ – |
| 452 | OPEB liability not in trust | $ – | $ – | $ – |
| 453 | Unfunded severance and retirement levy | $ – | $ – | $ – |
| 459 | Basic skills extended time | $ – | $ – | $ – |
| 467 | Long-term facilities maintenance | $ – | $ – | $ – |
| 472 | Medical Assistance | $ 3,682 | $ 3,682 | $ – |
| 473 | PPP loans | $ – | $ – | $ – |
| 474 | EIDL loans | $ – | $ – | $ – |
| 464 | Restricted fund balance | $ – | $ – | $ – |
| 475 | Title VII – Impact Aid | $ – | $ – | $ – |
| 476 | PILT | $ – | $ – | $ – |
| Committed | | | | |
| 418 | Committed for separation | $ – | $ – | $ – |
| 461 | Committed fund balance | $ – | $ – | $ – |
| Assigned | | | | |
| 462 | Assigned fund balance | $ 135,356 | $ 135,356 | $ – |
| Unassigned | | | | |
| 422 | Unassigned fund balance | $ 1,081,377 | $ 1,081,377 | $ – |
| **Food Service** | | | | |
| Total revenue | | $ 87,905 | $ 87,906 | $ (1) |
| Total expenditures | | $ 92,853 | $ 92,853 | $ – |
| Nonspendable | | | | |
| 460 | Nonspendable fund balance | $ – | $ – | $ – |
| Restricted | | | | |
| 452 | OPEB liability not in trust | $ – | $ – | $ – |
| 474 | EIDL loans | $ – | $ – | $ – |
| 464 | Restricted fund balance | $ 2,757 | $ 2,757 | $ – |
| Unassigned | | | | |
| 463 | Unassigned fund balance | $ – | $ – | $ – |
| **Community Service** | | | | |
| Total revenue | | $ 47,146 | $ 47,146 | $ – |
| Total expenditures | | $ 71,245 | $ 71,245 | $ – |
| Nonspendable | | | | |
| 460 | Nonspendable fund balance | $ – | $ – | $ – |
| Restricted | | | | |
| 426 | $25 taconite | $ – | $ – | $ – |
| 431 | Community education | $ – | $ – | $ – |
| 432 | ECFE | $ – | $ – | $ – |
| 440 | Teacher development and evaluation | $ – | $ – | $ – |
| 444 | School readiness | $ – | $ – | $ – |
| 447 | Adult basic education | $ – | $ – | $ – |
| 452 | OPEB liability not in trust | $ – | $ – | $ – |
| 473 | PPP loans | $ – | $ – | $ – |
| 474 | EIDL loans | $ – | $ – | $ – |
| 464 | Restricted fund balance | $ 2,095 | $ 2,095 | $ – |
| Unassigned | | | | |
| 463 | Unassigned fund balance | $ – | $ – | $ – |

CROSSLAKE COMMUNITY SCHOOL, INC.

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2021

| | | Audit | | UFARS | | Audit – UFARS | |
|---|---|---|---|---|---|---|---|
| **Building Construction** | | | | | | | |
| Total revenue | | $ | – | $ | – | $ | – |
| Total expenditures | | $ | – | $ | – | $ | – |
| Nonspendable | | | | | | | |
| 460 | Nonspendable fund balance | $ | – | $ | – | $ | – |
| Restricted | | | | | | | |
| 407 | Capital projects levy | $ | – | $ | – | $ | – |
| 413 | Projects funded by COP | $ | – | $ | – | $ | – |
| 467 | Long-term facilities maintenance | $ | – | $ | – | $ | – |
| 464 | Restricted fund balance | $ | – | $ | – | $ | – |
| Unassigned | | | | | | | |
| 463 | Unassigned fund balance | $ | – | $ | – | $ | – |
| **Debt Service** | | | | | | | |
| Total revenue | | $ | – | $ | – | $ | – |
| Total expenditures | | $ | – | $ | – | $ | – |
| Nonspendable | | | | | | | |
| 460 | Nonspendable fund balance | $ | – | $ | – | $ | – |
| Restricted | | | | | | | |
| 425 | Bond refundings | $ | – | $ | – | $ | – |
| 433 | Maximum effort loan | $ | – | $ | – | $ | – |
| 451 | QZAB payments | $ | – | $ | – | $ | – |
| 467 | Long-term facilities maintenance | $ | – | $ | – | $ | – |
| 464 | Restricted fund balance | $ | – | $ | – | $ | – |
| Unassigned | | | | | | | |
| 463 | Unassigned fund balance | $ | – | $ | – | $ | – |
| **Trust** | | | | | | | |
| Total revenue | | $ | – | $ | – | $ | – |
| Total expenditures | | $ | – | $ | – | $ | – |
| 401 | Student activities | $ | – | $ | – | $ | – |
| 402 | Scholarships | $ | – | $ | – | $ | – |
| 422 | Net position | $ | – | $ | – | $ | – |
| **Custodial** | | | | | | | |
| Total revenue | | $ | – | $ | – | $ | – |
| Total expenditures | | $ | – | $ | – | $ | – |
| 401 | Student activities | $ | – | $ | – | $ | – |
| 402 | Scholarships | $ | – | $ | – | $ | – |
| 422 | Net position | $ | – | $ | – | $ | – |
| 448 | Achievement and integration | $ | – | $ | – | $ | – |
| 464 | Restricted fund balance | $ | – | $ | – | $ | – |
| **Internal Service** | | | | | | | |
| Total revenue | | $ | – | $ | – | $ | – |
| Total expenditures | | $ | – | $ | – | $ | – |
| 422 | Net position | $ | – | $ | – | $ | – |
| **OPEB Revocable Trust Fund** | | | | | | | |
| Total revenue | | $ | – | $ | – | $ | – |
| Total expenditures | | $ | – | $ | – | $ | – |
| 422 | Net position | $ | – | $ | – | $ | – |
| **OPEB Irrevocable Trust Fund** | | | | | | | |
| Total revenue | | $ | – | $ | – | $ | – |
| Total expenditures | | $ | – | $ | – | $ | – |
| 422 | Net position | $ | – | $ | – | $ | – |
| **OPEB Debt Service Fund** | | | | | | | |
| Total revenue | | $ | – | $ | – | $ | – |
| Total expenditures | | $ | – | $ | – | $ | – |
| Nonspendable | | | | | | | |
| 460 | Nonspendable fund balance | $ | – | $ | – | $ | – |
| Restricted | | | | | | | |
| 425 | Bond refundings | $ | – | $ | – | $ | – |
| 464 | Restricted fund balance | $ | – | $ | – | $ | – |
| Unassigned | | | | | | | |
| 463 | Unassigned fund balance | $ | – | $ | – | $ | – |

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.

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