Annual Financial Report

STEP Academy
Charter School No. 4200

St. Paul, Minnesota

For the Year Ended
June 30, 2020

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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STEP Academy
Charter School No. 4200
Minneapolis, Minnesota
Annual Financial Report
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For The Year Ended June 30, 2020

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INTRODUCTORY SECTION

STEP ACADEMY CHARTER SCHOOL
CHARTER SCHOOL NO. 4200
ST. PAUL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

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STEP Academy
Charter School No. 4200
St. Paul, Minnesota
Elected Board of Directors and Administration
For the Year Ended June 30, 2020

BOARD OF DIRECTORS

Name	Title
Mursal Abdulrazzaq	Board Chair
Amina Mohamud	Vice Chair
Abdiladif Sanbul	Member
Rahima Ahmed	Member
Mohamed Shuriye	Member

ADMINISTRATION

Name	Title
Mustafa Ibrahim	Executive Director

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FINANCIAL SECTION

STEP ACADEMY CHARTER SCHOOL
CHARTER SCHOOL NO. 4200
ST. PAUL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
STEP Academy
  Charter School No. 4200
St. Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, major fund and remaining aggregate fund information of STEP Academy, Charter School No. 4200 (the Charter School), St. Paul, Minnesota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 remaining aggregate fund information of the Charter School 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.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15, the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions starting on page 56 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 Charter School's basic financial statements. The introductory section and individual fund schedules and table are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund schedules and table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 individual fund schedules and table are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2020, on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
December 4, 2020

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Management's Discussion and Analysis

As management of the STEP Academy, Charter School No. 4200 (the Charter School), St. Paul, Minnesota, we offer readers of the Charter School's financial statements this narrative overview and analysis of the financial activities of the Charter School for the fiscal year ended June 30, 2020.

Financial Highlights

- The assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources of the Charter School's at the close of the most recent fiscal year by $9,659, which is an increase of $176,245 from the prior year eliminating the deficit net position.

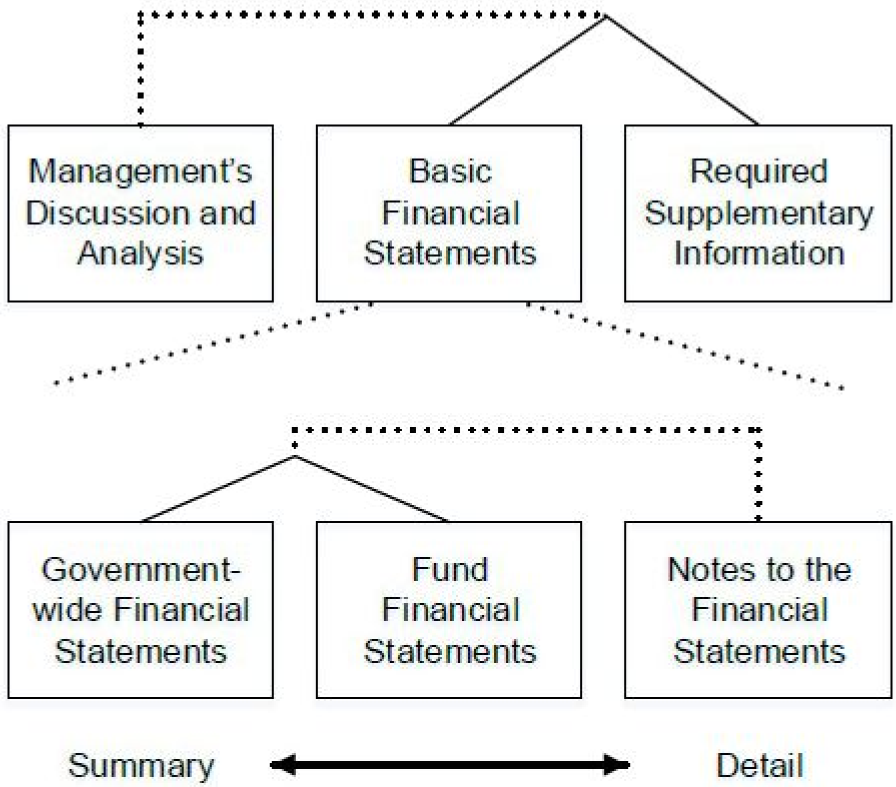
- As of the close of the current fiscal year, Charter School's governmental funds reported combined ending fund balances of $2,181,974, an increase of $1,022,586 in comparison with the prior year mainly due to the revenues in excess of expenditures from increased students.

- At the end of the current fiscal year, unassigned fund balance for the General fund was $1,996,923 or 27.7 percent of total General fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the STEP Academy's basic financial statements. The Charter School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

Organization of STEP Academy
Charter School No. 4200
Annual Financial Report



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

Major Features of the Government-wide and Fund Financial Statements

		Fund Financial Statements
	Government-wide Statements	**Governmental Funds**
Scope	Entire Charter School (except fiduciary funds)	The activities of the Charter School that are not fiduciary, such as special education and building maintenance
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of inflow/out flow information	All revenues and expenditures during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

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

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

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

The government-wide financial statements display functions of the Charter School that are principally supported by intergovernmental revenues (*governmental activities*). The governmental activities of the Charter School include administration, school support services, regular instruction, special education instruction, instructional support services, pupil support services, site, building and equipment, and fiscal and other fixed cost programs.

The government-wide financial statements can be found starting on page 26 of this report.

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

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

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

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

The Charter School adopts an annual appropriated budget for its General fund and Food Service Special Revenue fund. A budgetary comparison statement has been provided for both funds to demonstrate compliance with this budget.

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found stating on page 35 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Charter School's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found starting on page 56 of this report.

Other Information. Individual fund schedules and table can be found starting on page 62 of this report.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Charter School, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $9,659 (net position) at the close of fiscal year 2020.

STEP Academy's Summary of Net Position

	Governmental Activities		
	2020	2019	Increase (Decrease)
Assets			
Current And Other Assets	$ 2,694,095	$ 1,593,559	$ 1,100,536
Capital Assets	335,297	256,941	78,356
Total Assets	3,029,392	1,850,500	1,178,892
Deferred Outflows of Resources			
Deferred Pension Resources	2,749,320	3,946,865	(1,197,545)
Liabilities			
Noncurrent Liabilities Outstanding	2,630,351	2,317,459	312,892
Other Liabilities	512,121	434,081	78,040
Total Liabilities	3,142,472	2,751,540	390,932
Deferred Inflows of Resources			
Deferred Pension Resources	2,626,581	3,212,321	(585,740)
Net Position			
Investment in Capital Assets	335,297	256,941	78,356
Restricted	59,062	-	59,062
Unrestricted	(384,700)	(423,527)	38,827
Total Net Position	$ 9,659	$ (166,586)	$ 176,245

A portion of the Charter School's net position ($335,297) reflects its investment in capital assets (e.g., equipment). The Charter School uses these capital assets to provide services to its students; consequently, these assets are *not* available for future spending. A small portion of the Charter School's net position ($59,062) is restricted for medical assistance, safe schools and food service. The remaining balance of *unrestricted net position* is a deficit of $384,700 mainly due to the long-term pension liability in accordance with GASB Statement No. 68.

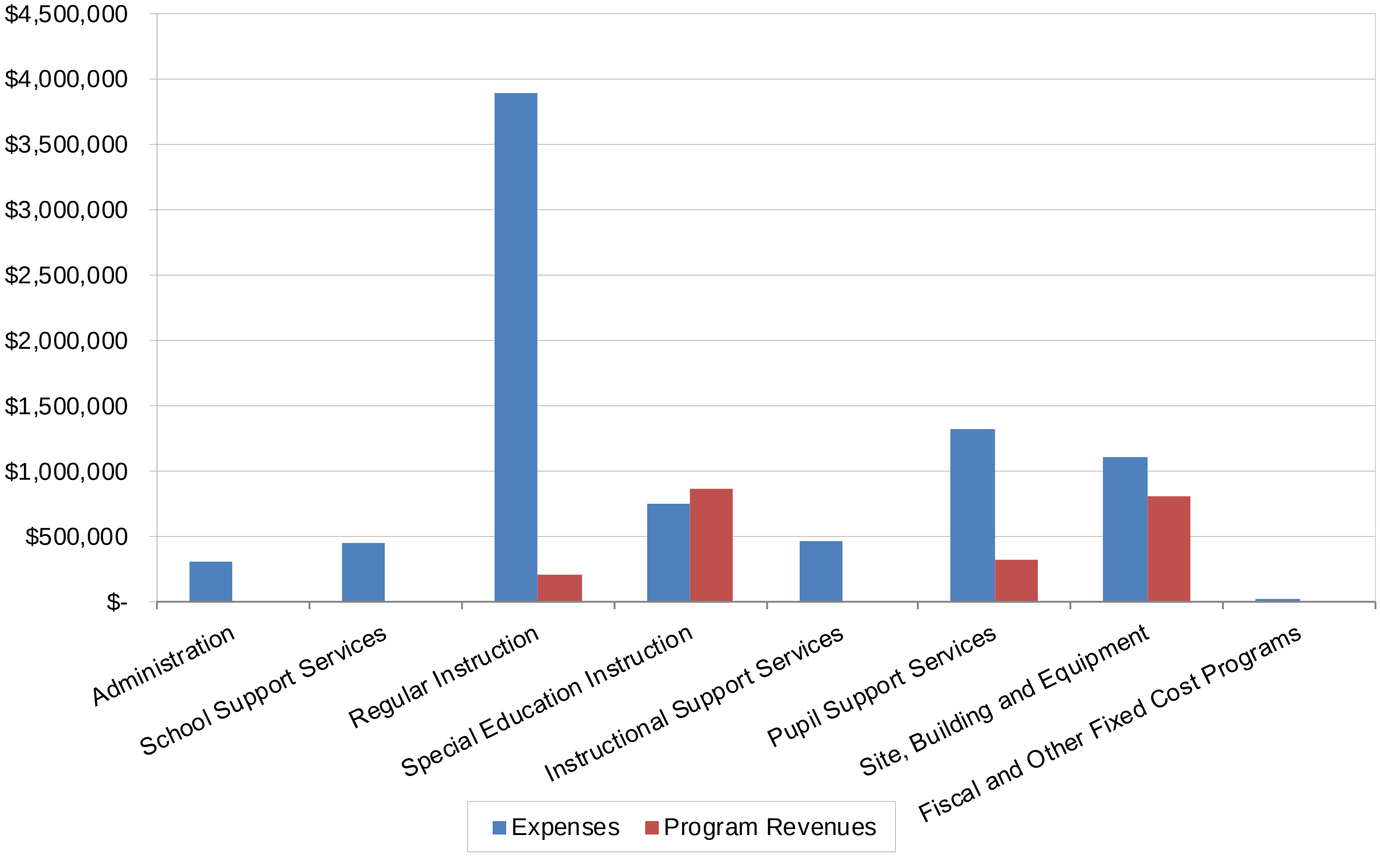
Governmental Activities. Governmental activities increased the Charter School's net position by $176,245. Key elements of this increase are shown in the table below.

STEP Academy's Changes in Net Position

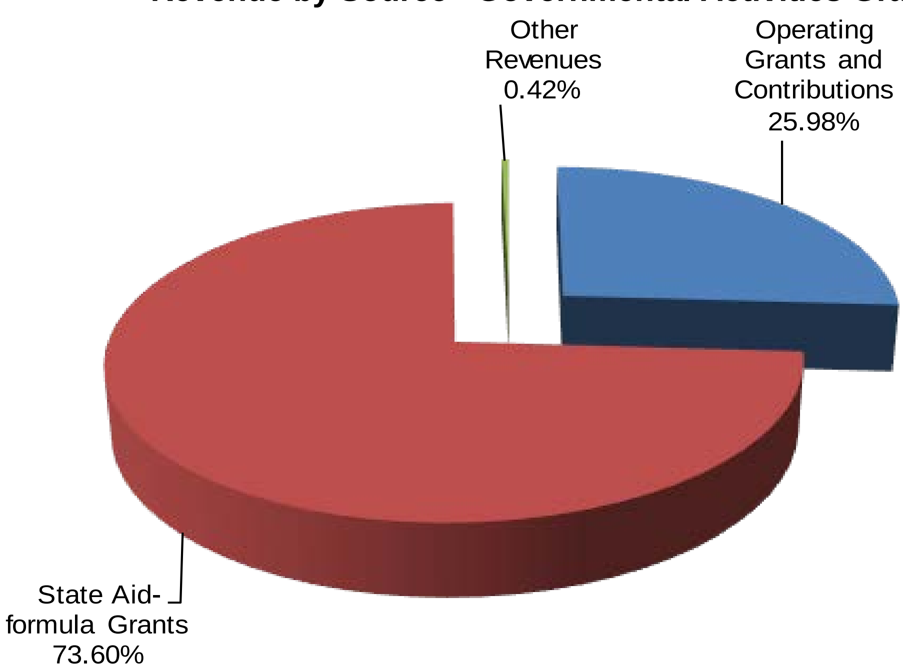
	Governmental Activities		
	2020	2019	Increase (Decrease)
Revenues			
Program revenues			
Charges for services	$ 5,719	$ 9,668	$ (3,949)
Operating grants and contributions	2,211,218	1,410,203	801,015
General revenues			
Local revenues	14,215	49,129	(34,914)
State aid-formula grants	6,262,807	4,663,267	1,599,540
Unrestricted investment earnings	15,684	1,963	13,721
Total Revenues	8,509,643	6,134,230	2,375,413
Expenses			
Administration	307,605	192,804	114,801
School support services	453,099	392,708	60,391
Regular instruction	3,893,150	1,959,375	1,933,775
Special education instruction	753,318	403,418	349,900
Instructional support services	469,573	254,099	215,474
Pupil support services	1,324,370	1,162,901	161,469
Site, building and equipment	1,109,090	1,049,439	59,651
Fiscal and other fixed cost programs	23,193	17,147	6,046
Total Expenses	8,333,398	5,431,891	2,901,507
Change in Net Position	176,245	702,339	(526,094)
Net Position, July 1	(166,586)	(868,925)	702,339
Net Position, June 30	$ 9,659	$ (166,586)	$ 176,245

Revenues increased by 38.7 percent from the prior year and expenditures increased 53.4 percent. The increase in revenues can mainly be attributed to higher state and federal aid for increased students. The largest factor contributing to the increase in expenditures was regular instruction, which increased $1,933,775 from the prior fiscal year. The increase is mainly due to a large increase in ADM leading to more classes, as well as expenditures for adjustment of the GASB 68 pension liability and related deferred inflows and outflows.

Expenses and Program Revenue - Governmental Activities Graph



Revenue by Source - Governmental Activities Graph



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Charter School's governmental fund balance reported combined ending fund balances of $2,181,974,an increase of $1,022,586 in comparison with the prior year. Approximately 91.5 percent of this total amount ($1,996,923) constitutes *unassigned fund balance*, which is available for spending at the Charter School's discretion. The remainder of fund balance ($185,051) is not available for new spending because it is either 1) restricted ($59,062) or 2) nonspendable ($125,989).

General Fund Budgetary Highlights

It is the policy of the Board of Directors of the Charter School to set up the annual budget prior to June 30 for the subsequent year and utilize it as a guideline for revenues and expenditures over the course of the year. The Board periodically reviewed the budget versus actual revenues and expenditures and took note of deviations and their causes. The Board did not make any budget amendments during the year.

Revenues sources were over budget for fiscal year 2020 by $762,461.

- The positive variance is mainly due to revenue from state sources ($927,321) as a result of more students.

Expenditure programs were under budget for fiscal year 2020 by $46,820.

- The largest variance ($82,901) resulted from lower than anticipated capital outlay for regular instruction.

Food Service Fund Budgetary Highlights

The Food Service budget was not amended during the fiscal year. Revenues sources were under budget for fiscal year 2020 by $56,789. Expenditure programs were under budget for fiscal year 2020 by $122,851. Food service fund had an ending fund balance of $59,062.

Capital Assets

The Charter School's investment in capital assets for its governmental activities as of June 30, 2020, amounts to $335,297 (net of accumulated depreciation). This investment in capital assets includes equipment and furniture. The total depreciation for the year was $42,775. The following is a schedule of capital assets as of June 30, 2020.

STEP Academy's Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities		
	2020	2019	Increase (Decrease)
Equipment and Furniture	$ 335,297	$ 256,941	$ 78,356

Additional information on the Charter School's capital assets can be found in Note 3B on page 42 of this report.

Economic Factors and Next Year's Budgets and Rates

The School is dependent on the state of Minnesota for most of its revenue. This revenue source is mostly impacted by two variables; legislation and school enrollment. Recent experience demonstrates that legislative revenue increases have not been sufficient to meet increased costs due to inflation. It is imperative that the School's financial management continues to develop budgets with a surplus to be added to the unassigned fund balance in order to meet their fund balance policy requirements. A healthy fund balance is important to the financial stability of the School.

Requests for Information

This financial report is designed to provide a general overview of the Charter School's finances for all those with an interest in the Charter School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mustafa Ibrahim, Executive Director, STEP Academy, Charter School No. 4200, 835 5^{th} St. E, St. Paul, Minnesota 55106.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

STEP ACADEMY CHARTER SCHOOL
CHARTER SCHOOL NO. 4200
ST. PAUL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

STEP Academy
Charter School No. 4200
St. Paul, Minnesota
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Cash and temporary investments	$ 1,637,654
Due from the Minnesota Department of Education	646,889
Due from the Federal Government	283,563
Prepaid items	125,989
Capital assets	
Depreciable assets, net of accumulated depreciation	335,297
Total Assets	3,029,392
Deferred Outflows of Resources	
Deferred pension resources	2,749,320
Liabilities	
Accounts payable	62,134
Accrued salaries and benefits payable	449,987
Noncurrent liabilities	
Net pension liability	2,630,351
Total Liabilities	3,142,472
Deferred Inflows of Resources	
Deferred pension resources	2,626,581
Net Position	
Investment in capital assets	335,297
Restricted for food service	59,062
Unrestricted	(384,700)
Total Net Position	$ 9,659

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

STEP Academy
Charter School No. 4200
St. Paul, Minnesota
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities					
Administration	$ 307,605	$ -	$ -	$ -	$ (307,605)
School support services	453,099	-	-	-	(453,099)
Regular instruction	3,893,150	5,719	203,951	-	(3,683,480)
Special education instruction	753,318	-	863,888	-	110,570
Instructional support services	469,573	-	-	-	(469,573)
Pupil support services	1,324,370	-	329,211	-	(995,159)
Site, building and equipment	1,109,090	-	814,168	-	(294,922)
Fiscal and other fixed cost programs	23,193	-	-	-	(23,193)
Total Governmental Activities	$ 8,333,398	$ 5,719	$ 2,211,218	$ -	(6,116,461)
General Revenues					
Other general revenues					14,215
State aid-formula grants					6,262,807
Unrestricted investment earnings					15,684
Total General Revenues					6,292,706
Change in Net Position					176,245
Net Position, July 1					(166,586)
Net Position, June 30					$ 9,659

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

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FUND FINANCIAL STATEMENTS

STEP ACADEMY CHARTER SCHOOL
CHARTER SCHOOL NO. 4200
ST. PAUL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

STEP Academy
Charter School No. 4200
St. Paul, Minnesota
Balance Sheet
Governmental Funds
June 30, 2020

	General	Non-Major Food Service	Total Governmental Funds
Assets			
Cash and temporary investments	$ 1,579,091	$ 58,563	$ 1,637,654
Due from the Minnesota Department of Education	646,390	499	646,889
Due from the Federal government	283,563	-	283,563
Prepaid items	125,989	-	125,989
Total Assets	$ 2,635,033	$ 59,062	$ 2,694,095
Liabilities			
Accounts payable	$ 62,134	$ -	$ 62,134
Accrued salaries payable	449,987	-	449,987
Total Liabilities	512,121	-	512,121
Fund Balances			
Nonspendable prepaid items	125,989	-	125,989
Restricted for food service	-	59,062	59,062
Unassigned	1,996,923	-	1,996,923
Total Fund Balances	2,122,912	59,062	2,181,974
Total Liabilities and Fund Balances	$ 2,635,033	$ 59,062	$ 2,694,095

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

STEP Academy
Charter School No. 4200
St. Paul, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
June 30, 2020

Amounts Reported for Governmental Activities in the Statement of Net Position are Different because

Total Fund Balances - Governmental Funds	$	2,181,974
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets		467,192
Less accumulated depreciation		(131,895)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Net pension liability		(2,630,351)
Governmental funds do not report long-term amounts related to pensions.		
Deferred outflows of pension resources		2,749,320
Deferred inflows of pension resources		(2,626,581)
Total Net Position - Governmental Activities	$	9,659

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

STEP Academy
Charter School No. 4200
St. Paul, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General	Non-Major Food Service	Total Governmental Funds
Revenues			
Other local revenue	$ 23,246	$ -	$ 23,246
Revenue from state sources	7,854,180	7,120	7,861,300
Revenue from federal sources	287,322	321,705	609,027
Sales and other conversion of assets	-	386	386
Interest income on investments	15,684	-	15,684
Total Revenues	8,180,432	329,211	8,509,643
Expenditures			
Current			
Administration	257,785	-	257,785
School support services	388,658	-	388,658
Regular instruction	3,236,812	-	3,236,812
Special education instruction	628,622	-	628,622
Instructional support services	387,799	-	387,799
Pupil support services	1,044,235	270,149	1,314,384
Site, building and equipment	1,148,464	-	1,148,464
Fiscal and other fixed cost programs	23,193	-	23,193
Capital outlay			
Administration	1,431	-	1,431
School support services	27,545	-	27,545
Regular instruction	67,686	-	67,686
Pupil support services	178	-	178
Site, building and equipment	4,500	-	4,500
Total Expenditures	7,216,908	270,149	7,487,057
Net Change in Fund Balances	963,524	59,062	1,022,586
Fund Balances, July 1	1,159,388	-	1,159,388
Fund Balances, June 30	$ 2,122,912	$ 59,062	$ 2,181,974

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

STEP Academy
Charter School No. 4200
St. Paul, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2020

Amounts Reported for Governmental Activities in the Statement of Activities are Different because

Total Net Change in Fund Balances - Governmental Funds	$	1,022,586
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlays		121,131
Depreciation expense		(42,775)
Long-term pension activity is not reported in governmental funds.		
Pension expense		(924,697)
Change in Net Position - Governmental Activities	$	176,245

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

STEP Academy
Charter School No. 4200
St. Paul, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Other local revenue	$ 9,924	$ 9,924	$ 23,246	$ 13,322
Revenue from state sources	6,926,859	6,926,859	7,854,180	927,321
Revenue from federal sources	479,388	479,388	287,322	(192,066)
Sales and other conversion of assets	-	-	-	-
Interest income on investments	1,800	1,800	15,684	13,884
Total Revenues	7,417,971	7,417,971	8,180,432	762,461
Expenditures				
Current				
Administration	241,548	241,548	257,785	(16,237)
School support services	386,354	386,354	388,658	(2,304)
Regular instruction	3,210,224	3,210,224	3,236,812	(26,588)
Special education instruction	567,480	567,480	628,622	(61,142)
Instructional support services	446,519	446,519	387,799	58,720
Pupil support services	1,048,216	1,048,216	1,044,235	3,981
Site, building and equipment	1,192,800	1,192,800	1,148,464	44,336
Fiscal and other fixed cost programs	20,000	20,000	23,193	(3,193)
Capital outlay				
Administration	-	-	1,431	(1,431)
School support services	-	-	27,545	(27,545)
Regular instruction	150,587	150,587	67,686	82,901
Pupil support services	-	-	178	(178)
Site, building and equipment	-	-	4,500	(4,500)
Total Expenditures	7,263,728	7,263,728	7,216,908	46,820
Excess (Deficiency) of Revenues Over (Under) Expenditures	154,243	154,243	963,524	809,281
Other Financing Sources (Uses)				
Transfers out	(42,000)	(42,000)	-	42,000
Net Change in Fund Balances	112,243	112,243	963,524	851,281
Fund Balances, July 1	1,159,388	1,159,388	1,159,388	-
Fund Balances, June 30	$ 1,271,631	$ 1,271,631	$ 2,122,912	$ 851,281

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

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

STEP Academy, Charter School No. 4200, (the Charter School), St. Paul, Minnesota is a non-profit corporation under section 501(c)(3) of the Internal Revenue Code of 1954, for the purpose of providing educational services to individuals within the area. The School is sponsored by Innovative Quality Schools. The sponsor has limited oversight responsibility but is not financially accountable for the Charter School. Therefore, the Charter School is not considered a component unit of the sponsor. The primary objective of STEP Academy Charter School is to educate students in a well-rounded STEM curriculum with a multi-disciplinary instructional approach. The permanent governing body consists of a Board of Directors composed of up to five members elected by voters of the general membership of the Charter School.

The Charter School has considered all potential units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Charter School are such that exclusion would cause the Charter School's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The Charter School has no component units that meet the GASB criteria. The school does not have any student activities.

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the Charter School 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. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other internally dedicated resources are reported as general revenues rather than as program revenues. Other items not properly included among program revenues are reported instead as general revenues.

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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

Description of Funds

The Charter School's funds have been established by the State of Minnesota Department of Education. Each fund is accounted for as an independent entity. A description of the funds included in the report is as follows:

Major Governmental Fund

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

Nonmajor Governmental Fund

The *Food Service special revenue fund* is used to account for food service revenues and expenditures. The primary revenue source is intergovernmental revenue from state and federal sources that are restricted for food service operations.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments

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

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

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.

2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.

3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.

4. General obligations of the Minnesota Housing Finance Agency rated "A" or better

5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.

6. Banker's acceptances of United States banks eligible for purchase by the Federal Reserve System.

7. Commercial paper issued by United States banks, corporations or their Canadian subsidiaries, of highest quality, and maturing in 270 days or less.

8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The Charter School has not adopted a formal investment policy.

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable include amounts billed for services provided before year-end. No substantial losses are anticipated from present receivable balances, therefore no allowance for uncollectible has been recorded.

Prepaid Items

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

Capital Assets

Capital assets include property, plant and equipment. Capital assets are defined by the Charter School as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Assets	Years
Computer Equipment	5
Office Equipment	10 - 20
Furniture	20

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Charter School has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statement of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Pensions

Teachers Retirement Association (TRA)

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. The General fund is typically used to liquidate the governmental net pension liability. Additional information can be found in Note 4.

Note 1: Summary of Significant Accounting Policies (Continued)

Public Employees Retirement Association (PERA)

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the GERP and TRA is as follows:

	GERP	TRA	Total Pension Expense
Pension Expense	$ 174,659	$ 1,224,383	$ 1,399,042

Deferred Inflows of Resources

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

Fund Balance

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

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

The Charter School considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the Charter School would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The Charter School has formally adopted a fund balance policy for the General fund. The Charter School's policy is to maintain a minimum unassigned fund balance of 20 percent of operating expenditures.

Net Position

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

a. Investment in capital assets - Consists of capital assets, net of accumulated depreciation.

b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "investment in capital assets".

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

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund and Food Service fund. The budget was not amended during the current fiscal year.

A budget is prepared for the General fund and the Food Service fund on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the fund.

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

1. Prior to July 1, the budget is prepared by the Executive Director and Contracted Accountant to be adopted by the Board of Directors.

2. A budget for the General fund and Food Service fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

3. Budgeted amounts are as amended.

4. Budget appropriations lapse at year end.

5. The legal level of control is at the fund level.

6. The Charter School does not use encumbrance accounting.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

Minnesota statutes require that all Charter School deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

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

At year-end, the Charter School's carrying amount of deposits was $1,637,654 and the bank balance was $1,735,031. The bank balance was covered by federal depository insurance.

Note 3: Detailed Notes on All Funds (Continued)

B. 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 Being Depreciated				
Leasehold improvements	$ 101,655	$ 56,777	$ -	$ 158,432
Equipment and furniture	244,406	64,354	-	308,760
Total Capital Assets Being Depreciated	346,061	121,131	-	467,192
Less Accumulated Depreciation for				
Leasehold Improvements	(19,623)	(7,684)	-	(27,307)
Equipment and Furniture	(69,497)	(35,091)	-	(104,588)
Total Accumulated Depreciation	(89,120)	(42,775)	-	(131,895)
Total Capital Assets Being Depreciated, Net	256,941	78,356	-	335,297
Governmental Activities Capital Assets, Net	$ 256,941	$ 78,356	$ -	$ 335,297

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

Governmental Activities	
School Support Services	$ 3,040
Regular Instruction	24,446
Special Education Instruction	1,236
Instructional Support Services	413
Pupil Support Services	169
Site, Building and Equipment	13,471
Total Depreciation Expense - Governmental Activities	$ 42,775

Note 3: Detailed Notes on All Funds (Continued)

C. Operating Leases

On July 1, 2019, the Charter School renewed its original operating lease agreement for office and classroom space for a period of twelve months ending on June 30, 2020. The original lease is dated January 19, 2016 for portions of the building located at 835 East 5th Street, St. Paul, Minnesota. Charter School incurred lease expenses of $905,200 for the year ended June 30, 2020. The charter school renewed its lease for another year on July 1, 2020 through June 30, 2021 for $83,463.33 per month totaling $1,001,560.

The annual payment requirements to maturity for the operating leases as of June 30, 2020 are as follows:

Year Ending June 30,	Total
2021	$ 1,001,560

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

Note 4: Defined Benefit Pension Plans - Statewide

A. Teacher Retirement Association (TRA)

1. Plan Description

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

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

2. Benefits Provided

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

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

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

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

With these provisions:

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

or

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

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

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

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

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

3. Contribution Rate

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

Plan	Ending June 30, 2018		Ending June 30, 2019		Ending June 30, 2020	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	11.50%	11.00%	11.71%	11.00%	11.92%
Coordinated	7.50%	7.50%	7.50%	7.71%	7.50%	7.92%

The Charter School’s contributions to TRA for the years ending June 30, 2020, 2019 and 2018 were $173,810, $148,807 and $122,145, respectively. The Charter School’s contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

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

Employer Contributions Reported in TRA's CAFR Statement of Changes In Fiduciary Net Position	$ 403,300,000
Add Employer Contributions not Related to Future Contribution Efforts	(688,000)
Deduct TRA's Contributions not Included in Allocation	(486,000)
Total Employer Contributions	402,126,000
Total Non-employer Contributions	35,588,000
Total Contributions Reported in Schedule af Employer and Non-employer Pension Allocations	$ 437,714,000

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

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

4. Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation Date	July 1, 2019
Experience Study	June 10, 2015
	November 6, 2017 (economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Investment Rate of Return	7.50%
Price Inflation	2.50%
Wage Inflation	2.85% before July 1, 2028 and 3.25% thereafter
Projected Salary Increase	2.85 to 8.85% before July 1, 2028 and 3.25 to 9.25% thereafter
Cost of Living Adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality Assumption	
Pre-Retirement	RP 2014 white collar adjustment, male rates set back 6 years and female rates set back 5 Generational projection uses the MP-2015 scale.
Post-Retirement	RP 2014 ehite 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	RP 2014 disabled retiree mortality, without adjustment.

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

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

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

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is 6.00 years. The “Difference Between Expected and Actual Experience”, “Changes of Assumptions” and “Changes in Proportion” use the amortization period of 6.00 years in the schedule presented. The amortization period for “Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments” is 5.00 years as required by GASB 68.

Changes in actuarial assumptions since the 2019 valuation:

- 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 6 years, (7.71% in 2018, 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.

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

5. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions 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).

6. Net Pension Liability

On June 30, 2020, the STEP Academy reported a liability of $2,116,175 for its proportionate share of the 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 Charter School’s proportion of the net pension liability was based on the Charter School’s contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The Charter School’s proportionate share was 0.0332 which was an increase of 0.0037 percent from the beginning of the year.

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

Charter School's Proportionate Share of Net Pension Liability	$ 2,116,175
State's Proportionate Share of Net Pension Liability Associated with the Charter School	187,078

For the year ended June 30, 2020, the Charter School recognized a pension expense of $1,210,163. It also recognized $14,220 as a decrease to pension expense for the support provided by direct aid.

On June 30, 2020, the Charter School had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 100,825	$ 47,796
Changes in Actuarial Assumptions	826,918	2,492,983
Net Difference Between Projected and Actual Earnings on Plan Investments	368,868	-
Changes in Proportion	1,028,528	-
Contributions to TRA Subsequent to the Measurement Date	173,810	-
Total	$ 2,498,949	$ 2,540,779

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

Deferred outflows of resources totaling $173,810 related to pensions resulting from Charter School contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

2021	$ 510,104
2022	(89,284)
2023	(178,634)
2024	(453,903)
2025	(3,923)

7. Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate.

1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
$ 3,373,700	$ 2,116,175	$ 1,079,364

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

8. Pension Plan Fiduciary Net Position

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

9. Subsequent Events and the COVID-19 Pandemic Subsequent to Year-End

The United States and global markets experienced declines in values resulting from uncertainty caused by COVID-19. The resulting declines are expected to have a negative impact on TRA's discount rate as well as the value of the Plan's investments. Any impact caused by the resulting declines have not been included in the Schedules as of June 30, 2019.

B. Public Employees' Retirement Association (PERA)

1. Plan Description

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

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

General Employees Retirement Plan (GERP)

All full-time and certain part-time employees of the Charter School, other than teachers, are covered by the General Employees Retirement Plan (GERP). GERP members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Benefits Provided

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

GERP Benefits

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

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

3. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the District was required to contribute 7.50 percent for Coordinated Plan members. The Charter School’s contributions to the General Employees Fund for the years ending June 30, 2020, 2019 and 2018 were $57,047, $49,179 and $42,222, respectively. The Charter School’s contributions were equal to the contractually required contributions for each year as set by state statute.

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

4. Pension Costs

<u>General Employee Fund Pension Costs</u>

At June 30, 2020 the Charter School reported a liability of $514,176 for its proportionate share of the General Employee Fund's net pension liability. The Charter School's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million 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 Charter School totaled $15,999. 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 Charter School's proportion of the net pension liability was based on the Charter School's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the Charter School's proportion was 0.0093 percent which was an increase of 0.0009 from the prior period proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Charter School recognized pension expense of $173,461 for its proportionate share of General Employees Plan's pension expense. In addition, the School recognized an additional $1,198 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 Charter School reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 13,580	$ 4,519
Changes in Actuarial Assumptions	11,658	37,313
Net Difference Between Projected and Actual Earnings on Plan Investments	-	43,970
Changes in Proportion	168,086	-
Contributions to PERA Subsequent to the Measurement Date	57,047	-
Total	$ 250,371	$ 85,802

The $57,047 reported as deferred outflows of resources related to pensions resulting from Charter School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021	$ 65,483
2022	36,464
2023	4,752
2024	823

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

5. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for General Employees Plan.

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 Employee Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

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, 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.

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

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

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

6. Discount Rate

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

7. Pension Liability Sensitivity

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

1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
$ 845,278	$ 514,176	$ 240,786

8. Pension Plan Fiduciary Net Position

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

Note 5: Commitments and Contingencies

Federal and State Programs

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

Note 6: Other Information

A. Risk Management

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

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

B. Economic Dependency

The Charter School has a significant amount of revenue (92.4%) coming from the State of Minnesota.

C. Income Taxes

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

Management believes that it is not reasonably possible for any tax position benefits to increase or decrease significantly over the next 12 months. As of June 30, 2016, there were no income tax related accrued interest or penalties recognized in either the statement of financial position or the statement of activities.

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

Note 7: Subsequent Events

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world during 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Charter School is unable to determine if it will have a material impact to its operations.

REQUIRED SUPPLEMENTARY INFORMATION

STEP ACADEMY CHARTER SCHOOL
CHARTER SCHOOL NO. 4200
ST. PAUL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

STEP Academy
Charter School No. 4200
St. Paul, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2020

Schedule of Employer's Share of TRA Net Pension Liability

Year Ending	Charter School's Proportion of the Net Pension Liability	Charter School's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the Charter School (b)	Total (a+b)	Charter School's Covered Payroll (c)	Charter School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/19	0.0332 %	$ 2,116,175	$ 187,078	$ 2,303,253	$ 1,930,052	119.3 %	78.2 %
06/30/18	0.0295	1,851,461	173,697	2,025,158	1,628,600	113.7	78.1
06/30/17	0.0190	3,792,745	365,987	4,158,732	1,021,627	371.2	51.6
06/30/16	0.0171	4,078,758	409,044	4,487,802	890,440	458.1	44.9
06/30/15	0.0158	977,386	119,629	1,097,015	801,827	121.9	76.8
06/30/14	0.0153	705,013	49,668	754,681	700,129	100.7	81.5

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

Schedule of Employer's TRA Contributions

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Charter School's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2020	$ 173,810	$ 173,810	$ -	$ 2,194,571	7.92 %
2019	148,807	148,807	-	1,930,052	7.71
2018	122,145	122,145	-	1,628,600	7.50
2017	76,622	76,622	-	1,021,627	7.50
2016	66,783	66,783	-	890,440	7.50
2015	60,137	60,137	-	801,827	7.50
2014	49,009	49,009		700,129	7.25

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

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

2019 - None

2018 - The investment return assumption was changed from 8.50% to 7.50%. The price inflation assumption was lowered from 3.00% to 2.50%. The payroll growth assumption was lowered from 3.50% to 3.00%. 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 Accrued Liability (UAAL) was reset to June 30, 2048 (30 years). A mechanism in the law that provided the TRA Board with some authority to set contribution rates was eliminated.

2017 - The Cost of Living Adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045. Adjustments 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 non-vested inactive load increased from 4.0% to 9.0%

2016 - The assumed investment return was changed from 8.0 percent to 4.66 percent using the Single Equivalent Interest Rate calculation. The single discount rate was changed from 8.0 percent to 4.66 percent. The assumed future salary increases, payroll growth and inflation were changed by a 0.25 percent decrease for price inflation, a 0.50 percent increase for wage inflation and a 2.50 percent decrease in maximum salary increases based on years of service. Mortality assumptions were updated using the RP-2014 tables.

2015 - The assumed post-retirement benefit increase rate was changed from 2.0 percent per year through 2034 and 2.5 percent per year thereafter to 2.0 percent per year for all future years. The assumed investment return was changed from 8.25 percent to 8.0 percent. The single discount rate was changed from 8.25 percent to 8.0 percent.

Notes to the Required Supplementary Information - TRA (Continued)

Changes in Plan Provisions

2019 - None

2018 - The 2018 Omnibus Pension Bill contained a number of changes:

- 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 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, 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.

2017, 2016 - None

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

STEP Academy
Charter School No. 4200
St. Paul, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2020

Schedule of Employer's Share of PERA Net Pension Liability

Year Ending	Charter School's Proportion of the Net Pension Liability	Charter School's Proportionate Share of the Net Pension Liability (a)	State's Proportianate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	Charter School's Covered Payroll (c)	Charter School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2019	0.0093 %	$ 514,176	$ 15,999	$ 530,175	$ 655,720	80.9 %	80.2 %
6/30/2018	0.0084	465,998	15,329	481,327	562,960	85.5	79.5
6/30/2017	0.0051	325,581	4,108	329,689	329,693	100.0	75.9
6/30/2016	0.0038	308,541	3,978	312,519	234,587	133.2	68.9
6/30/2015	0.0043	222,848	-	222,848	248,293	89.8	78.2
6/30/2014	0.0053	248,967	-	248,967	280,055	88.9	78.7

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

Schedule of Employer's PERA Contributions

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Charter School's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2020	$ 57,047	$ 57,047	$ -	$ 760,627	7.50 %
2019	49,179	49,179	-	655,720	7.50
2018	42,222	42,222	-	562,960	7.50
2017	24,727	24,727	-	329,693	7.50
2016	17,594	17,594	-	234,587	7.50
2015	18,622	18,622	-	248,293	7.50
2014	20,304	20,304	-	280,055	7.25

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

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

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

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

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

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

2017 - 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.

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

INDIVIDUAL FUND SCHEDULES AND TABLE

STEP ACADEMY CHARTER SCHOOL
CHARTER SCHOOL NO. 4200
ST. PAUL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

STEP Academy
Charter School No. 4200

St. Paul, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued on the Following Page)
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020				2019
	Budgeted Amounts		Actual	Variance With	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Other local revenue	$ 9,924	$ 9,924	$ 23,246	$ 13,322	$ 61,420
Revenue from state sources	6,926,859	6,926,859	7,854,180	927,321	5,616,776
Revenue from federal sources	479,388	479,388	287,322	(192,066)	296,418
Sales and other conversion of assets	-	-	-	-	2
Interest income on investments	1,800	1,800	15,684	13,884	1,961
Total Revenues	7,417,971	7,417,971	8,180,432	762,461	5,976,577
Expenditures					
Current					
Administration					
Salaries	150,745	150,745	165,589	(14,844)	78,500
Employee benefits	35,203	35,203	60,097	(24,894)	38,516
Purchased services	19,600	19,600	5,593	14,007	18,708
Supplies and materials	-	-	754	(754)	371
Other	36,000	36,000	25,752	10,248	85,078
Total administration	241,548	241,548	257,785	(16,237)	221,173
School support services					
Salaries	125,000	125,000	129,216	(4,216)	34,341
Employee benefits	52,154	52,154	50,257	1,897	47,086
Purchased services	168,200	168,200	163,153	5,047	238,689
Supplies and materials	39,500	39,500	45,221	(5,721)	41,397
Other	1,500	1,500	811	689	105
Total school support services	386,354	386,354	388,658	(2,304)	361,618
Regular instruction					
Salaries	2,255,602	2,255,602	2,405,870	(150,268)	1,872,051
Employee benefits	633,102	633,102	561,511	71,591	457,328
Purchased services	77,207	77,207	39,946	37,261	47,553
Supplies and materials	243,313	243,313	194,330	48,983	91,178
Other	1,000	1,000	35,155	(34,155)	705
Total regular instruction	3,210,224	3,210,224	3,236,812	(26,588)	2,468,815
Special education instruction					
Salaries	393,838	393,838	445,128	(51,290)	317,664
Employee benefits	113,553	113,553	114,221	(668)	83,039
Purchased services	57,775	57,775	67,374	(9,599)	48,652
Supplies and materials	2,314	2,314	1,702	612	1,816
Other	-	-	197	(197)	-
Total special education instruction	567,480	567,480	628,622	(61,142)	451,171

STEP Academy
Charter School No. 4200
St. Paul, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020				2019
	Budgeted Amounts		Actual	Variance With	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Instructional support services					
Salaries	$ 293,782	$ 293,782	$ 293,219	$ 563	$ 230,110
Employee benefits	77,637	77,637	74,483	3,154	63,704
Purchased services	73,600	73,600	18,802	54,798	27,035
Supplies and materials	1,500	1,500	1,170	330	2,504
Other	-	-	125	(125)	802
Total instructional support services	446,519	446,519	387,799	58,720	324,155
Pupil support services					
Salaries	199,000	199,000	42,300	156,700	62,523
Fringe benefits	57,647	57,647	11,802	45,845	10,197
Purchased services	790,369	790,369	989,797	(199,428)	764,926
Supplies and materials	1,200	1,200	336	864	1,002
Other	-	-	-	-	147
Total pupil support services	1,048,216	1,048,216	1,044,235	3,981	838,795
Site, building and equipment					
Salaries	-	-	3,825	(3,825)	-
Fringe benefits	-	-	424	(424)	-
Purchased services	1,176,200	1,176,200	1,126,433	49,767	1,019,116
Supplies and materials	16,000	16,000	17,682	(1,682)	15,361
Other	600	600	100	500	100
Total site, building and equipment	1,192,800	1,192,800	1,148,464	44,336	1,034,577
Fiscal and other fixed cost programs					
Purchased services	20,000	20,000	23,193	(3,193)	17,147
Total current	7,113,141	7,113,141	7,115,568	(2,427)	5,717,451
Capital outlay					
Administration	-	-	1,431	(1,431)	-
School support services	-	-	27,545	(27,545)	29,454
Regular instruction	150,587	150,587	67,686	82,901	71,449
Instructional support services	-	-	-	-	2,254
Pupil support services	-	-	178	(178)	-
Site, buildings and equipment	-	-	4,500	(4,500)	16,276
Total capital outlay	150,587	150,587	101,340	49,247	119,433
Total Expenditures	7,263,728	7,263,728	7,216,908	46,820	5,836,884
Excess (Deficiency) of Revenues Over Expenditures	154,243	154,243	963,524	809,281	139,693
Other Financing Sources (Uses)					
Transfers out	(42,000)	(42,000)	-	42,000	(32,823)
Net Change in Fund Balances	112,243	112,243	963,524	851,281	106,870
Fund Balances, July 1	1,159,388	1,159,388	1,159,388	-	1,052,518
Fund Balances, June 30	$ 1,271,631	$ 1,271,631	$ 2,122,912	$ 851,281	$ 1,159,388

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STEP Academy
Charter School No. 4200
St. Paul, Minnesota
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020				2019
	Budgeted Amounts		Actual	Variance With	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Revenue from state sources	$ 11,000	$ 11,000	$ 7,120	$ (3,880)	$ 8,757
Revenue from federal sources	371,000	371,000	321,705	(49,295)	278,965
Sales and other conversion of assets	4,000	4,000	386	(3,614)	454
Total Revenues	386,000	386,000	329,211	(56,789)	288,176
Expenditures					
Current					
Food service	393,000	393,000	270,149	122,851	320,549
Capital outlay					
Food service	-	-	-	-	450
Total Expenditures	393,000	393,000	270,149	122,851	320,999
Excess (Deficiency) of Revenues Over Expenditures	(7,000)	(7,000)	59,062	66,062	(32,823)
Other Financing Sources (Uses)					
Transfers in	7,000	7,000	-	(7,000)	32,823
Net Change in Fund Balances	-	-	59,062	59,062	-
Fund Balances, July 1	-	-	-	-	-
Fund Balances, June 30	$ -	$ -	$ 59,062	$ 59,062	$ -

Fiscal Compliance

Fiscal Compliance Report - 6/30/2020
District: STEP ACADEMY CHARTER SCH (4200-7)

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$8,180,432	$8,180,420	$12
Total Expenditures	$7,216,908	$7,216,895	$13
Non Spendable:			
4.60 Non Spendable Fund Balance	$125,989	$125,989	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.03 Staff Development	$0	$0	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$0	$0	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	$0	$0	$0
4.72 Medical Assistance	$0	$0	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$0	$0	$0
Unassigned:			
4.22 Unassigned Fund Balance	$1,996,923	$1,996,924	($1)
02 FOOD SERVICES			
Total Revenue	$329,211	$329,209	$2
Total Expenditures	$270,149	$270,148	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust			

	Audit	UFARS	Audit - UFARS
06 BUILDING CONSTRUCTION			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
07 DEBT SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
08 TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
18 CUSTODIAL			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
20 INTERNAL SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
25 OPEB REVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures			

	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$59,062	$59,061	$1
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

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

	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

47 OPEB DEBT SERVICE

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

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OTHER REQUIRED REPORTS

STEP ACADEMY CHARTER SCHOOL
CHARTER SCHOOL NO. 4200
ST. PAUL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Board of Directors
STEP Academy
Charter School No. 4200
St. Paul, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of STEP Academy, Charter School No. 4200 (the Charter School), St. Paul, Minnesota as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 4, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the Charter School failed to comply with the provisions of the 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 of Minn. Stat. 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Charter School's noncompliance with the above referenced provisions.

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

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
December 4, 2020

5201 Eden Avenue, Suite 250
Edina, MN 55436
952.835.9090 | Fax 952.835.3261

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

Board of Directors
STEP Academy
Charter School No. 4200
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 the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of STEP Academy, Charter School No. 4200 (the Charter School), St. Paul, Minnesota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Charter Schools basic financial statements and have issued our report thereon dated December 4, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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Purpose of this Report

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

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
December 4, 2020

People + Process. Going Beyond the Numbers