

NEW CITY SCHOOL  
MINNEAPOLIS, MINNESOTA

Financial Statements  
and Supplemental Information

Year Ended  
June 30, 2021

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NEW CITY SCHOOL

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INTRODUCTORY SECTION

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NEW CITY SCHOOL

Board and Administration  
as of June 30, 2021

**BOARD**

	<u>Board Position</u>
Kati Cunningham	Board Chair
Erin Green	Secretary
Abby Mandell	Treasurer
Vincent Esades	Director
Amabda Halbersma	Director
Michael Hickel	Director

**ADMINISTRATION**

Todd Bartholomay	Principal/Director
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FINANCIAL SECTION

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**PRINCIPALS**

Thomas A. Karnowski, CPA  
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Victoria L. Holinka, CPA/CMA  
Jaclyn M. Huegel, CPA  
Kalen T. Karnowski, CPA

**INDEPENDENT AUDITOR'S REPORT**

To the Board and Management of New City School  
Minneapolis, Minnesota

**REPORT ON THE FINANCIAL STATEMENTS**

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

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

**AUDITOR'S RESPONSIBILITY**

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

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

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

(continued)

## **OPINIONS**

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

## **OTHER MATTERS**

### **Required Supplementary Information**

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

### **Other Information**

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

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

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

(continued)

### **Prior Year Comparative Information**

We have previously audited the School's 2020 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated September 7, 2020. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2021 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota

September 13, 2021

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## NEW CITY SCHOOL

### Management's Discussion and Analysis Year Ended June 30, 2021

This section of New City School's (the School) annual financial statements presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the other components of the School's annual financial statements.

#### **FINANCIAL HIGHLIGHTS**

- The School's assets and deferred outflows of resources were lower than liabilities and deferred inflows of resources at June 30, 2021 by (\$1,209,176) (deficit net position). The School's total net position decreased by \$20,505 during the fiscal year ended June 30, 2021.
- The School experienced a decrease of 22 average daily memberships (ADM) in 2020–2021, which represents a 6.9 percent decrease from the prior year, mainly due to the impact of COVID-19 and distance learning.
- The General Fund experienced an increase of \$195,932 in total fund balances. The General Fund has an unassigned fund balance of \$837,075 at June 30, 2021. Overall, revenues increased \$216,909 (6.6 percent) and expenditures increased \$64,971 (2.0 percent), compared to the prior year. Revenues increased primarily due to increases in federal and state aids. Expenditures increased from increased costs for the building lease.
- At June 30, 2021, the General Fund reported total fund balances of \$994,223, an increase of \$195,932 from the previous year, as compared to an increase of \$36,082 projected in the final budget.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- Independent Auditor's Report;
- Management's discussion and analysis;
- Basic financial statements, including the entity-wide financial statements, fund financial statements, and the notes to basic financial statements;
- Required supplementary information related to defined benefit pension plan liabilities and contributions; and
- Combining and individual fund statements and schedules, presented as supplemental information.

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

### Entity-Wide Financial Statements

The entity-wide financial statements (Statement of Net Position and Statement of Activities) report information about the School as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes *all* of the School’s assets, deferred outflow of resources, liabilities, and deferred inflow of resources. All of the current year’s revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two entity-wide financial statements report the School’s *net position* and how it has changed. Net position—the difference between assets, deferred outflow of resources, liabilities, and deferred inflow of resources—is one way to measure the School’s financial health or *position*. Over time, increases or decreases in the School’s net position are indicators of whether its financial position is improving or deteriorating, respectively. To assess the overall health of the School requires consideration of additional nonfinancial factors, such as changes in the School’s student population and the condition of school buildings and other facilities.

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

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

	2021	2020
Assets		
Current and other assets	\$ 1,251,190	\$ 1,001,423
Capital assets, net of depreciation	4,466	9,141
Total assets	\$ 1,255,656	\$ 1,010,564
Deferred outflows of resources	\$ 1,114,065	\$ 1,500,621
Liabilities		
Current and other liabilities	\$ 248,115	\$ 212,252
Net pension liability	2,008,794	1,569,452
Total liabilities	\$ 2,256,909	\$ 1,781,704
Deferred inflows of resources	\$ 1,321,988	\$ 1,918,152
Net position		
Net investment in capital assets	\$ 4,466	\$ 9,141
Restricted	24,714	15,626
Unrestricted	(1,238,356)	(1,213,438)
Total net position	\$ (1,209,176)	\$ (1,188,671)



The change in deferred outflows/inflows of resources and net pension liability relates to unfunded state-wide pension plans, a portion of which is reported on the financial statements of the School.

The School's financial position is the product of many factors. For example, determination of the School's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. Changes in variables, such as estimated depreciable lives or capitalization policies, may produce significant differences in the calculated amounts. Unrestricted net position includes the School's long-term pension liabilities, which are not fully funded.

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

	<u>2021</u>	<u>2020</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 2,159	\$ 36,001
Operating grants and contributions	932,160	923,626
General revenues		
General grants and aids	2,594,947	2,392,659
Other	9,200	28,057
Total revenues	<u>3,538,466</u>	<u>3,380,343</u>
<b>Expenses</b>		
Administration	291,193	291,219
District support services	92,887	94,699
Elementary and secondary regular instruction	1,682,578	1,678,677
Special education instruction	477,318	468,396
Instructional support services	155,528	144,201
Pupil support services	40,574	34,687
Sites and buildings	757,753	679,884
Fiscal and other fixed cost programs	15,635	15,313
Food service	29,656	127,281
Community service	15,849	25,990
Total expenses	<u>3,558,971</u>	<u>3,560,347</u>
Change in net position	(20,505)	(180,004)
Net position – beginning	<u>(1,188,671)</u>	<u>(1,008,667)</u>
Net position – ending	<u>\$ (1,209,176)</u>	<u>\$ (1,188,671)</u>

This statement is presented on an accrual basis of accounting and includes all of the School's governmental activities. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal, if any.

Increases in state aid funding for general education, along with additional federal funding received due to COVID-19, contributed to the increase in total revenues from the previous year. The overall decrease in expenses is primarily due to distance learning and a decrease in food service expenses. The decrease is partially offset an increase in lease expenses.

## Fund Financial Statements

The fund financial statements provide more detailed information about the School's *funds*. Funds are accounting devices used to keep track of specific sources of funding and spending on particular programs. The School maintains three funds, the General Fund, the Food Service Special Revenue Fund, and the Community Service Special Revenue Fund, to account for its activities. All of the funds are "governmental" fund types. Governmental funds generally focus on: 1) how *cash and other financial assets* that can readily be converted to cash flow in and out and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the entity-wide financial statements, we provide additional information (reconciliation schedules) on the governmental fund financial statements that explain the relationship (or differences) between these two types of financial statement presentations.

### Analysis of the General Fund

Table 3 is a summarized view of the School's General Fund financial position:

	<u>2021</u>	<u>2020</u>
Total assets	\$ 1,232,904	\$ 1,010,464
Total liabilities	<u>238,681</u>	<u>212,173</u>
Total fund balances	<u>\$ 994,223</u>	<u>\$ 798,291</u>

Table 4 is a summarized view of the School's General Fund activity:

	<u>2021</u>			<u>2020</u>	
	Original Budget	Final Budget	Actual	Over (Under) Final Budget	Actual
Revenue	\$ 3,530,461	\$ 3,426,513	\$ 3,496,779	\$ 70,266	\$ 3,279,870
Expenditures	3,437,407	3,386,587	3,278,496	(108,091)	3,213,525
Transfers (out)	-	(3,844)	(22,351)	(18,507)	(43,774)
Net change in fund balances	<u>\$ 93,054</u>	<u>\$ 36,082</u>	<u>\$ 195,932</u>	<u>\$ 159,850</u>	<u>\$ 22,571</u>

The School is required to adopt an operating budget prior to the beginning of its fiscal year, referred to on the previous page as the original budget. The School has the ability to amend that budget for known significant changes in circumstances, such as: updated enrollment estimates, legislative funding changes, additional funding received from grants or other local sources, or staffing changes.

The School's final budget for the General Fund anticipated that revenues would exceed expenditures and other financing (uses) by \$36,082, while the actual results were an increase in fund balance of \$195,932. Revenues were higher than budget, due to higher than budgeted state sources, mainly in general education aid. Expenditures were lower than budget, mainly in regular instruction for purchased services and supplies and materials. Transfers out to cover deficit spending in the School's Community Service Special Revenue Fund exceeded budgeted amounts by \$18,507.

#### **Food Service Special Revenue Fund**

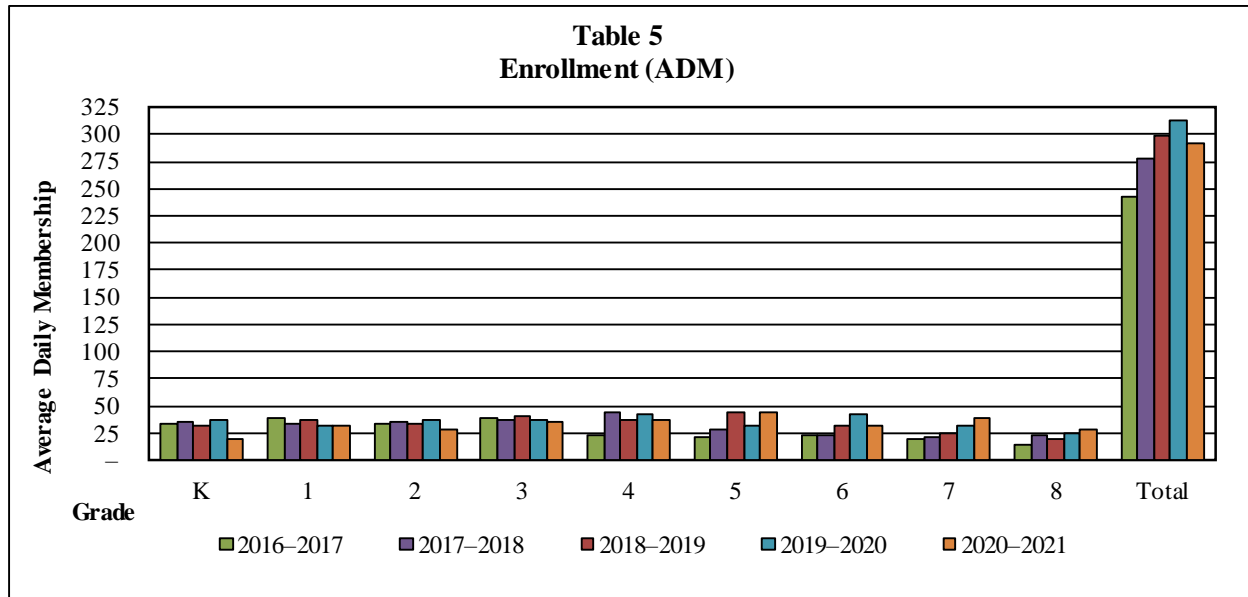
The Food Service Special Revenue Fund ended the 2021 fiscal year with a fund balance of \$8,852.

#### **Community Service Special Revenue Fund**

In fiscal 2021, expenditures exceeded revenues by \$13,231 in the Community Service Special Revenue Fund. To eliminate the fund balance deficit in the Community Service Special Revenue Fund, a transfer of \$22,351 was made from the General Fund. The School will strive to find ways to reduce the losses incurred in this fund in the future.

## Enrollment

Table 5 is a summary of student enrollment by grade for the last five fiscal years. The School experienced a decrease of 22 students in 2020–2021 compared to 2019–2020:



The decrease in enrollment is mainly a result of distance learning and significantly lower kindergarten enrollment compared to prior years, due to COVID-19.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

Table 6 shows the School’s capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ended June 30, 2021 and 2020:

**Table 6  
Capital Assets  
as of June 30, 2021 and 2020**

	2021	2020	Change
Furniture and equipment	\$ 130,753	\$ 130,753	\$ –
Less accumulated depreciation	(126,287)	(121,612)	(4,675)
Total	<u>\$ 4,466</u>	<u>\$ 9,141</u>	<u>\$ (4,675)</u>
Depreciation expense	<u>\$ 4,675</u>	<u>\$ 6,529</u>	<u>\$ (1,854)</u>

More detailed information on the School’s capital assets can be found in the notes to basic financial statements.

### Debt Administration

The School does not have any long-term debt as of June 30, 2021.

## **FACTORS BEARING ON THE SCHOOL'S FUTURE**

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

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

## **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

These financial statements are designed to provide our citizens, authorizer, customers, and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact New City School, 1500 – 6th Street Northeast, Minneapolis, Minnesota 55413.

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BASIC FINANCIAL STATEMENTS

NEW CITY SCHOOL

Statement of Net Position  
as of June 30, 2021

(With Partial Comparative Information as of June 30, 2020)

	Governmental Activities	
	2021	2020
Assets		
Cash and temporary investments	\$ 1,031,875	\$ 717,164
Receivables		
Accounts	8	23,140
Due from other governmental units	202,946	255,533
Prepaid items	16,361	5,586
Capital assets, net of accumulated depreciation	4,466	9,141
Total assets	<u>1,255,656</u>	<u>1,010,564</u>
Deferred outflows of resources		
Defined benefit pension plans	<u>1,114,065</u>	<u>1,500,621</u>
Total assets and deferred outflows of resources	<u>\$ 2,369,721</u>	<u>\$ 2,511,185</u>
Liabilities		
Salaries and benefits payable	\$ 200,179	\$ 203,692
Accounts and contracts payable	47,936	8,560
Net pension liability	2,008,794	1,569,452
Total liabilities	<u>2,256,909</u>	<u>1,781,704</u>
Deferred inflows of resources		
Defined benefit pension plans	1,321,988	1,918,152
Net position		
Net investment in capital assets	4,466	9,141
Restricted for food service	8,852	—
Restricted for Medical Assistance	15,862	15,626
Unrestricted	(1,238,356)	(1,213,438)
Total net position	<u>(1,209,176)</u>	<u>(1,188,671)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,369,721</u>	<u>\$ 2,511,185</u>



NEW CITY SCHOOL

Statement of Activities  
Year Ended June 30, 2021

(With Partial Comparative Information for the Year Ended June 30, 2020)

Functions/Programs	2021			2020	
	Expenses	Program Revenues		Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position	Revenue and Changes in Net Position
			Governmental Activities	Governmental Activities	
Governmental activities					
Administration	\$ 291,193	\$ -	\$ -	\$ (291,193)	\$ (291,219)
District support services	92,887	-	-	(92,887)	(94,699)
Elementary and secondary regular instruction	1,682,578	-	53,684	(1,628,894)	(1,627,625)
Special education instruction	477,318	-	438,265	(39,053)	(37,504)
Instructional support services	155,528	-	-	(155,528)	(144,201)
Pupil support services	40,574	-	-	(40,574)	(34,687)
Sites and buildings	757,753	-	404,969	(352,784)	(301,915)
Fiscal and other fixed cost programs	15,635	-	-	(15,635)	(15,313)
Food service	29,656	700	35,242	6,286	(45,549)
Community service	15,849	1,459	-	(14,390)	(8,008)
Total governmental activities	<u>\$ 3,558,971</u>	<u>\$ 2,159</u>	<u>\$ 932,160</u>	(2,624,652)	(2,600,720)
General revenues					
General grants and aids				2,594,947	2,392,659
Other general revenues				9,029	26,450
Investment earnings				171	1,607
Total general revenues				<u>2,604,147</u>	<u>2,420,716</u>
Change in net position				(20,505)	(180,004)
Net position – beginning				<u>(1,188,671)</u>	<u>(1,008,667)</u>
Net position – ending				<u>\$ (1,209,176)</u>	<u>\$ (1,188,671)</u>

NEW CITY SCHOOL

Balance Sheet  
Governmental Funds  
as of June 30, 2021

(With Partial Comparative Information as of June 30, 2020)

	General Fund	Nonmajor Funds	Total Governmental Funds	
			2021	2020
<b>Assets</b>				
Cash and temporary investments	\$ 1,019,250	\$ 12,625	\$ 1,031,875	\$ 717,164
Receivables				
Accounts	8	–	8	23,140
Due from other funds	–	–	–	11,060
Due from other governmental units	197,895	5,051	202,946	255,533
Prepaid items	15,751	610	16,361	5,586
<b>Total assets</b>	<b>\$ 1,232,904</b>	<b>\$ 18,286</b>	<b>\$ 1,251,190</b>	<b>\$ 1,012,483</b>
<b>Liabilities</b>				
Salaries and benefits payable	\$ 194,823	\$ 5,356	\$ 200,179	\$ 203,692
Accounts and contracts payable	43,858	4,078	47,936	8,560
Due to other funds	–	–	–	11,060
<b>Total liabilities</b>	<b>238,681</b>	<b>9,434</b>	<b>248,115</b>	<b>223,312</b>
<b>Fund balances</b>				
Nonspendable for prepaids	15,751	610	16,361	4,965
Restricted or food service	–	8,242	8,242	–
Restricted for Medical Assistance	15,862	–	15,862	15,626
Assigned for subsequent year deficit	125,535	–	125,535	–
Unassigned	837,075	–	837,075	768,580
<b>Total fund balances</b>	<b>994,223</b>	<b>8,852</b>	<b>1,003,075</b>	<b>789,171</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,232,904</b>	<b>\$ 18,286</b>	<b>\$ 1,251,190</b>	<b>\$ 1,012,483</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Fund balances as reported above			\$ 1,003,075	\$ 789,171
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.				
Cost of capital assets			130,753	130,753
Accumulated depreciation			(126,287)	(121,612)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.				
Net pension liability – PERA			(257,806)	(199,037)
Net pension liability – TRA			(1,750,988)	(1,370,415)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.				
Deferred outflows of resources – PERA and TRA pension plans			1,114,065	1,500,621
Deferred inflows of resources – PERA and TRA pension plans			(1,321,988)	(1,918,152)
<b>Total net position – governmental activities</b>			<b>\$ (1,209,176)</b>	<b>\$ (1,188,671)</b>

NEW CITY SCHOOL

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

	General Fund	Nonmajor Funds	Total Governmental Funds	
			2021	2020
Revenue				
Federal sources	\$ 213,657	\$ 34,665	\$ 248,322	\$ 149,026
State sources	3,273,922	577	3,274,499	3,166,500
Local sources				
Investment earnings	171	–	171	1,607
Other	9,029	2,159	11,188	104,993
Total revenue	<u>3,496,779</u>	<u>37,401</u>	<u>3,534,180</u>	<u>3,422,126</u>
Expenditures				
Current				
Administration	272,239	–	272,239	269,119
District support services	92,887	–	92,887	94,699
Elementary and secondary				
regular instruction	1,507,693	–	1,507,693	1,512,725
Special education instruction	451,487	–	451,487	442,650
Instructional support services	140,228	–	140,228	122,987
Pupil support services	40,574	–	40,574	33,819
Sites and buildings	757,753	–	757,753	722,213
Fiscal and other fixed cost programs	15,635	–	15,635	15,313
Food service	–	27,090	27,090	125,506
Community service	–	14,690	14,690	25,443
Total expenditures	<u>3,278,496</u>	<u>41,780</u>	<u>3,320,276</u>	<u>3,364,474</u>
Excess (deficiency) of revenue over expenditures	218,283	(4,379)	213,904	57,652
Other financing sources (uses)				
Transfers in	–	22,351	22,351	43,774
Transfers (out)	(22,351)	–	(22,351)	(43,774)
Total other financing sources (uses)	<u>(22,351)</u>	<u>22,351</u>	<u>–</u>	<u>–</u>
Net change in fund balances	195,932	17,972	213,904	57,652
Fund balances (deficit)				
Beginning of year	<u>798,291</u>	<u>(9,120)</u>	<u>789,171</u>	<u>731,519</u>
End of year	<u>\$ 994,223</u>	<u>\$ 8,852</u>	<u>\$ 1,003,075</u>	<u>\$ 789,171</u>

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

Net change in fund balances as reported above \$ 213,904    \$ 57,652

Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.

Capital outlays	–	1,924
Depreciation expense	(4,675)	(6,529)

Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances:

Net pension liability – PERA	(58,769)	(10,419)
Net pension liability – TRA	(380,573)	(70,261)

The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.

Deferred outflows of resources – PERA and TRA pension plans	(386,556)	(628,573)
Deferred inflows of resources – PERA and TRA pension plans	596,164	476,202

Change in net position \$ (20,505)    \$ (180,004)

NEW CITY SCHOOL

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

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Federal sources	\$ 106,050	\$ 253,762	\$ 213,657	\$ (40,105)
State sources	3,390,911	3,154,251	3,273,922	119,671
Local sources				
Investment earnings	1,000	500	171	(329)
Other	32,500	18,000	9,029	(8,971)
Total revenue	<u>3,530,461</u>	<u>3,426,513</u>	<u>3,496,779</u>	<u>70,266</u>
Expenditures				
Current				
Administration	281,902	282,380	272,239	(10,141)
District support services	109,326	106,369	92,887	(13,482)
Elementary and secondary regular instruction	1,616,784	1,598,091	1,507,693	(90,398)
Special education instruction	512,936	460,993	451,487	(9,506)
Instructional support services	151,716	126,858	140,228	13,370
Pupil support services	26,715	38,824	40,574	1,750
Sites and buildings	722,028	757,902	757,753	(149)
Fiscal and other fixed cost programs	16,000	15,170	15,635	465
Total expenditures	<u>3,437,407</u>	<u>3,386,587</u>	<u>3,278,496</u>	<u>(108,091)</u>
Excess of revenue over expenditures	93,054	39,926	218,283	178,357
Other financing (uses)				
Transfers (out)	<u>—</u>	<u>(3,844)</u>	<u>(22,351)</u>	<u>(18,507)</u>
Net change in fund balances	<u>\$ 93,054</u>	<u>\$ 36,082</u>	<u>195,932</u>	<u>\$ 159,850</u>
Fund balances				
Beginning of year			<u>798,291</u>	
End of year			<u>\$ 994,223</u>	

## NEW CITY SCHOOL

### Notes to Basic Financial Statements June 30, 2021

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Reporting Entity**

New City School (the School) is a results-oriented charter school established November 8, 2001 in accordance with Minnesota Statutes § 124D.10.

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

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

Based on these criteria, there is one organization considered to be a component unit of the School. The NCS Building Company (the Building Company) is a Minnesota nonprofit organization classified by the Internal Revenue Service (IRS) as a 501(c)(3) tax-exempt organization by reason of its function as a "supporting organization" of the School. The Building Company will potentially own the real estate and building that is, in turn, leased by the School for its operations. The building would be leased to the School under the terms of a long-term operating lease agreement. The Internal Revenue Code (IRC) requires that, to be granted tax-exempt status as a "supporting organization," an organization must meet a three-part test. One test is whether the supporting organization is "operated, supervised, or controlled by" the organization it supports. To meet this test, members of the Building Company's Board are appointed by the School's Board. Because the Building Company is considered a supporting organization and its sole purpose is to provide services to the School. The Building Company is currently not active and thus had no financial activity in fiscal 2021.

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

##### **B. Basis of Statement Presentation**

As required by state law, the School operates as a nonprofit corporation under Minnesota Statutes § 317A. However, state law also requires that the School comply with Uniform Financial Accounting and Reporting Standards for Minnesota Schools, which mandates the use of a governmental fund accounting structure.

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

### C. Entity-Wide Financial Statement Presentation

The entity-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the School. Generally, the effect of material interfund activity has been removed from the entity-wide financial statements. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other internally directed revenues are reported instead as general revenues.

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

The School applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. Depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets.

### D. Fund Financial Statement Presentation

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

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

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar revenues are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes.
- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, net pension liabilities, and other long-term liabilities, if any, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

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

### **Description of Funds**

The existence of the various school funds has been established by the MDE. Each fund is accounted for as an independent entity. A description of the funds included in this report is as follows:

### **Major Governmental Funds**

**General Fund** – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

### **Nonmajor Governmental Funds**

**Food Service Special Revenue Fund** – The Food Service Special Revenue Fund was established primarily to account for the School's child nutrition program.

**Community Service Special Revenue Fund** – The Community Service Special Revenue Fund accounts for the activities related to providing education and recreation programs for Pre-Kindergarten to Post-Grade 8 students.

### **E. Budgetary Information**

The budget for each fund is prepared on the same basis of accounting as the financial statements. Each June, the Board adopts an annual budget for the following fiscal year for the General Fund, Food Service Special Revenue Fund, and Community Service Special Revenue Fund. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. For the year ended June 30, 2021, the Food Service Special Revenue Fund expenditures exceeded budgeted amounts by \$21,910.

### **F. Cash and Investments**

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled balances are allocated to the respective funds on the basis of cash participation by each fund.

### **G. Receivables**

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

### **H. Prepaid Items**

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

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

### **I. Capital Assets**

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

Capital assets are recorded in the entity-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the School, no salvage value is taken into consideration for depreciation purposes. The School uses a useful life of five years for furniture and equipment.

### **J. Deferred Outflows/Inflows of Resources**

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report separate sections for deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or inflow of financial resources (revenue) until then.

The School has one type of item that qualifies for reporting in these categories, deferred outflows/inflows of resources related to pensions, which are reported in the entity-wide Statement of Net Position. These deferred outflows/inflows result from differences between expected and actual experience, changes in proportion, changes of assumptions, the difference between projected and actual earnings on pension plan investments, changes in proportion, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension standards.

### **K. Compensated Absences**

Since teachers are not eligible for vacation pay and amounts accrued to other employees are insignificant, no liability for unused vacation pay has been recorded. Substantially all employees are entitled to sick leave at various rates. Employees are not compensated for unused sick leave upon termination; therefore, no liability for unused sick leave has been recorded.

### **L. State-Wide Pension Plans**

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

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



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

### **M. Income Taxes**

The School and Building Company are exempt from federal and state income taxes under IRC § 501(c)(3). The School and Building Company are subject to tax on income from any unrelated business.

The School and the Building Company are subject to the recognition requirements for uncertain income tax positions as required by the Financial Accounting Standards Board Accounting Standards Codification 740-10. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The School and the Building Company have analyzed tax positions taken for filing with the IRS and state jurisdiction where they operate. The School and the Building Company believe that income tax filing positions will be sustained upon examination and do not anticipate any adjustments that would result in a material adverse effect on their respective financial condition, results of operation, or cash flows. Accordingly, the School and the Building Company have not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at the current year-end. The School and the Building Company are subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

### **N. Interfund Transfers**

During fiscal year 2021, the General Fund transferred \$22,351 to the Community Service Special Revenue Fund to finance excess community service program costs.

Interfund transfers between governmental funds reported in the fund financial statements are eliminated in the entity-wide financial statements.

### **O. Risk Management**

The School is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees. The School carries commercial insurance purchased from independent third parties to cover these risks. Settled claims did not exceed commercial insurance coverage for any of the last three fiscal years. There were no significant reductions in insurance coverage in the current year.

### **P. Use of Estimates**

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

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

### Q. Net Position

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

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Position** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

### R. Fund Balance Classifications

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the School for specific purposes, but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

When committed, assigned, or unassigned resources are available for use, it is the School’s policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

### S. Fund Balance Policy

The School’s fund balance policy is to maintain between a minimum of 20.0 percent and a maximum of 25.0 percent of the prior fiscal year’s expenditures within unassigned fund balance in the General Fund. At June 30, 2021, the unassigned fund balance of the General Fund was 25.5 percent of fiscal 2021 expenditures.

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

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

The financial statements include partial prior year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2020, from which such partial information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

## **NOTE 2 – DEPOSITS**

In accordance with applicable Minnesota Statutes, the School maintains deposits at depository banks authorized by the Board.

The following is considered the most significant risk associated with deposits:

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

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

The School's deposit policies do not further limit depository choices.

At June 30, 2021, the School had deposits (consisting of checking accounts, money market account, and certificates of deposit) with a carrying value of \$1,031,875 and a bank balance of \$1,050,659, all of which was covered by federal deposit insurance or pledged collateral.

### NOTE 3 – CAPITAL ASSETS

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

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year
Capital assets, depreciated Furniture and equipment	\$ 130,753	\$ –	\$ –	\$ 130,753
Less accumulated depreciation for Furniture and equipment	<u>(121,612)</u>	<u>(4,675)</u>	<u>–</u>	<u>(126,287)</u>
Total capital assets, net	<u>\$ 9,141</u>	<u>\$ (4,675)</u>	<u>\$ –</u>	<u>\$ 4,466</u>

Depreciation expense was charged to the following governmental function:

Instructional support services	<u>\$ 4,675</u>
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### NOTE 4 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

School employees participate in two defined benefit pension plans, including two state-wide, cost-sharing, multiple-employer plans administered by the PERA and the TRA. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2021:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide, multiple-employer – PERA	\$ 257,806	\$ 91,071	\$ 9,521	\$ 41,405
State-wide, multiple-employer – TRA	<u>1,750,988</u>	<u>1,022,994</u>	<u>1,312,467</u>	<u>306,387</u>
Total	<u>\$ 2,008,794</u>	<u>\$ 1,114,065</u>	<u>\$ 1,321,988</u>	<u>\$ 347,792</u>

#### A. Plan Descriptions

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

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

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

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

## **NOTE 4 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

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

The TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. The TRA is a separate statutory entity, administered by a Board of Trustees. The Board of Trustees consists of four active members, one retired member, and three statutory officials.

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

### **B. Benefits Provided**

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

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

#### **1. GERS Benefits**

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

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

## NOTE 4 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

### 2. TRA Benefits

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

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

#### Tier I Benefits

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

With these provisions:

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

#### Tier II Benefits

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

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

**NOTE 4 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

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

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

**C. Contributions**

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

**1. GERF Contributions**

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2021 and the School was required to contribute 7.5 percent for Coordinated Plan members. The School’s contributions to the GERF for the year ended June 30, 2021, were \$23,339. The School’s contributions were equal to the required contributions as set by state statutes.

**2. TRA Contributions**

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

	Year Ended June 30,					
	2019		2020		2021	
	Employee	Employer	Employee	Employer	Employee	Employer
<b>Basic Plan</b>	11.00 %	11.71 %	11.00 %	11.92 %	11.00 %	12.13 %
<b>Coordinated Plan</b>	7.50 %	7.71 %	7.50 %	7.92 %	7.50 %	8.13 %

The School’s contributions to the TRA for the plan’s fiscal year ended June 30, 2021, were \$107,080. The School’s contributions were equal to the required contributions for each year as set by state statutes.

#### NOTE 4 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

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

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

#### D. Pension Costs

##### 1. GERF Pension Costs

At June 30, 2021, the School reported a liability of \$257,806 for its proportionate share of the General Employees Fund’s net pension liability. The School’s net pension liability reflected a reduction due to the state of Minnesota’s contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state’s contribution meets the definition of a special funding situation. The state of Minnesota’s proportionate share of the net pension liability associated with the School totaled \$7,891. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School’s proportionate share of the net pension liability was based on the School’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA’s participating employers. The School’s proportionate share was 0.0043 percent at the end of the measurement period and 0.0036 percent for the beginning of the period.

School’s proportionate share of the net pension liability	\$ 257,806
State’s proportionate share of the net pension liability associated with the School	\$ 7,891

For the year ended June 30, 2021, the School recognized pension expense of \$40,718 for its proportionate share of the GERF’s pension expense. In addition, the School recognized \$687 as grant revenue for its proportionate share of the state of Minnesota’s pension expense for the annual \$16 million contribution.



**NOTE 4 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 1,963	\$ 975
Changes in actuarial assumptions	–	8,546
Net collective difference between projected and actual investment earnings	12,044	–
Changes in proportion	53,725	–
School’s contributions to the GERF subsequent to the measurement date	<u>23,339</u>	<u>–</u>
Total	<u>\$ 91,071</u>	<u>\$ 9,521</u>

The \$23,339 reported as deferred outflows of resources related to pensions resulting from the School’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2022	\$ 24,251
2023	\$ 13,215
2024	\$ 14,515
2025	\$ 6,230

**2. TRA Pension Costs**

At June 30, 2021, the School reported a liability of \$1,750,988 for its proportionate share of the TRA’s net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School’s proportion of the net pension liability was based on the School’s contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The School’s proportionate share was 0.0237 percent at the end of the measurement period and 0.0215 percent for the beginning of the period.

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

School’s proportionate share of the net pension liability	\$ 1,750,988
State’s proportionate share of the net pension liability associated with the School	\$ 146,817

For the year ended June 30, 2021, the School recognized pension expense of \$292,938. It also recognized \$13,449 as an increase to pension expense for the support provided by direct aid.

**NOTE 4 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 35,114	\$ 22,664
Changes in actuarial assumptions	514,508	1,265,951
Net difference between projected and actual investment earnings on pension plan investments	45,932	–
Changes in proportion	320,360	23,852
School’s contributions to the TRA subsequent to the measurement date	<u>107,080</u>	<u>–</u>
Total	<u><u>\$ 1,022,994</u></u>	<u><u>\$ 1,312,467</u></u>

A total of \$107,080 reported as deferred outflows of resources related to pensions resulting from school contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2022	\$ 98,914
2023	\$ (373,320)
2024	\$ (224,207)
2025	\$ 71,404
2026	\$ 30,656

**E. Actuarial Assumptions**

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

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

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

## **NOTE 4 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

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

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

### **1. GERF**

#### **CHANGES IN ACTUARIAL ASSUMPTIONS**

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

#### **CHANGES IN PLAN PROVISIONS**

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

### **2. TRA**

#### **CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**NOTE 4 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

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

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

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

**F. Discount Rate**

**1. GERP**

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

**2. TRA**

The discount rate used to measure the total pension liability was 7.50 percent. There was no change since the prior measurement. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2020 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

## NOTE 4 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

### G. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.50%	7.50%	8.50%
School’s proportionate share of the GERF net pension liability	\$ 413,171	\$ 257,806	\$ 129,640
TRA discount rate	6.50%	7.50%	8.50%
School’s proportionate share of the TRA net pension liability	\$ 2,680,744	\$ 1,750,988	\$ 984,916

### H. Pension Plan Fiduciary Net Position

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

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

## NOTE 5 – COMMITMENTS AND CONTINGENCIES

### A. Operating Leases

The School had a lease agreement for the use of classrooms at the Grace Center for Community Life commencing July 1, 2018 and ending June 30, 2021. Under this agreement, the School was responsible for annual base rent of \$384,000. In June 2021, the School entered into a lease agreement for the use of classrooms at the Grace Center for Community Life commencing July 1, 2021 and ending June 30, 2031. Under this agreement, the School is responsible for the higher of annual base rent of \$489,100 or the state of Minnesota’s lease aid funding formula’s maximum amount.

**NOTE 5 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Future minimum base rental payments on this lease are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2022	\$ 489,100
2023	489,100
2024	489,100
2025	489,100
2026	489,100
2027–2031	<u>2,445,500</u>
Total	<u>\$ 4,891,000</u>

The School paid \$475,511 in rental payments under these agreements during the fiscal year ended June 30, 2021.

If the School fails to make the rental payments specified in the lease agreement or otherwise defaults on the lease, the lessor may 1) enter the leased property and take possession without terminating the lease, holding the School responsible for the difference in the net income derived from such possession and the rent due under this agreement, 2) exclude the School from possession of the property and attempt to sell or again lease the property, holding the School responsible for the rent due under this agreement until the property is sold or leased again, or 3) take legal action to force performance under the terms of the lease.

**B. Federal and Local Revenues**

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

**NOTE 6 – LINE OF CREDIT**

On September 8, 2016, the School renewed a \$220,000 line of credit, which is available for cash flow purposes, through a local bank. This line of credit has a variable interest rate, as of June 30, 2021, the interest rate was prime plus 1.15 percent with a 3.00 percent floor. This line of credit was closed in May 2021. Interest expense on the line of credit was \$0 for the year ended June 30, 2021. There were no draws on the line of credit in the current year.

REQUIRED SUPPLEMENTARY INFORMATION

NEW CITY SCHOOL

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

School Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	School's Proportion of the Net Pension Liability	School's Proportionate Share of the Net Pension Liability	School's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the School's Share of the State of Minnesota's Share of the Net Pension Liability	School's Covered Payroll	School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.0027%	\$ 126,832	\$ -	\$ 126,832	\$ 142,325	89.11%	78.70%
06/30/2016	06/30/2015	0.0028%	\$ 145,110	\$ -	\$ 145,110	\$ 161,856	89.65%	78.20%
06/30/2017	06/30/2016	0.0025%	\$ 202,987	\$ 2,722	\$ 205,709	\$ 156,661	129.57%	68.90%
06/30/2018	06/30/2017	0.0022%	\$ 140,445	\$ 1,764	\$ 142,209	\$ 141,583	99.20%	75.90%
06/30/2019	06/30/2018	0.0034%	\$ 188,618	\$ 6,167	\$ 194,785	\$ 225,686	83.58%	79.50%
06/30/2020	06/30/2019	0.0036%	\$ 199,037	\$ 6,166	\$ 205,203	\$ 257,182	77.39%	80.20%
06/30/2021	06/30/2020	0.0043%	\$ 257,806	\$ 7,891	\$ 265,697	\$ 307,039	83.97%	79.10%

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

School Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 11,957	\$ 11,957	\$ -	\$ 161,856	7.39%
06/30/2016	\$ 11,750	\$ 11,750	\$ -	\$ 156,661	7.50%
06/30/2017	\$ 10,619	\$ 10,619	\$ -	\$ 141,583	7.50%
06/30/2018	\$ 16,927	\$ 16,927	\$ -	\$ 225,686	7.50%
06/30/2019	\$ 19,289	\$ 19,289	\$ -	\$ 257,182	7.50%
06/30/2020	\$ 23,028	\$ 23,028	\$ -	\$ 307,039	7.50%
06/30/2021	\$ 23,339	\$ 23,339	\$ -	\$ 311,122	7.50%

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



NEW CITY SCHOOL

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

School Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	School's Proportion of the Net Pension Liability	School's Proportionate Share of the Net Pension Liability	School's Proportionate Share of the Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the School's Share of the State of Minnesota's Share of the Net Pension Liability	School's Covered Payroll	School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.0155%	\$ 714,229	\$ 50,274	\$ 764,503	\$ 706,184	101.14%	81.50%
06/30/2016	06/30/2015	0.0184%	\$ 1,138,222	\$ 139,905	\$ 1,278,127	\$ 934,441	121.81%	76.80%
06/30/2017	06/30/2016	0.0194%	\$ 4,627,363	\$ 463,438	\$ 5,090,801	\$ 1,009,987	458.16%	44.88%
06/30/2018	06/30/2017	0.0191%	\$ 3,812,706	\$ 367,747	\$ 4,180,453	\$ 1,030,613	369.95%	51.57%
06/30/2019	06/30/2018	0.0207%	\$ 1,300,154	\$ 121,912	\$ 1,422,066	\$ 1,141,948	113.85%	78.07%
06/30/2020	06/30/2019	0.0215%	\$ 1,370,415	\$ 121,264	\$ 1,491,679	\$ 1,220,079	112.32%	78.21%
06/30/2021	06/30/2020	0.0237%	\$ 1,750,988	\$ 146,817	\$ 1,897,805	\$ 1,376,095	127.24%	75.48%

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

School Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 70,084	\$ 70,084	\$ -	\$ 934,441	7.50%
06/30/2016	\$ 75,749	\$ 75,749	\$ -	\$ 1,009,987	7.50%
06/30/2017	\$ 77,296	\$ 77,296	\$ -	\$ 1,030,613	7.50%
06/30/2018	\$ 85,646	\$ 85,646	\$ -	\$ 1,141,948	7.50%
06/30/2019	\$ 94,067	\$ 94,067	\$ -	\$ 1,220,079	7.71%
06/30/2020	\$ 108,987	\$ 108,987	\$ -	\$ 1,376,095	7.92%
6/30/2021	\$ 107,080	\$ 107,080	\$ -	\$ 1,317,091	8.13%

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

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NEW CITY SCHOOL

Notes to Required Supplementary Information  
June 30, 2021

**PERA – GENERAL EMPLOYEES RETIREMENT FUND**

**2020 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

**2020 CHANGES IN PLAN PROVISIONS**

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

NEW CITY SCHOOL

Notes to Required Supplementary Information (continued)  
June 30, 2021

**PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)**

**2019 CHANGES IN PLAN PROVISIONS**

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

**2019 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2018 CHANGES IN PLAN PROVISIONS**

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

**2018 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

NEW CITY SCHOOL

Notes to Required Supplementary Information (continued)  
June 30, 2021

**PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)**

**2017 CHANGES IN PLAN PROVISIONS**

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

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2016 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2015 CHANGES IN PLAN PROVISIONS**

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

**2015 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

## NEW CITY SCHOOL

Notes to Required Supplementary Information (continued)  
June 30, 2021

### **TEACHERS RETIREMENT ASSOCIATION (TRA)**

#### **2018 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

#### **2017 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The COLA was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.

NEW CITY SCHOOL

Notes to Required Supplementary Information (continued)  
June 30, 2021

**TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)**

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)**

- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

**2016 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2015 CHANGES IN PLAN PROVISIONS**

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

**2015 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

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SUPPLEMENTAL INFORMATION

NEW CITY SCHOOL

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

	Special Revenue Funds		
	Food Service	Community Service	Total
<b>Assets</b>			
Cash and temporary investments	\$ 7,805	\$ 4,820	\$ 12,625
Receivables			
Due from other governmental units	5,051	–	5,051
Prepays items	610	–	610
<b>Total assets</b>	<u>\$ 13,466</u>	<u>\$ 4,820</u>	<u>\$ 18,286</u>
<b>Liabilities</b>			
Salaries and benefits payable	\$ 536	\$ 4,820	\$ 5,356
Accounts and contracts payable	4,078	–	4,078
<b>Total liabilities</b>	<u>4,614</u>	<u>4,820</u>	<u>9,434</u>
<b>Fund balances</b>			
Nonspendable for prepaids	610	–	610
Restricted for food service	8,242	–	8,242
<b>Total fund balances</b>	<u>8,852</u>	<u>–</u>	<u>8,852</u>
<b>Total liabilities and fund balances</b>	<u>\$ 13,466</u>	<u>\$ 4,820</u>	<u>\$ 18,286</u>

NEW CITY SCHOOL

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Federal sources	\$ 34,665	\$ -	\$ 34,665
State sources	577	-	577
Local sources			
Other	700	1,459	2,159
Total revenue	<u>35,942</u>	<u>1,459</u>	<u>37,401</u>
Expenditures			
Current			
Food service	27,090	-	27,090
Community service	<u>-</u>	<u>14,690</u>	<u>14,690</u>
Total expenditures	<u>27,090</u>	<u>14,690</u>	<u>41,780</u>
Excess (deficiency) of revenue over expenditures	8,852	(13,231)	(4,379)
Other financing sources			
Transfers in	<u>-</u>	<u>22,351</u>	<u>22,351</u>
Net change in fund balances	8,852	9,120	17,972
Fund balances (deficit)			
Beginning of year	<u>-</u>	<u>(9,120)</u>	<u>(9,120)</u>
End of year	<u>\$ 8,852</u>	<u>\$ -</u>	<u>\$ 8,852</u>

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NEW CITY SCHOOL

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

	<u>2021</u>	<u>2020</u>
Assets		
Cash and temporary investments	\$ 1,019,250	\$ 717,164
Receivables		
Accounts	8	21,742
Due from other funds	-	11,060
Due from other governmental units	197,895	255,533
Prepaid items	<u>15,751</u>	<u>4,965</u>
Total assets	<u>\$ 1,232,904</u>	<u>\$ 1,010,464</u>
Liabilities		
Salaries and benefits payable	\$ 194,823	\$ 203,613
Accounts and contracts payable	<u>43,858</u>	<u>8,560</u>
Total liabilities	238,681	212,173
Fund balances		
Nonspendable for prepaids	15,751	4,965
Restricted for Medical Assistance	15,862	15,626
Assigned for subsequent year deficit	125,535	-
Unassigned	<u>837,075</u>	<u>777,700</u>
Total fund balances	<u>994,223</u>	<u>798,291</u>
Total liabilities and fund balances	<u>\$ 1,232,904</u>	<u>\$ 1,010,464</u>

NEW CITY SCHOOL

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

	2021		Over (Under) Budget	2020
	Budget	Actual		Actual
<b>Revenue</b>				
Federal sources	\$ 253,762	\$ 213,657	\$ (40,105)	\$ 90,792
State sources	3,154,251	3,273,922	119,671	3,161,021
Local sources				
Investment earnings	500	171	(329)	1,607
Other	18,000	9,029	(8,971)	26,450
Total revenue	<u>3,426,513</u>	<u>3,496,779</u>	<u>70,266</u>	<u>3,279,870</u>
<b>Expenditures</b>				
<b>Current</b>				
<b>Administration</b>				
Salaries	192,440	192,440	–	188,794
Employee benefits	45,115	44,926	(189)	46,502
Purchased services	36,684	28,730	(7,954)	27,547
Supplies and materials	1,561	306	(1,255)	595
Other expenditures	6,580	5,837	(743)	5,681
Total administration	<u>282,380</u>	<u>272,239</u>	<u>(10,141)</u>	<u>269,119</u>
District support services				
Purchased services	85,907	77,019	(8,888)	75,286
Supplies and materials	24,601	18,905	(5,696)	22,635
Other expenditures	(4,139)	(3,037)	1,102	(3,222)
Total district support services	<u>106,369</u>	<u>92,887</u>	<u>(13,482)</u>	<u>94,699</u>
Elementary and secondary regular instruction				
Salaries	1,130,416	1,127,089	(3,327)	1,111,139
Employee benefits	293,229	283,560	(9,669)	274,812
Purchased services	68,098	34,899	(33,199)	51,842
Supplies and materials	96,652	50,788	(45,864)	53,048
Capital expenditures	7,000	–	(7,000)	11,418
Other expenditures	2,696	11,357	8,661	10,466
Total elementary and secondary regular instruction	<u>1,598,091</u>	<u>1,507,693</u>	<u>(90,398)</u>	<u>1,512,725</u>
Special education instruction				
Salaries	259,039	280,056	21,017	264,178
Employee benefits	62,019	69,629	7,610	63,201
Purchased services	129,000	92,403	(36,597)	106,722
Supplies and materials	9,492	8,573	(919)	7,463
Other expenditures	1,443	826	(617)	1,086
Total special education instruction	<u>460,993</u>	<u>451,487</u>	<u>(9,506)</u>	<u>442,650</u>

NEW CITY SCHOOL

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

	2021		Over (Under) Budget	2020
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Instructional support services				
Salaries	7,725	7,781	56	78,000
Employee benefits	2,375	2,216	(159)	12,924
Purchased services	16,500	47,181	30,681	19,404
Supplies and materials	95,763	83,050	(12,713)	10,735
Capital expenditures	4,495	—	(4,495)	1,924
Total instructional support services	<u>126,858</u>	<u>140,228</u>	<u>13,370</u>	<u>122,987</u>
Pupil support services				
Purchased services	38,000	40,220	2,220	33,138
Supplies and materials	824	354	(470)	681
Total pupil support services	<u>38,824</u>	<u>40,574</u>	<u>1,750</u>	<u>33,819</u>
Sites and buildings				
Purchased services	757,299	756,899	(400)	722,001
Supplies and materials	603	854	251	212
Total sites and buildings	<u>757,902</u>	<u>757,753</u>	<u>(149)</u>	<u>722,213</u>
Fiscal and other fixed cost programs				
Purchased services	<u>15,170</u>	<u>15,635</u>	<u>465</u>	<u>15,313</u>
Total expenditures	<u>3,386,587</u>	<u>3,278,496</u>	<u>(108,091)</u>	<u>3,213,525</u>
Excess of revenue over expenditures	39,926	218,283	178,357	66,345
Other financing (uses)				
Transfers (out)	<u>(3,844)</u>	<u>(22,351)</u>	<u>(18,507)</u>	<u>(43,774)</u>
Net change in fund balances	<u>\$ 36,082</u>	195,932	<u>\$ 159,850</u>	22,571
Fund balances				
Beginning of year		<u>798,291</u>		<u>775,720</u>
End of year		<u>\$ 994,223</u>		<u>\$ 798,291</u>

NEW CITY SCHOOL

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

	<u>2021</u>	<u>2020</u>
Assets		
Cash and temporary investments	\$ 7,805	\$ -
Receivables		
Due from other governmental units	5,051	-
Prepaid items	<u>610</u>	<u>621</u>
Total assets	<u>\$ 13,466</u>	<u>\$ 621</u>
Liabilities		
Salaries and benefits payable	\$ 536	\$ 59
Accounts and contracts payable	4,078	-
Due to other funds	<u>-</u>	<u>562</u>
Total liabilities	4,614	621
Fund balances		
Nonspendable for prepaids	610	-
Restricted for food service	<u>8,242</u>	<u>-</u>
Total fund balances	<u>8,852</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 13,466</u>	<u>\$ 621</u>



NEW CITY SCHOOL

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

	2021		Over (Under) Budget	2020
	Budget	Actual		Actual
Revenue				
Federal sources	\$ 618	\$ 34,665	\$ 34,047	\$ 58,234
State sources	18	577	559	5,479
Local sources				
Other – primarily meal sales	700	700	–	18,019
Total revenue	<u>1,336</u>	<u>35,942</u>	<u>34,606</u>	<u>81,732</u>
Expenditures				
Current				
Salaries and wages	3,158	4,058	900	42,626
Employee benefits	1,001	1,360	359	13,992
Purchased services	400	340	(60)	400
Supplies and materials	621	21,332	20,711	68,488
Total expenditures	<u>5,180</u>	<u>27,090</u>	<u>21,910</u>	<u>125,506</u>
Excess (deficiency) of revenue over expenditures	(3,844)	8,852	12,696	(43,774)
Other financing sources				
Transfers in	<u>3,844</u>	<u>–</u>	<u>(3,844)</u>	<u>43,774</u>
Net change in fund balances	<u>\$ –</u>	<u>8,852</u>	<u>\$ 8,852</u>	<u>–</u>
Fund balances				
Beginning of year		<u>–</u>		<u>–</u>
End of year		<u>\$ 8,852</u>		<u>\$ –</u>

NEW CITY SCHOOL

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

	<u>2021</u>	<u>2020</u>
Assets		
Cash and temporary investments	\$ 4,820	\$ -
Receivables		
Accounts	<u>-</u>	<u>1,398</u>
Total assets	<u>\$ 4,820</u>	<u>\$ 1,398</u>
Liabilities		
Salaries and benefits payable	\$ 4,820	\$ 20
Due to other funds	<u>-</u>	<u>10,498</u>
Total liabilities	4,820	10,518
Fund balances (deficit)		
Unassigned	<u>-</u>	<u>(9,120)</u>
Total liabilities and fund balances	<u>\$ 4,820</u>	<u>\$ 1,398</u>

NEW CITY SCHOOL

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

	2021		Over (Under) Budget	2020
	Budget	Actual		Actual
Revenue				
Local sources				
Other – primarily tuition and fees	\$ 45,460	\$ 1,459	\$ (44,001)	\$ 17,982
Expenditures				
Current				
Salaries and wages	34,472	11,609	(22,863)	19,261
Employee benefits	9,988	3,081	(6,907)	5,475
Supplies and materials	1,000	–	(1,000)	707
Total expenditures	<u>45,460</u>	<u>14,690</u>	<u>(30,770)</u>	<u>25,443</u>
Excess (deficiency) of revenue over expenditures	–	(13,231)	(13,231)	(7,461)
Other financing sources				
Transfers in	–	22,351	22,351	–
Net change in fund balances	<u>\$ –</u>	<u>9,120</u>	<u>\$ 9,120</u>	<u>(7,461)</u>
Fund balances (deficit)				
Beginning of year		<u>(9,120)</u>		<u>(1,659)</u>
End of year		<u>\$ –</u>		<u>\$ (9,120)</u>

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OTHER REQUIRED REPORTS

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

To the Board and Management of New City School  
Minneapolis, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New City School (the School) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 13, 2021.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

(continued)

## COMPLIANCE AND OTHER MATTERS

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

## PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota  
September 13, 2021





PRINCIPALS

Thomas A. Karnowski, CPA  
Paul A. Radosevich, CPA  
William J. Lauer, CPA  
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Jaclyn M. Huegel, CPA  
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT  
ON MINNESOTA LEGAL COMPLIANCE

To the Board and Management of New City School  
Minneapolis, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New City School (the School) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 13, 2021.

**MINNESOTA LEGAL COMPLIANCE**

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

**PURPOSE OF THIS REPORT**

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

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

Minneapolis, Minnesota  
September 13, 2021

NEW CITY SCHOOL

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

		Audit	UFARS	Audit – UFARS
<b>General Fund</b>				
Total revenue		\$ 3,496,779	\$ 3,496,779	\$ –
Total expenditures		\$ 3,278,496	\$ 3,278,496	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ 15,751	\$ 15,751	\$ –
Restricted				
401	Student activities	\$ –	\$ –	\$ –
402	Scholarships	\$ –	\$ –	\$ –
403	Staff development	\$ –	\$ –	\$ –
407	Capital projects levy	\$ –	\$ –	\$ –
408	Cooperative revenue	\$ –	\$ –	\$ –
413	Projects funded by COP	\$ –	\$ –	\$ –
414	Operating debt	\$ –	\$ –	\$ –
416	Levy reduction	\$ –	\$ –	\$ –
417	Taconite building maintenance	\$ –	\$ –	\$ –
424	Operating capital	\$ –	\$ –	\$ –
426	\$25 taconite	\$ –	\$ –	\$ –
427	Disabled accessibility	\$ –	\$ –	\$ –
428	Learning and development	\$ –	\$ –	\$ –
434	Area learning center	\$ –	\$ –	\$ –
435	Contracted alternative programs	\$ –	\$ –	\$ –
436	State approved alternative program	\$ –	\$ –	\$ –
438	Gifted and talented	\$ –	\$ –	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
441	Basic skills programs	\$ –	\$ –	\$ –
448	Achievement and integration	\$ –	\$ –	\$ –
449	Safe schools levy	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
453	Unfunded severance and retirement levy	\$ –	\$ –	\$ –
459	Basic skills extended time	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
472	Medical Assistance	\$ 15,862	\$ 15,862	\$ –
473	PPP loans	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
475	Title VII – Impact Aid	\$ –	\$ –	\$ –
476	PILT	\$ –	\$ –	\$ –
Committed				
418	Committed for separation	\$ –	\$ –	\$ –
461	Committed fund balance	\$ –	\$ –	\$ –
Assigned				
462	Assigned fund balance	\$ 125,535	\$ 125,535	\$ –
Unassigned				
422	Unassigned fund balance	\$ 837,075	\$ 837,075	\$ –
<b>Food Service</b>				
Total revenue		\$ 35,942	\$ 35,942	\$ –
Total expenditures		\$ 27,090	\$ 27,091	\$ (1)
Nonspendable				
460	Nonspendable fund balance	\$ 610	\$ 610	\$ –
Restricted				
452	OPEB liability not in trust	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 8,242	\$ 8,242	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
<b>Community Service</b>				
Total revenue		\$ 1,459	\$ 1,459	\$ –
Total expenditures		\$ 14,690	\$ 14,689	\$ 1
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
426	\$25 taconite	\$ –	\$ –	\$ –
431	Community education	\$ –	\$ –	\$ –
432	ECFE	\$ –	\$ –	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
444	School readiness	\$ –	\$ –	\$ –
447	Adult basic education	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
473	PPP loans	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

NEW CITY SCHOOL

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

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

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

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