

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020

DRAFT

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2020**

INTRODUCTORY SECTION

SCHOOL BOARD AND ADMINISTRATION	1
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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	2
REQUIRED SUPPLEMENTARY INFORMATION	
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	15
STATEMENT OF ACTIVITIES	16
BALANCE SHEET – GOVERNMENTAL FUNDS	17
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION – GOVERNMENTAL FUNDS	18
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS	19
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES	20
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET TO ACTUAL – GENERAL FUND	21
NOTES TO BASIC FINANCIAL STATEMENTS	22
REQUIRED SUPPLEMENTARY INFORMATION	
TRA SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	49
TRA SCHEDULE OF SCHOOL CONTRIBUTIONS	50
GERF SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	51
GERF SCHEDULE OF SCHOOL CONTRIBUTIONS	52
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	53

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
TABLE OF CONTENTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

SUPPLEMENTARY INFORMATION

UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE	58
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	59
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS	60
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – FOOD SERVICE FUND	61
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – COMMUNITY SERVICE FUND	62

OTHER REQUIRED REPORTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	63
INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE	65
SCHEDULE OF FINDINGS AND RECOMMENDATIONS	66

INTRODUCTORY SECTION

DRAFT

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2020**

SCHOOL BOARD

NAME	TERM ON BOARD EXPIRES	BOARD POSITION
Aditya Bharadwaj	6/30/21	Chair
Jennie Winter	6/30/20	Treasurer
Becky Lund	6/30/22	Secretary
Theresa Nelson	6/30/21	Chair-Elect
Jason Belter	6/30/21	Director
Josh Garvin	6/30/20	Director
Claudia Gumbiner Hungs	6/30/21	Director
Divya Karan	6/30/20	Director
Paul Mason	6/30/20	Director
Michele Pipitone	Resigned 11/2019	Director
Frank Ross	6/30/20	Director

BUILDING COMPANY BOARD

Jeff Ellerd	President
Ken Schlosser	Secretary
Sarah Taylor	Director
Scott Krizan	Director

ADMINISTRATION

Dr. Brett Wedlund	Executive Director
Michael Pelofske	Upper School Principal
Brooke Tousignant	Lower School Principal

FINANCIAL SECTION

DRAFT



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Nova Classical Academy as of June 30, 2020, 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

Report on Summarized Prior Year Information

We have previously audited Nova Classical Academy's 2019 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and we expressed unmodified opinions on those financial statements in our report dated October 16, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the financial statements from which it has been derived.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nova Classical Academy's basic financial statements. The Uniform Financial Accounting and Reporting Standards Compliance Table, combining statements, and individual fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Matters (Continued)

Other Information (Continued)

The Uniform Financial Accounting and Reporting Standards Compliance Table, combining statements, and individual fund statements 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.

Other Reporting Required by *Government Auditing Standards*

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

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

This section of Nova Classical Academy – Charter School No. 4098's (the School) annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the School's financial statements, which immediately follows this section. Certain comparative information between the current year (2019-2020) and the prior year (2018-2019) is required to be presented in the Management's Discussion and Analysis.

FINANCIAL HIGHLIGHTS

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

- Total General Fund revenues were \$11,142,834 as compared to \$10,707,805 of expenditures.
- Total fund balance of the General Fund increased by \$1,639,530.
- As of June 30, 2020, the Nonmajor Governmental Funds had a combined fund balance of \$83,896.
- Average number of students increased by 29 from the prior year.
- Building Company revenues totaled \$1,542,010 as compared to expenditures of \$1,460,925. This resulted in a Building Company increase in fund balance of \$81,085 and an ending fund balance in the Building Company Fund of \$2,472,492 as of June 30, 2020. This increase in fund balance was a result of the Building Company taking in more rent income than what was paid out in debt service.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

School-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The School has one fund type:

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's combined net position was a deficit of \$5,894,856 on June 30, 2020 (see Table A-1).

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

	Governmental Activities as of June 30,		Percentage Change
	2020	2019	
Current and Other Assets	\$ 6,781,033	\$ 5,313,140	27.63 %
Capital Assets	16,717,033	17,092,993	(2.20)
Total Assets	<u>23,498,066</u>	<u>22,406,133</u>	4.87
Deferred Outflows of Resources	8,339,584	8,854,621	(5.82)
Current Liabilities	822,956	1,076,870	(23.58)
Net Pension Liability	6,284,066	5,313,532	18.27
Long-Term Liabilities	23,080,239	22,229,027	3.83
Total Liabilities	<u>30,187,261</u>	<u>28,619,429</u>	5.48
Deferred Inflows of Resources	<u>7,545,245</u>	<u>7,954,180</u>	(5.14)
Net Position:			
Net Investment in Capital Assets	279,569	474,224	(41.05)
Restricted	73,455	99,135	(25.90)
Unrestricted	(6,247,880)	(5,886,214)	6.14
Total Net Position	<u>\$ (5,894,856)</u>	<u>\$ (5,312,855)</u>	10.95

The School's deficit unrestricted net position relates primarily to the net effect of School's proportionate share of the net pension liabilities, deferred inflows of resources, and deferred outflows of resources of the unfunded liabilities for the two statewide pension plans in which it participates (TRA and PERA). TRA and PERA experienced large decreases in their actuarial determined net pension liabilities that were partially offset by large increases in deferred inflows of resources as well as decreases in deferred outflows of resources, in the School's fiscal year 2020 financial statements, due to changes in actuarial assumptions and plan investments doing well during the actuarial measurement date.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Changes in Net Position

The School's total revenues were \$11,567,333 for the year ended June 30, 2020. While 69% of revenue was from unrestricted state aid, program related charges and operating grants accounted for 25% of the revenue for the 2019-2020 school year (see Figure A-1).

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

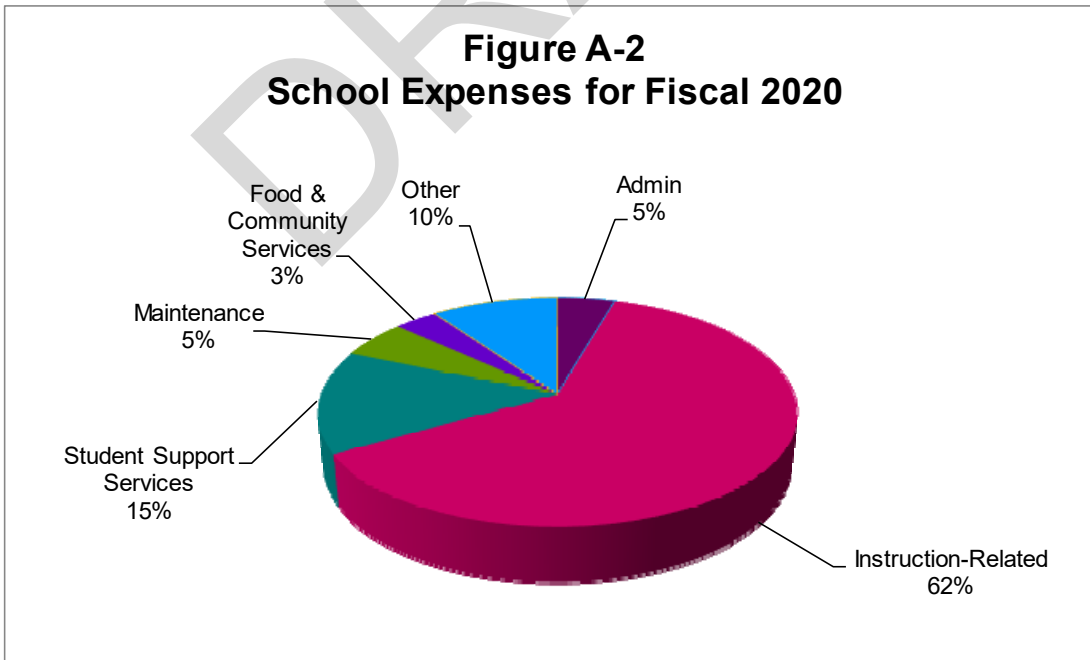
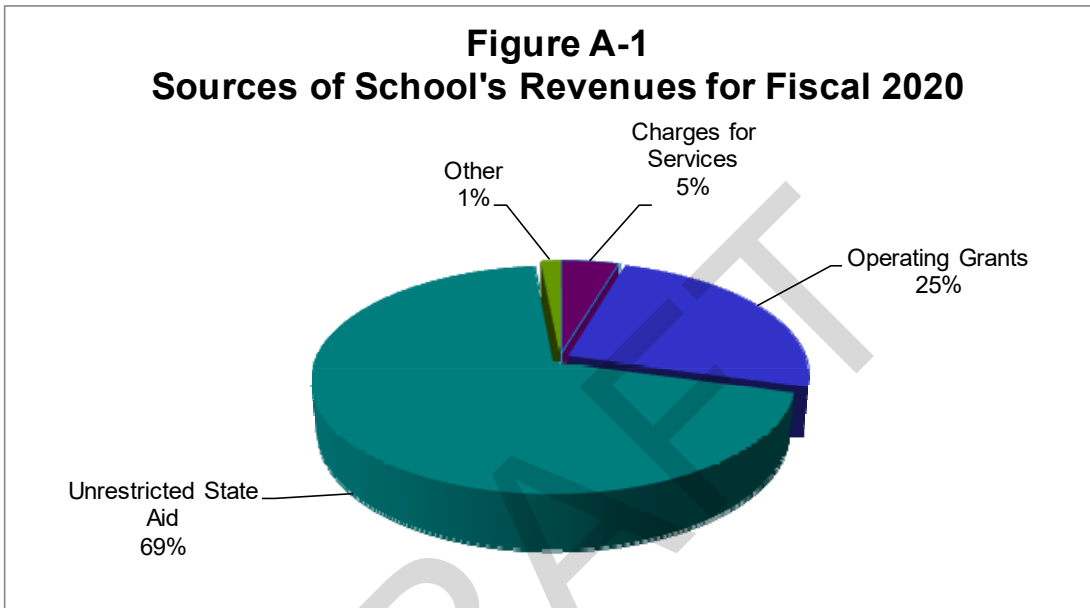
	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2020	2019	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 529,314	\$ 645,778	(18.03)%
Operating Grants and Contributions	2,849,940	2,542,173	12.11
<u>General Revenues</u>			
Unrestricted State Aid	8,014,227	7,646,362	4.81
Investment Earnings	17,811	27,233	(34.60)
Other	156,041	180,891	(13.74)
Total Revenues	<u>11,567,333</u>	<u>11,042,437</u>	4.75
Expenses			
Administration	548,288	522,410	4.95
District Support Services	1,112,393	855,151	30.08
Regular Instruction	6,080,403	4,109,052	47.98
Special Education Instruction	1,477,720	1,086,097	36.06
Instructional Support Services	32,215	17,206	87.23
Pupil Support Services	621,114	535,805	15.92
Sites and Buildings	654,707	933,553	(29.87)
Fiscal and Other Fixed Cost Programs	51,179	53,696	(4.69)
Food Service	295,340	299,518	(1.39)
Community Service	117,564	155,592	(24.44)
Interest and Fiscal Charges on Long-Term Liabilities	<u>1,158,411</u>	<u>1,177,751</u>	(1.64)
Total Expenses	<u>12,149,334</u>	<u>9,745,831</u>	24.66
Change in Net Position	(582,001)	1,296,606	
Beginning Net Position	<u>(5,312,855)</u>	<u>(6,609,461)</u>	
Ending Net Position	<u>\$ (5,894,856)</u>	<u>\$ (5,312,855)</u>	

The total cost of all programs and services was \$12,149,334. Expenses exceeded revenues, decreasing net position by \$582,001 from the prior year. The majority of the net deficit ending net position related to the School's proportionate share of the net pension liabilities, deferred inflows of resources, and deferred outflows of resources of the unfunded liabilities for the two statewide pension plans in which it participates (TRA and PERA) that are recorded in accordance with GASB Statement No. 68.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

The cost of all governmental activities this year was \$12,149,334.

- Most of the School's costs were paid for through unrestricted State aid (69%).
- Grants, charges for services, and other revenues paid for 31% of the School's costs.



**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

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

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2020	2019		2020	2019	
Administration	\$ 548,288	\$ 522,410	4.95 %	\$ 545,352	\$ 530,959	2.71 %
District Support Services	1,112,393	855,151	30.08	1,111,431	854,562	30.06
Regular Instruction	6,080,403	4,109,052	47.98	5,855,805	4,083,679	43.40
Special Education Instruction	1,477,720	1,086,097	36.06	299,540	(95,581)	(413.39)
Instructional Support Services	32,215	17,206	87.23	32,215	17,268	86.56
Pupil Support Services	621,114	535,805	15.92	619,767	541,345	14.49
Sites and Buildings	654,707	933,553	(29.87)	252,746	586,100	(56.88)
Fiscal and Other Fixed Cost Programs	51,179	53,696	(4.69)	51,179	53,696	(4.69)
Food Service	295,340	299,518	(0.01)	763	1,493	(0.49)
Community Service	117,564	155,592	(0.24)	1,282	(15,641)	(1.08)
Interest and Fiscal Charges on Long-Term Liabilities	1,158,411	1,177,751	(1.64)	-	-	N/A
Total	<u>\$ 12,149,334</u>	<u>\$ 9,745,831</u>	24.66	<u>\$ 8,770,080</u>	<u>\$ 6,557,880</u>	33.73

GENERAL FUND

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

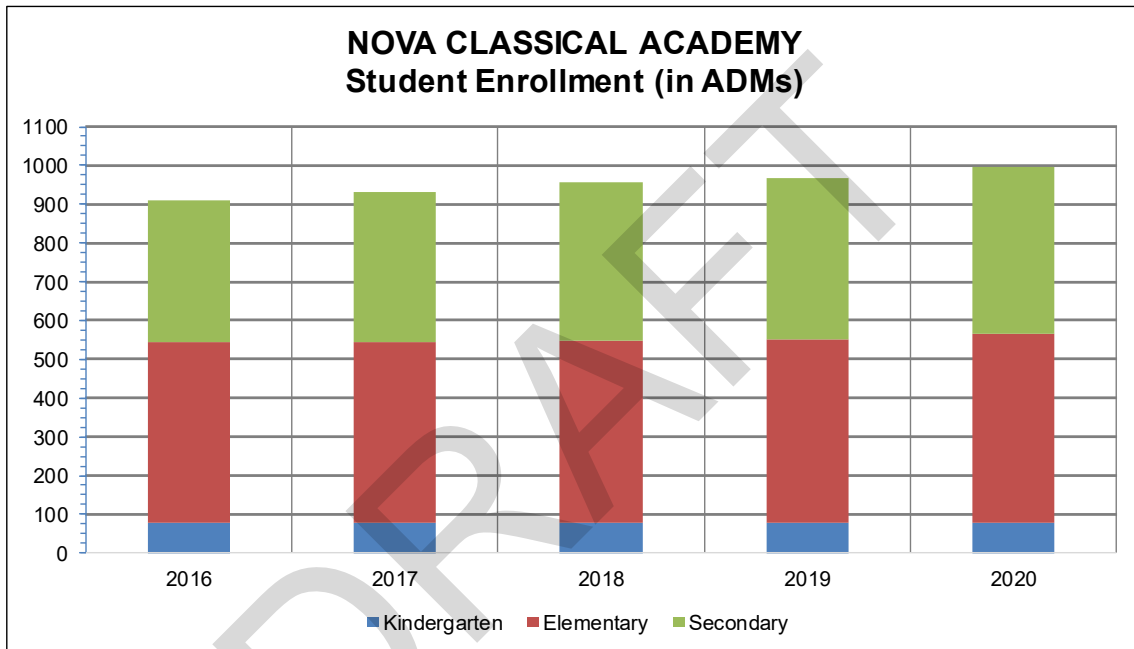
General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This revenue source includes general education aid of 71%, facility lease aid of 14%, and special education aid of 9%.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

ENROLLMENT

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

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



**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

The following schedule presents a summary of General Fund Revenues.

**Table A-5
General Fund Revenues**

	Year Ended		Change	
	June 30, 2020	June 30, 2019	Increase (Decrease)	Percent Change
Local Sources:				
Earnings and Investments	\$ 11,921	\$ 17,352	\$ (5,431)	(31.30)%
Other	331,265	409,138	(77,873)	(19.0)
State Sources	10,702,310	10,268,559	433,751	4.2
Federal Sources	97,338	163,465	(66,127)	(40.5)
Total General Fund Revenue	<u>\$ 11,142,834</u>	<u>\$ 10,858,514</u>	<u>\$ 284,320</u>	2.6

Total General Fund Revenue increased by \$284,320 or 2.6% from the previous year. Basic general education revenue is determined by a state formula, and is largely enrollment driven. The School's revenue in 2019-2020 increased from 2018-2019 due primarily to the increase in ADM served and the 2% formula improvement provided by the Legislature.

The following schedule presents a summary of General Fund Expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Change	
	June 30, 2020	June 30, 2019	Increase (Decrease)	Percent Change
Salaries	\$ 5,441,438	\$ 5,617,014	\$ (175,576)	(3.13)%
Employee Benefits	1,360,554	1,309,715	50,839	3.9
Purchased Services	3,375,969	3,520,071	(144,102)	(4.1)
Supplies and Materials	452,735	458,222	(5,487)	(1.2)
Capital Expenditures	9,016	133,245	(124,229)	(93.2)
Other Expenditures	68,093	57,038	11,055	19.4
Total General Fund Expenditures	<u>\$ 10,707,805</u>	<u>\$ 11,095,305</u>	<u>\$ (387,500)</u>	(3.5)

Total General Fund expenditures decreased \$387,500 or 3.5% from the previous year. Salaries and benefits contributed approximately \$125,000 to the decrease. Purchased services decreased by approximately \$144,000. Capital expenditures were higher in the prior year so were lower by over \$124,000 in fiscal 2020.

Ending fund balance of the General Fund is the single best measure of overall financial health. The total fund balance of \$4,118,613 at June 30, 2020 represents 38.5% of annual expenditures. As a full K-12 program, the School continues its commitment to maintain a strong fund balance.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

General Fund Budgetary Highlights

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

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

The School's final budget for the General Fund anticipated that revenues and other financing sources would exceed expenditures and other financing uses by \$198,312. Overall, revenues were just \$43,299 or 0.4% under budget. Expenditures were \$231,560 or 2.1% under over budget due to savings related distance learning and delayed capital projects. The School received \$1.2 million of PPP loan proceeds that were not reflected in the adopted budget.

OTHER MAJOR FUNDS

In the Building Company Fund, revenues exceeded expenditures by \$81,085 resulting in an ending total fund balance of \$2,472,492.

Nonmajor Governmental Funds

In the Food Service Fund, revenues and other financing sources expenditures by \$6,876, and the fund ended the year with a fund balance of \$12,998 as of June 30, 2020.

In the Community Service Fund revenues exceeded expenditures by \$7,808, and the fund ended the year with a fund balance of \$70,898 as of June 30, 2020.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Investment in capital assets increased by a net of \$9,016 in the 2019-2020 school year to \$19,652,221 before factoring accumulated depreciation. Depreciation for the 2019-2020 school year was \$384,976.

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

	2020	2019	Percentage Change
Building Company			
Land	\$ 4,056,522	\$ 4,056,522	-
Buildings and Improvements	14,543,896	14,543,896	-
Furniture and Equipment	21,708	21,708	-
Nova Classical Academy			
Furniture and Equipment	1,030,095	1,021,079	0.9
Less: Accumulated Depreciation	(2,935,188)	(2,550,212)	15.1
Total District Capital Assets	<u>\$ 16,717,033</u>	<u>\$ 17,092,993</u>	(2.2)

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Long-Term Liabilities

At year-end, Friends of Nova Classical Academy, a blended component unit of the School, had a net of \$22.2 million in charter school lease revenue bonds. The School also recorded a pension liability in the amount of \$6.3 million, representing the school proportionate share of the unfunded liabilities for the two statewide pension plans in which it participates (TRA and PERA). More detailed information about long-term liabilities can be found in Note 5 and Note 6 to the financial statements.

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

	2020	2019	Percentage Change
General Obligation Bonds	\$ 22,480,000	\$ 22,830,000	(1.5)%
Net Bond Discount	(241,961)	(250,973)	(3.6)
PPP Loan	1,212,200	-	N/A
Net Pension Liability	6,284,066	5,313,532	18.3
Total Long-Term Liabilities	<u>\$ 29,734,305</u>	<u>\$ 27,892,559</u>	6.6
Long-Term Liabilities:			
Due Within One Year	\$ 370,000	\$ 350,000	
Due in More Than One Year	29,364,305	27,542,559	
Total	<u>\$ 29,734,305</u>	<u>\$ 27,892,559</u>	

FACTORS BEARING ON THE SCHOOL'S FUTURE

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

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

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

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

DRAFT

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
STATEMENT OF NET POSITION
JUNE 30, 2020**

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)

	Governmental Activities	
	2020	2019
ASSETS		
Cash and Investments	\$ 2,986,625	\$ 1,618,581
Cash with Fiscal Agent	2,634,851	2,547,357
Receivables:		
Other Governments	1,096,985	1,066,908
Other	10,440	11,088
Prepaid Items	52,132	69,206
Capital Assets:		
Land	4,056,522	4,056,522
Other Capital Assets, Net of Depreciation	12,660,511	13,036,471
Total Assets	23,498,066	22,406,133
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pensions	6,003,848	6,413,513
Deferred Outflows - Loss on Refunding of Debt	2,335,736	2,441,108
Total Deferred Outflows of Resources	8,339,584	8,854,621
LIABILITIES		
Salaries Payable	19,332	69,907
Accounts and Contracts Payable	86,700	271,104
Accrued Interest Payable	346,924	353,432
Unearned Revenue	-	32,427
Long-Term Liabilities:		
Net Pension Liability	6,284,066	5,313,532
Other Long-Term Liabilities Due Within One Year	370,000	350,000
Other Long-Term Liabilities Due in More Than One Year	23,080,239	22,229,027
Total Liabilities	30,187,261	28,619,429
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pensions	7,545,245	7,954,180
NET POSITION		
Net Investment in Capital Assets	279,569	474,224
Restricted for:		
Food Service	2,557	6,090
Community Service	70,898	93,045
Unrestricted	(6,247,880)	(5,886,214)
Total Net Position	\$ (5,894,856)	\$ (5,312,855)

See accompanying Notes to Basic Financial Statements.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2019)**

Functions	2020			2019	
	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position	Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities	Total Governmental Activities
GOVERNMENTAL ACTIVITIES					
Administration	\$ 548,288	\$ -	\$ 2,936	\$ (545,352)	\$ (530,959)
District Support Services	1,112,393	-	962	(1,111,431)	(854,562)
Regular Instruction	6,080,403	174,865	49,733	(5,855,805)	(4,083,679)
Special Education Instruction	1,477,720	-	1,178,180	(299,540)	95,581
Instructional Support Services	32,215	-	-	(32,215)	(17,268)
Pupil Support Services	621,114	400	947	(619,767)	(541,345)
Sites and Buildings	654,707	-	401,961	(252,746)	(586,100)
Fiscal and Other Fixed Cost Programs	51,179	-	-	(51,179)	(53,696)
Food Service	295,340	237,940	56,637	(763)	(1,493)
Community Service	117,564	116,109	173	(1,282)	15,641
Interest and Fiscal Charges on Long-Term Liabilities	1,158,411	-	1,158,411	-	-
Total School District	<u>\$ 12,149,334</u>	<u>\$ 529,314</u>	<u>\$ 2,849,940</u>	(8,770,080)	(6,557,880)
GENERAL REVENUES					
				8,014,227	7,646,362
State Aid Not Restricted to Specific Purposes				17,811	27,233
Earnings on Investments				156,041	180,891
Miscellaneous				<u>8,188,079</u>	<u>7,854,486</u>
Total General Revenues					
CHANGE IN NET POSITION					
				(582,001)	1,296,606
Net Position - Beginning				<u>(5,312,855)</u>	<u>(6,609,461)</u>
NET POSITION - ENDING				<u>\$ (5,894,856)</u>	<u>\$ (5,312,855)</u>

See accompanying Notes to Basic Financial Statements.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds	
	General	Building Company		2020	2019
ASSETS					
Cash and Investments	\$ 2,894,824	\$ 12,803	\$ 78,998	\$ 2,986,625	\$ 1,618,581
Cash with Fiscal Agent	-	2,634,851	-	2,634,851	2,547,357
Receivables:					
Due from Minnesota Department of Education	1,069,182	-	-	1,069,182	1,040,563
Due from Federal through Minnesota Department of Education	27,803	-	-	27,803	25,811
Due from Other Governmental Units	-	-	-	-	534
Due from Other Funds	175,162	-	-	175,162	242,249
Other Receivables	-	-	10,440	10,440	11,088
Prepays	52,132	-	-	52,132	69,206
Total Assets	\$ 4,219,103	\$ 2,647,654	\$ 89,438	\$ 6,956,195	\$ 5,555,389
LIABILITIES AND FUND BALANCE					
Liabilities:					
Salaries Payable	\$ 12,620	\$ -	\$ 4,159	\$ 16,779	\$ 42,356
Payroll Deductions and Employer Contributions Payable	1,324	-	1,229	2,553	27,551
Accounts and Contracts Payable	86,546	-	154	86,700	271,104
Due to Other Funds	-	175,162	-	175,162	242,249
Unearned Revenue	-	-	-	-	32,427
Total Liabilities	100,490	175,162	5,542	281,194	615,687
Fund Balance:					
Nonspendable:					
Prepays	52,132	-	-	52,132	69,206
Restricted for:					
Food Service	-	-	12,998	12,998	6,122
Community Service	-	-	70,898	70,898	62,740
Building Company Debt Service	-	2,472,492	-	2,472,492	2,112,076
Building Company Construction	-	-	-	-	279,331
PPP Loans	378,365	-	-	378,365	-
Unassigned	3,688,116	-	-	3,688,116	2,410,227
Total Fund Balance	4,118,613	2,472,492	83,896	6,675,001	4,939,702
Total Liabilities and Fund Balance	\$ 4,219,103	\$ 2,647,654	\$ 89,438	\$ 6,956,195	\$ 5,555,389

See accompanying Notes to Basic Financial Statements.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	2020	2019
Total Fund Balance for Governmental Funds	\$ 6,675,001	\$ 4,939,702
 Total net position reported for governmental activities in the statement of net position is different because:		
 Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	4,056,522	4,056,522
Land Improvements, Net of Accumulated Depreciation	573,245	606,317
Buildings and Improvements, Net of Accumulated Depreciation	11,690,213	11,967,862
Equipment, Net of Accumulated Depreciation	397,053	462,292
 Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(346,924)	(353,432)
 The School's Net Pension Liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:		
Net Pension Liability	(6,284,066)	(5,313,532)
Deferred Inflows of Resources - Pensions	(7,545,245)	(7,954,180)
Deferred Outflows of Resources - Pensions	6,003,848	6,413,513
 Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:		
Bonds Payable	(22,480,000)	(22,830,000)
Loans Payable	(1,212,200)	-
Unamortized Discounts	241,961	250,973
Deferred Loss on Refunding	2,335,736	2,441,108
 Total Net Position of Governmental Activities	 <u>\$ (5,894,856)</u>	 <u>\$ (5,312,855)</u>

See accompanying Notes to Basic Financial Statements.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2019)**

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds	
	General	Building Company		2020	2019
REVENUES					
Local Sources:					
Earnings and Investments	\$ 11,921	\$ 5,890	\$ -	\$ 17,811	\$ 27,233
Other	331,265	1,536,120	353,452	2,220,837	2,357,604
State Sources	10,702,310	-	7,347	10,709,657	10,278,080
Federal Sources	97,338	-	49,230	146,568	209,931
Total Revenues	11,142,834	1,542,010	410,029	13,094,873	12,872,848
EXPENDITURES					
Current:					
Administration	476,144	-	-	476,144	585,860
District Support Services	1,032,307	-	-	1,032,307	828,798
Elementary and Secondary Regular Instruction	5,083,563	-	-	5,083,563	5,478,679
Special Education Instruction	1,336,328	-	-	1,336,328	1,255,404
Instructional Support Services	29,359	-	-	29,359	17,654
Pupil Support Services	590,214	-	-	590,214	573,307
Sites and Buildings	2,099,695	60,390	-	2,160,085	2,417,166
Fiscal and Other Fixed Cost Programs	51,179	-	-	51,179	53,696
Food Service	-	-	295,340	295,340	299,518
Community Service	-	-	107,704	107,704	154,967
Capital Outlay	9,016	-	-	9,016	133,245
Debt Service:					
Principal	-	350,000	-	350,000	330,000
Interest and Fiscal Charges	-	1,050,535	-	1,050,535	1,069,511
Total Expenditures	10,707,805	1,460,925	403,044	12,571,774	13,197,805
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	435,029	81,085	6,985	523,099	(324,957)
OTHER FINANCING SOURCES					
Proceeds from PPP Loan	1,212,200	-	-	1,212,200	-
Transfers In	-	-	7,699	7,699	-
Transfers Out	(7,699)	-	-	(7,699)	-
Total Other Financing Sources (Uses)	1,204,501	-	7,699	1,212,200	-
NET CHANGE IN FUND BALANCE	1,639,530	81,085	14,684	1,735,299	(324,957)
FUND BALANCES					
Beginning of Year	2,479,083	2,391,407	69,212	4,939,702	5,264,659
End of Year	\$ 4,118,613	\$ 2,472,492	\$ 83,896	\$ 6,675,001	\$ 4,939,702

See accompanying Notes to Basic Financial Statements.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2019)**

	2020	2019
Net Change in Fund Balance - Total Governmental Funds	\$ 1,735,299	\$ (324,957)

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

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

Capital Outlays	9,016	106,819
Depreciation Expense	(384,976)	(401,392)

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

	(971,264)	1,694,376
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The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of Bond Principal	350,000	330,000
PPP Loan Proceeds	(1,212,200)	-
Change in Accrued Interest - General Obligation Bonds	6,508	6,144
Amortization of Bond Discount	(9,012)	(9,012)
Amortization of Deferred Charges on Refunding Bonds	(105,372)	(105,372)
	<u>\$ (582,001)</u>	<u>\$ 1,296,606</u>
Total	<u>\$ (582,001)</u>	<u>\$ 1,296,606</u>

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET TO ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Earnings and Investments	\$ 15,450	\$ 15,450	\$ 11,921	\$ (3,529)
Other	437,340	445,440	331,265	(114,175)
State Sources	10,631,710	10,527,321	10,702,310	174,989
Federal Sources	177,985	197,922	97,338	(100,584)
Total Revenues	<u>11,262,485</u>	<u>11,186,133</u>	<u>11,142,834</u>	<u>(43,299)</u>
EXPENDITURES				
Current:				
Administration	673,891	540,139	476,144	(63,995)
District Support Services	862,288	1,035,682	1,032,307	(3,375)
Elementary and Secondary Regular Instruction	5,132,506	5,160,862	5,083,563	(77,299)
Special Education Instruction	1,398,004	1,318,886	1,336,328	17,442
Instructional Support Services	21,400	22,800	29,359	6,559
Pupil Support Services	601,392	612,973	590,214	(22,759)
Sites and Buildings	2,206,463	2,153,998	2,099,695	(54,303)
Fiscal and Other Fixed Cost Programs	44,040	40,000	51,179	11,179
Capital Outlay	91,900	54,025	9,016	(45,009)
Total Expenditures	<u>11,031,884</u>	<u>10,939,365</u>	<u>10,707,805</u>	<u>(231,560)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	230,601	246,768	435,029	188,261
OTHER FINANCING SOURCES				
Proceeds from PPP Loan	-	-	1,212,200	1,212,200
Transfers Out	-	(48,456)	(7,699)	40,757
Total Other Financing Sources (Uses)	<u>-</u>	<u>(48,456)</u>	<u>1,204,501</u>	<u>1,252,957</u>
NET CHANGE IN FUND BALANCE	<u>\$ 230,601</u>	<u>\$ 198,312</u>	1,639,530	<u>\$ 1,441,218</u>
FUND BALANCE				
Beginning of Year			<u>2,479,083</u>	
End of Year			<u>\$ 4,118,613</u>	

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

DRAFT

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Financial Reporting Entity

Nova Classical Academy (the School) is a charter school established in November 2001 in accordance with Minnesota Statute §124D.10. The Board is responsible for legislative and fiscal control of the School. A Director is appointed by the Board and is responsible for administrative control of the School. The School is authorized by Friends of Education (the Authorizer), a Minnesota nonprofit corporation, and operates under a charter agreement extending through June 30, 2022.

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

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

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

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial Reporting Entity (Continued)

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

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

C. Basic Financial Statement Presentation

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 items not properly included among program revenues are reported instead as general revenues.

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

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

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

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

1. Revenue Recognition

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

2. Recording of Expenditures

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds

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

Major Governmental Funds

General Fund

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

Building Company Special Revenue Fund

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

Nonmajor Governmental Funds

Food Service Special Revenue Fund

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

Community Service Special Revenue Fund

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

E. Income Taxes

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

F. Use of Estimates

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each May, the School Board adopts an annual budget for the following fiscal year for the General Fund, the Food Service Special Revenue Fund, and Community Service Special Revenue Fund. A budget for the Friends of Nova Classical Academy Building Company was not adopted for fiscal year 2020. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

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

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

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

	Original Budget	Amendments	Amended Budget
<u>Revenues</u>			
General Fund	\$ 11,262,485	\$ (76,352)	\$ 11,186,133
<u>Expenditures</u>			
General Fund	\$ 11,031,884	\$ (92,519)	\$ 10,939,365
Special Revenue Funds:			
Food Service Fund	297,388	32,737	330,125
Community Service Fund	168,835	(17,542)	151,293

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Cash and Investments

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

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

I. Accounts Receivable

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

J. Prepaid Items

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

K. Deferred Outflows/Inflows of Resources

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

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The School maintains a threshold level of \$1,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

M. Long-Term Obligations

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

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

N. Pensions

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Accrued Employee Benefits

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

P. Fund Balance

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

Q. 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; and natural disasters. The School purchases commercial insurance coverage for such risks.

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

R. Net Position

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Summarized Comparative Information

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

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

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

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

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

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

The School's and Building Company's combined carrying and bank balances of deposits at June 30, 2020 were \$2,986,625 and \$3,222,570, respectively. All deposits which were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

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

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

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

Investments Held by Trustee

<u>Type</u>	<u>Total</u>	<u>Maturity Duration in Years</u>		<u>No Maturity</u>	<u>Rating</u>
		<u>Less Than 1</u>	<u> </u>		
First American Treasury Obligations					
Money Market Fund - Class D	\$ 277,033	\$ 277,033	\$ -		Aaa-mf
US Bank Money Market Fund	2,357,818	2,357,818	-		Aaa-mf
Total	<u>\$ 2,634,851</u>	<u>\$ 2,634,851</u>	<u>\$ -</u>		

The School’s investments are held by an escrow agent in accordance with escrow agreements established with the sale of Revenue Bonds 2011A and 2011B and Revenue Bonds 2016A and 2016B.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At June 30, 2020, the School had money market fund investments are invested in the First American Treasury Obligations Fund in the amount of \$277,034 and in the US Bank Money Market Fund in the amount of \$2,357,817, both of which are rated Aaa-mf by Moody's Investors Service.

Concentration of Credit Risk

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

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

Cash and Investments - Statement of Net Position	\$ 2,986,625
Cash and Investments Held with Fiscal Agent - Statement of Net Position	2,634,851
Total Cash and Investments	<u>\$ 5,621,476</u>

Fair Value Measurements

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

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

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

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

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

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

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

NOTE 3 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Building Company				
Land	\$ 4,056,522	\$ -	\$ -	\$ 4,056,522
Capital Assets, Being Depreciated:				
Building Company				
Land Improvements	661,437	-	-	661,437
Buildings and Improvements	13,882,459	-	-	13,882,459
Furniture and Equipment	21,708	-	-	21,708
Charter School				
Furniture and Equipment	1,021,079	9,016	-	1,030,095
Total Capital Assets, Being Depreciated	15,586,683	9,016	-	15,595,699
Accumulated Depreciation for:				
Building Company				
Land Improvements	(55,120)	(33,072)	-	(88,192)
Buildings and Improvements	(1,914,597)	(277,649)	-	(2,192,246)
Furniture and Equipment	(1,576)	(1,085)	-	(2,661)
Charter School				
Furniture and Equipment	(578,919)	(73,170)	-	(652,089)
Total Accumulated Depreciation	(2,550,212)	(384,976)	-	(2,935,188)
Total Capital Assets, Being Depreciated, Net	13,036,471	(375,960)	-	12,660,511
Governmental Activities Capital Assets, Net	\$ 17,092,993	\$ (375,960)	\$ -	\$ 16,717,033

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

Governmental Activities	
Administration	\$ 1,208
District Support Services	25,195
Regular Instruction	325,958
Special Education Instruction	1,766
Pupil Support Services	710
Sites and Buildings	27,187
Community Service	396
Total Depreciation Expense, Governmental Activities	<u>\$ 384,976</u>

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 SHORT-TERM DEBT

Line of Credit Agreement

On December 3, 2012, the School then entered into a line of credit agreement with a local bank with a maximum borrowing amount of \$500,000 and a variable interest rate of 1.750% over prime, with a minimum established rate of 5.00%. As the previous extension was due to expire on December 15, 2019, the School renewed this line of credit agreement on December 15, 2019 until December 15, 2020 with the same maximum borrowing amount of \$500,000 and a variable interest rate of 0.50% over prime, with a minimum established rate of 0.00%. The School did not have any activity in its line of credit during fiscal year 2020.

NOTE 5 LONG-TERM DEBT

Changes in long-term liabilities are as follows:

	June 30, 2019	Additions	Retirements	June 30, 2020	Principal Due Within One Year
Series 2011 Lease Revenue Bonds	\$ 5,810,000	\$ -	\$ 305,000	\$ 5,505,000	\$ 325,000
Series 2016 Lease Revenue Bonds	17,020,000	-	45,000	16,975,000	45,000
PPP Loan Payable	-	1,212,200	-	1,212,200	-
Discount on Bonds Payable	(250,973)	-	(9,012)	(241,961)	-
Total	<u>\$ 22,579,027</u>	<u>\$ 1,212,200</u>	<u>\$ 340,988</u>	<u>\$ 23,450,239</u>	<u>\$ 370,000</u>

In October 2011, the Building Company entered into an agreement for a \$17,540,000 loan from the Housing and Redevelopment Authority (HRA) of the City of Saint Paul to purchase land to be used as a school site by the School and to construct a school building on the site. The loan is secured by a mortgage on the related land, building, and building contents, as well as the assignment of future lease revenue. The loan represents the proceeds of two lease revenue bond issues sold by the HRA. The first issue is \$17,310,000 of Charter School Lease Revenue Bonds, Series 2011A, which bear interest ranging from 5.7% to 6.525% and have a final maturity of September 1, 2042.

In October 2016, the Building Company entered into an agreement for a \$17,060,000 loan from the Housing and Redevelopment Authority (HRA) of the City of Saint Paul to advance refund \$10,365,000 of the 2011A Charter School Lease Revenue Bonds and finance the acquisition of two parcels of land adjacent to the School and the construction and equipping of capital improvements to the land and original schoolhouse. The loan is secured by a mortgage on the related land, building, and building contents, as well as the assignment of future lease revenue. The loan represents the proceeds of two lease revenue bond issues sold by the HRA. The first issue is \$16,830,000 of Charter School Lease Revenue Bonds, Series 2016A, which bear interest ranging from 3.5% to 4.125% and have a final maturity of September 1, 2047. The portion of the 2016 Charter School Lease Revenue Bonds that advance refunded and defeased \$10,365,000 of the 2011A Charter School Lease Revenue Bonds resulted in an increase future interest payments of \$522,704 and a net present value savings of \$659,857. The outstanding principal of the defeased bonds is \$10,365,000 at June 30, 2020, and it will be redeemed by the related irrevocable trust on September 1, 2021.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 LONG TERM DEBT (CONTINUED)

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

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

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

<u>Year Ending June 30.</u>	Revenue Bonds Payable	
	Principal	Interest
2021	\$ 370,000	\$ 1,030,443
2022	390,000	1,009,234
2023	410,000	985,694
2024	435,000	959,884
2025	465,000	932,706
2026-2030	2,765,000	4,193,047
2031-2035	3,675,000	3,282,006
2036-2040	4,530,000	2,426,853
2041-2045	5,535,000	1,394,766
2046-2049	3,905,000	245,953
Total	\$ 22,480,000	\$ 16,460,586

NOTE 6 DEFINED BENEFIT PENSION PLANS

Substantially all employees of the School are required by state law to belong to pension plans administered by Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follow:

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Plan Description

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

1. General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))

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

2. Teachers Retirement Fund (TRA)

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

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or University of Minnesota System).

B. Benefits Provided

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefit

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

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. TRA Benefits

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

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

Tier 1 Benefits

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

With these provisions:

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

or

Tier II Benefits

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

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

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.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions

1. General Employees Fund Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2020. In fiscal year 2020, the School was required to contribute 7.5% for Coordinated Plan members. The School's contributions to the General Employees Fund for the plan's fiscal year ended June 30, 2020 were \$107,194. The School's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

Per Minnesota Statutes, Chapter 354 rates for the fiscal year for coordinated were 7.5% for the employee and 7.92% for the employer. Basic rates were 11.00% for the employee and 11.92% for the employer.

The School's contributions to TRA for the plan's fiscal year ended June 30, 2020 were \$324,471. The School's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At June 30, 2020, the School reported a liability of \$1,172,101 for its proportionate share of the General Employees Fund's net pension liability. The School's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund in 2019. The state of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the School totaled \$36,498, for a total net pension liability of \$1,208,599 associated with the School. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The School's proportionate 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, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers.

As of the June 30, 2019 measurement date, the School's proportion was .0212%, which was an increase of .0020% from its proportion measured as of June 30, 2018.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

For the year ended June 30, 2020, the School recognized pension expense of \$266,524 for its proportionate share of the General Employees Fund's pension expense. In addition, the District recognized an additional \$2,733 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 32,483	\$ -
Changes in Actuarial Assumptions	-	92,128
Net Difference Between Projected and Actual Earnings on Plan Investments	-	118,806
Changes in Proportion	200,600	-
District Contributions Subsequent to the Measurement Date	107,194	-
Total	<u>\$ 340,277</u>	<u>\$ 210,934</u>

A total of \$107,194 reported as deferred outflows of resources related to pensions resulting from School contributions to the General Employees Fund subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

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

Year Ending June 30,	Pension Expense Amount
2021	\$ 42,032
2022	(29,421)
2023	7,649
2024	1,889
2025	-
Thereafter	-

2. TRA Pension Costs

At June 30, 2020, the School reported a liability of \$5,111,965 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's contributions to TRA in relation to total system contributions including direct aid from the state of Minnesota, city of Minneapolis, and Minneapolis School District. The School's proportionate share was .0802% at the end of the measurement period and .0676% for the beginning of the period.

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

Description	Amount
School's Proportionate Share of the TRA Net Pension Liability	\$ 5,111,965
State's Proportionate Share of the Net Pension Liability Associated with the School	452,407
Total	\$ 5,564,372

For the year ended June 30, 2020, the School recognized pension expense of \$1,175,677. It also recognized \$34,387 as pension expense and grant revenue for the support provided by direct aid.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 727	\$ 124,131
Changes in Actuarial Assumptions	4,301,933	6,781,690
Net Difference Between Projected and Actual		
Earnings on Plan Investments	-	423,624
Changes in Proportion	1,036,440	4,866
District Contributions Subsequent to the Measurement Date	324,471	-
Total	<u>\$ 5,663,571</u>	<u>\$ 7,334,311</u>

A total of \$324,471 reported as deferred outflows of resources related to pensions resulting from School contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2020	\$ 464,749
2021	267,653
2022	(1,782)
2023	(1,616,336)
2024	(1,149,374)
Thereafter	-

3. Total Pension Costs (Continued)

The School recognized total pension expense of \$1,479,321 as of June 30, 2020, including the related special fundings.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.50% per Year	2.50% per Year
Active Member Payroll Growth	3.25% per Year	2.85% before July 1, 2028 and 3.25%, thereafter
Investment Rate of Return	7.50%	7.50%

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

TRA pre-retirement mortality rates were based on the RP-2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale. Postretirement mortality rates were based on the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates.

Generational projection uses the MP-2015 scale. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment. TRA cost of living benefit increases 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

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

The following changes for General Employees Fund occurred in 2019:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

The following changes in for TRA occurred in 2019:

Changes in Actuarial Assumptions:

- There have been no changes since the prior valuation

Changes in Plan Provisions:

- There have been no changes since the prior valuation

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.50 %	5.10 %
International Stocks	17.50 %	5.90
Bonds (Fixed Income)	20.00 %	0.75
Alternative Investments (Private Markets)	25.00 %	5.90
Cash	2.00 %	-
Totals	100.00 %	

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Discount Rate

The discount rate used to measure the PERA General Employees Plan liability in 2019 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the TRA pension liability was 7.50%. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contribution will be made at the fiscal year 2019 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

G. Pension Liability Sensitivity

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

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
<u>GERF Discount Rate</u>	6.50%	7.50%	8.50%
School's Proportionate Share of the GERF Net Pension Liability	\$ 1,926,870	\$ 1,172,101	\$ 548,888
<u>TRA Discount Rate</u>	6.50%	7.50%	8.50%
School's Proportionate Share of the TRA Net Pension Liability	\$ 8,149,722	\$ 5,111,965	\$ 2,607,379

H. Pension Plan Fiduciary Net Position

Detailed information about General Employees Plan's fiduciary's net position is available in a separately issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org.

Detailed information about TRA's fiduciary net position is available in a separately issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-657-3669.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 STEWARDSHIP AND ACCOUNTABILITY

Excess of Expenditures over Budget

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$ 10,939,365	\$ 10,707,805	\$ (231,560)
Special Revenue Funds:			
Food Service Fund	330,125	295,340	(34,785)
Community Service Fund	151,293	107,704	(43,589)

These overages are considered by School management to be the result of necessary expenditures critical to operations and were approved by the board.

NOTE 8 COMMITMENTS AND CONTINGENCIES

A. Federal and State Programs

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

B. Pledged State Revenues

The School has pledged all funds, monies, grants, or other distributions received by the School from the state of Minnesota with respect to general student funding, state building lease aid payments, state distributions of Federal Title I funds, or any other funding sources, net of operating expenses of the School required under State or Federal laws to provide required educational program expenditures, to repay the \$17,540,000 2011A lease revenue bonds issued by the Building Company in October of 2011. Note that \$10,365,000 of these bonds was defeased in fiscal year 2017 by the 2016 bonds. The pledge agreement was modified to also cover the repayment of the \$17,060,000 2016-lease revenue bonds issued by the Building Company in October of 2016. The Company used proceeds of the Series 2016 Bonds to: (i) advance refund the Issuer's \$10,365,000 Charter School Lease Revenue Bonds maturing on September 1, 2042 (the "Refunded Series 2011 Bonds"), the proceeds of which were used to finance the acquisition, construction and equipping by the Company of approximately 2.03 acres of land and constructing the current charter school facility located at 1455 Victoria Way in the City of Saint Paul, Minnesota (the "City") (the "2011 Project"); (ii) finance the acquisition of two parcels of land bounded by Madson Street, Mercer Way and Kay Avenue in the City and the construction and equipping of improvements to the land and to the Schoolhouse (the "2016 Project," and together with the 2011 Project, the "Schoolhouse"); (iii) make a deposit to increase the amount for the Reserve Fund to the Reserve Fund Requirement for the Non-Refunded Series 2011 Bonds and the Series 2016 Bonds, and (iv) pay the costs of issuance of the Series 2016 Bonds. The bonds are payable solely from lease revenues paid by the School to the Building Company revenues and are payable through September 1, 2047.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

B. Pledged State Revenues (Continued)

Annual principal and interest payments on the bonds during the year ended June 30, 2020 required 91.2% of net lease revenues. The total principal and interest remaining to be paid on the bonds is \$38,940,586. Principal and interest paid for the current year and total net rent revenues were \$1,400,535 and \$1,536,120, respectively.

C. Lease Commitments and Terms

In October 2011, the School entered into a lease agreement with the Friends of Nova Classical Academy to lease the educational site at 1455 Victoria Way, St. Paul, Minnesota. This lease was revised in October of 2016 when the 2016 bonds were issued. The amended agreement is for a 35-year period commencing October 1, 2016 through June 30, 2051. The extended lease calls for monthly payments over the 35-year period and includes ten options for the School to extend the lease, each extension option for a period of 5 years.

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

Total future minimum lease payments are scheduled as follows:

<u>Year Ending June 30,</u>	<u>Scheduled Lease Payments</u>
2021	\$ 1,535,185
2022	1,533,128
2023	1,532,056
2024	1,534,548
2025	1,532,038
2026 - 2030	7,647,875
2031 - 2035	7,625,202
2036 - 2040	7,600,772
2041 - 2045	7,537,330
2046 - 2049	3,244,926
Total	<u>\$ 41,323,060</u>

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

C. Lease Commitments and Terms (Continued)

The total amount of rent paid by the School under the terms of the lease agreements for fiscal 2020 was \$1,536,120. The estimated charter school lease state aid entitlement for fiscal 2020 was \$1,382,508. The School qualified for state charter school lease aid based on a statutory cap of 90% of qualified net lease expenditures. This entitlement is subject to proration by the Minnesota Department of Education to the extent the overall funding that has been provided is insufficient to meet all amounts owed to Minnesota charter schools.

NOTE 9 PAYCHECK PROTECTION PROGRAM

On May 15, 2020, Nova Classical Academy received a loan from Old National Bank in the amount of \$1,212,200 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if Nova Classical Academy fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, Nova Classical Academy will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and principal and interest payments will be required through the maturity date in May 15, 2022.

Nova Classical Academy has not yet received forgiveness. Should payments be required over the next two years the monthly payment would be approximately \$42,000 resulting in the following annual results:

<u>Year Ending June 30,</u>	PPP Loan		
	Principal	Interest	Total
2021	\$ 465,530	\$ 12,003	\$ 477,533
2022	746,670	3,739	750,409
Total	<u>1,212,200</u>	<u>15,742</u>	<u>1,227,942</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

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

	Measurement Date June 30,					
	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0802%	0.0676%	0.0677%	0.0669%	0.0662%	0.0708%
School's Proportionate Share of the Net Pension Liability	\$ 5,111,965	\$ 4,248,395	\$ 13,514,148	\$ 15,957,246	\$ 4,095,125	\$ 3,262,413
State's Proportionate Share of the Net Pension Liability Associated with School	452,407	399,178	1,305,589	1,601,364	502,171	229,565
Total	<u>\$ 5,564,372</u>	<u>\$ 4,647,573</u>	<u>\$ 14,819,737</u>	<u>\$ 17,558,610</u>	<u>\$ 4,597,296</u>	<u>\$ 3,491,978</u>
School's Covered Payroll	\$ 4,060,700	\$ 3,851,493	\$ 3,696,640	\$ 3,479,573	\$ 3,296,773	\$ 3,214,600
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	125.89%	110.31%	365.58%	458.60%	124.22%	101.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.21%	78.07%	51.57%	44.88%	76.80%	81.50%

*The School implemented GASB Statement No. 68 in fiscal 2015, and the above table will be expanded to 10 years as information is available.

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

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

**TRA Schedule of School Contributions
Last Six Fiscal Years**

	Fiscal Year Ended June 30,					
	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 324,471	\$ 313,080	\$ 288,862	\$ 277,248	\$ 260,968	\$ 247,258
Contributions in Relation to the Statutorily Required Contribution	<u>(324,471)</u>	<u>(313,080)</u>	<u>(288,862)</u>	<u>(277,248)</u>	<u>(260,968)</u>	<u>(247,258)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 4,096,856	\$ 4,060,700	\$ 3,851,493	\$ 3,696,640	\$ 3,479,573	\$ 3,296,773
Contributions as a Percentage of Covered Payroll	7.92%	7.71%	7.50%	7.50%	7.50%	7.50%

*The School implemented GASB Statement No. 68 in fiscal 2015, and the above table will be expanded to 10 years as information is available.

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

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

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

	Measurement Date June 30,					
	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0212%	0.0192%	0.0171%	0.0145%	0.0132%	0.0132%
School's Proportionate Share of the Net Pension Liability	\$ 1,172,101	\$ 1,065,137	\$ 1,091,653	\$ 1,177,328	\$ 684,093	\$ 620,070
State's Proportionate Share of the Net Pension Liability Associated with School	36,498	34,886	13,748	15,387	-	-
Total	<u>\$ 1,208,599</u>	<u>\$ 1,100,023</u>	<u>\$ 1,105,401</u>	<u>\$ 1,192,715</u>	<u>\$ 684,093</u>	<u>\$ 620,070</u>
School's Covered Payroll	1,497,307	1,290,520	1,109,080	907,573	778,631	647,586
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	78.28%	82.54%	98.43%	129.72%	87.86%	95.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.23%	79.53%	75.90%	68.90%	78.20%	78.70%

*The School implemented GASB Statement No. 68 in fiscal 2015, and the above table will be expanded to 10 years as information is available.

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

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

**GERF Schedule of School Contributions
Last Six Fiscal Years**

	Fiscal Year Ended June 30,					
	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 107,194	\$ 112,298	\$ 96,789	\$ 83,181	\$ 68,068	\$ 57,424
Contributions in Relation to the Statutorily Required Contribution	(107,194)	(112,298)	(83,181)	(83,181)	(68,068)	(57,424)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 1,429,253	\$ 1,497,307	\$ 1,290,520	\$ 1,109,080	\$ 907,573	\$ 778,631
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.38%

*The School implemented GASB Statement No. 68 in fiscal 2015, and the above table will be expanded to 10 years as information is available.

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

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**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

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

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018

Changes in Actuarial Assumption

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

Changes in Plan Provisions

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

2017

Changes in Actuarial Assumption

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

Changes in Plan Provisions

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

2016

Changes in Actuarial Assumptions

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

Changes in Actuarial Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

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

2019

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

2017

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years, and female rates set back 5 years. Generational projection uses the MP-2015 scale.
- The postretirement mortality assumption was changed to the RP-2014 while collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustments.
- Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

2015

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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SUPPLEMENTARY INFORMATION

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**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2020**

	AUDIT	UFARS	DIFFERENCE
01 GENERAL FUND			
Total Revenue	\$ 11,142,834	\$ 11,142,830	\$ 4
Total Expenditures	10,707,805	10,707,799	6
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	52,132	52,132	-
<i>Restricted:</i>			
401 Student Activities	-	-	-
402 Scholarships	-	-	-
403 Staff Development	-	-	-
407 Capital Project Levy	-	-	-
408 Cooperative Programs	-	-	-
413 Projects Funded by COP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maintenance	-	-	-
424 Operating Capital	-	-	-
426 \$25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning and Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alternative Programs	-	-	-
436 State-Approved Alternative Programs	-	-	-
438 Gifted and Talented	-	-	-
440 Teacher Development and Evaluations	-	-	-
441 Basic Skills Programs	-	-	-
445 Career and Technical Programs	-	-	-
448 Achievement and Integration	-	-	-
467 LTFM	-	-	-
472 Medical Assistance	-	-	-
473 PPP Loans	378,365	378,365	-
473 EIDL Loans	-	-	-
464 Restricted Fund Balance	-	-	-
<i>Committed:</i>			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
<i>Assigned:</i>			
462 Assigned Fund Balance	-	-	-
<i>Unassigned:</i>			
422 Unassigned Fund Balance	3,688,116	3,688,117	(1)
02 FOOD SERVICE			
Total Revenue	294,517	294,517	-
Total Expenditures	295,340	295,340	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
452 OPEB Liability Not Held in Trust	-	-	-
464 Restricted Fund Balance	12,998	12,997	1
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-
04 COMMUNITY SERVICE			
Total Revenue	115,512	115,512	-
Total Expenditures	107,704	107,704	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
426 \$25 Taconite	-	-	-
431 Community Education	-	-	-
432 E.C.F.E.	-	-	-
440 Teacher Development and Evaluations	-	-	-
444 School Readiness	-	-	-
447 Adult Basic Education	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-
464 Restricted Fund Balance	70,898	70,898	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	Food Service	Community Service	Total Nonmajor Governmental Funds	
			2020	2019
ASSETS				
Cash and Investments	\$ 2,823	\$ 76,175	\$ 78,998	\$ 91,770
Receivables:				
Due from Minnesota Department of Education	-	-	-	300
Due from Federal through Minnesota Department of Education	-	-	-	1,190
Other Receivables	10,440	-	10,440	11,087
Prepays	-	-	-	350
Total Assets	<u>\$ 13,263</u>	<u>\$ 76,175</u>	<u>\$ 89,438</u>	<u>\$ 104,697</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Salaries Payable	\$ -	\$ 4,159	\$ 4,159	\$ -
Payroll Deductions and Employer Contributions Payable	265	964	1,229	2
Accounts and Contracts Payable	-	154	154	9,188
Unearned Revenue	-	-	-	26,295
Total Liabilities	<u>265</u>	<u>5,277</u>	<u>5,542</u>	<u>35,485</u>
Fund Balance:				
Nonspendable:				
Prepays	-	-	-	350
Restricted for:				
Food Service	12,998	-	12,998	6,122
Community Service	-	70,898	70,898	62,740
Total Fund Balance	<u>12,998</u>	<u>70,898</u>	<u>83,896</u>	<u>69,212</u>
Total Liabilities and Fund Balance	<u>\$ 13,263</u>	<u>\$ 76,175</u>	<u>\$ 89,438</u>	<u>\$ 104,697</u>

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2019)**

	Food Service	Community Service	Total Nonmajor Governmental Funds	
			2020	2019
REVENUES				
Local Sources:				
Other	\$ 237,940	\$ 115,512	\$ 353,452	\$ 412,571
State Sources	7,347	-	7,347	9,521
Federal Sources	49,230	-	49,230	46,466
Total Revenues	<u>294,517</u>	<u>115,512</u>	<u>410,029</u>	<u>468,558</u>
EXPENDITURES				
Current:				
Food Service	295,340	-	295,340	299,518
Community Service	-	107,704	107,704	154,967
Total Expenditures	<u>295,340</u>	<u>107,704</u>	<u>403,044</u>	<u>454,485</u>
DEFICIENCY OF REVENUE UNDER EXPENDITURES	(823)	7,808	6,985	14,073
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>7,699</u>	-	<u>7,699</u>	-
NET CHANGE IN FUND BALANCE	6,876	7,808	14,684	14,073
FUND BALANCES				
Beginning of Year	6,122	63,090	69,212	55,139
End of Year	<u>\$ 12,998</u>	<u>\$ 70,898</u>	<u>\$ 83,896</u>	<u>\$ 69,212</u>

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	\$ 233,400	\$ 220,000	\$ 242,038	\$ 22,038
State Sources	9,000	8,300	9,521	1,221
Federal Sources	48,700	45,165	46,466	1,301
Total Revenues	<u>291,100</u>	<u>273,465</u>	<u>298,025</u>	<u>24,560</u>
EXPENDITURES				
Current:				
Food Service	288,677	288,500	299,518	11,018
Capital Outlay	683	-	-	-
Total Expenditures	<u>289,360</u>	<u>288,500</u>	<u>299,518</u>	<u>11,018</u>
EXCESS (DEFICIENCY) OF REVENUE (OVER) UNDER EXPENDITURES	<u>\$ 1,740</u>	<u>\$ (15,035)</u>	(1,493)	<u>\$ 13,542</u>
FUND BALANCE				
Beginning of Year			<u>7,615</u>	
End of Year			<u>\$ 6,122</u>	

**NOVA CLASSICAL ACADEMY
CHARTER SCHOOL NO. 4098
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Other - Primarily Tuition and Fees	\$ 140,400	\$ 160,000	\$ 170,533	\$ 10,533
EXPENDITURES				
Current:				
Community Service	<u>140,355</u>	<u>158,244</u>	<u>154,967</u>	<u>(3,277)</u>
EXCESS OF REVENUE UNDER EXPENDITURES	<u>\$ 45</u>	<u>\$ 1,756</u>	15,566	<u>\$ 13,810</u>
FUND BALANCE				
Beginning of Year			<u>47,524</u>	
End of Year			<u>\$ 63,090</u>	

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OTHER REQUIRED REPORTS

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

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

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

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

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

In connection with our audit, nothing came to our attention that caused us to believe that Nova Classical Academy failed to comply with the provisions of the 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 Minn. Stat. § 6.65, insofar as they related to accounting matters, except as described in the Schedule of Findings and Recommendations as items 2020-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the charter school's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

Nova Classical Academy's written response to the legal compliance finding identified in our audit is described in the Schedule of Findings and Recommendations. Nova Classical Academy's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2020**

Section I – Findings Related to the General Purpose Financial Statements

None noted

Section II – Minnesota Legal Compliance Findings

Finding 2020-001 – Timely Payment of Bills

Criteria: Minnesota Statute 471.425 Subdivision 2 notes that a school must pay each vendor obligation according to the terms of the contract or, if no contract terms apply, within the standard payment period unless the School in good faith disputes the obligation. Standard payment period is defined for the School as being within 35 days of the date of receipt of the invoice. Subdivision 4 of the same statute notes that if late payment is made interest should be paid upon the amount that is being paid late.

Condition: It was noted that 5 of the 25 disbursements tested were not paid within the required payment period, and no interest was included in the late payment to the vendor.

Cause: No known reason.

Effect: The School was not in compliance with this statute during the fiscal year ending June 30, 2020.

Recommendation: We recommend the School put in place internal controls that will prevent any late payments from occurring in the future.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The School will immediately implement the recommendation.

Officials Responsible for Ensuring CAP:

The School's Executive Director and Business Office Manager are the school officials responsible for carrying out the corrective action plan.

Planned Completion Date for CAP:

The planned completion date for the CAP is January 1, 2021.

Plan to Monitor Completion of CAP:

The Board of Education and administration will be monitoring this corrective action plan.