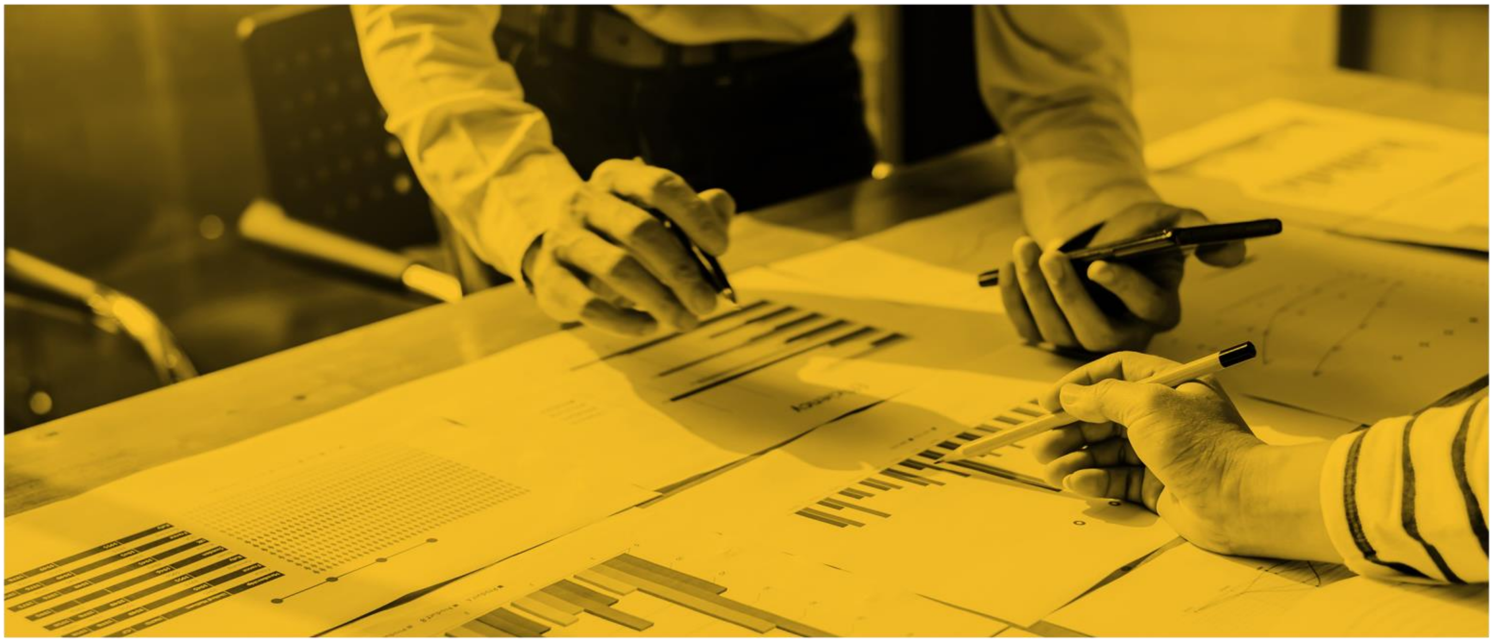

Annual Financial Report

Three Rivers Montessori

Elk River, Minnesota

For the years ended June 30, 2023

Abdo
Lighting the path forward

Edina Office
5201 Eden Avenue, Ste 250
Edina, MN 55436
P 952.835.9090

Mankato Office
100 Warren Street, Ste 600
Mankato, MN 56001
P 507.625.2727

Scottsdale Office
14500 N Northsight Blvd, Ste 233
Scottsdale, AZ 85260
P 480.864.5579

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Three Rivers Montessori
Elk River, Minnesota
Annual Financial Report
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For the Year Ended June 30, 2023

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INTRODUCTORY SECTION

THREE RIVERS MONTESSORI
ELK RIVER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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Three Rivers Montessori
Elk River, Minnesota
Board of Education and Administration
For the Year Ended June 30, 2023

BOARD OF DIRECTORS

Name	Position
Chris Castagneri	Board Chair
Tim Eilruch	Treasurer
Lydia Skadberg	Member
Rose Bleymeyer	Member
Angie Johnson	Vice Chair

CHARTER SUPPORT TEAM

Name	Position
Antonio J Kuklok	Executive Director

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FINANCIAL SECTION

THREE RIVERS MONTESSORI
ELK RIVER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Three Rivers Montessori
Elk River, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Three Rivers Montessori, (the Charter School), Elk River, Minnesota as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the Charter School as of June 30, 2023, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Charter School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Charter School's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying combining and individual fund financial statements, schedules and table are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, schedules and table are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2023 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

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Minneapolis, Minnesota
September 20, 2023

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Management's Discussion and Analysis

As management of the Three Rivers Montessori (the Charter School), Minneapolis, Minnesota, we offer readers of the Charter School's financial statements this narrative overview and analysis of the financial activities of the Charter School for the period ended June 30, 2023.

Financial Highlights

- The assets and deferred outflows of resources of the Charter School did not exceed liabilities and deferred inflows of resources at the close of the most recent fiscal year by $517,756.

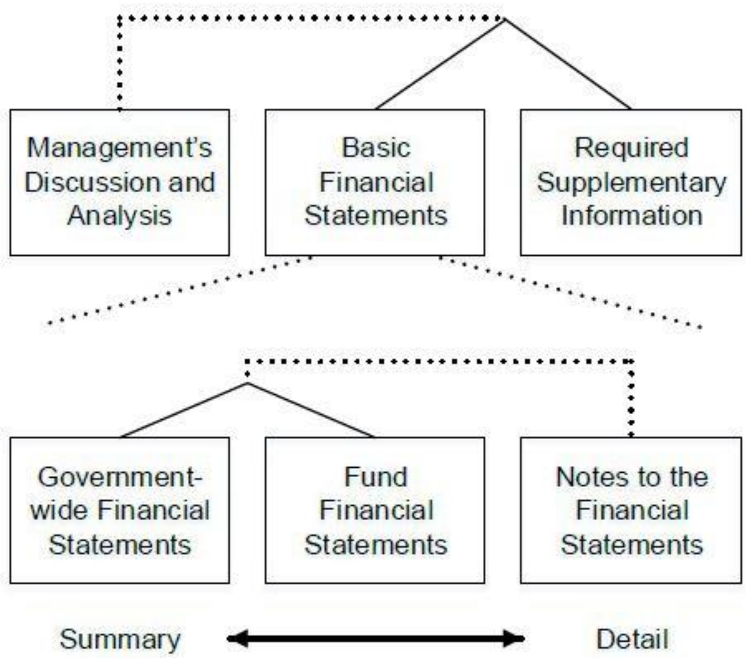
- The Charter School's total net position decreased by $393,792 due to expenses exceeding operating grants and general revenues during the year. This is mostly related to a large increase in pension expenses related to regular and special education instruction for the increase in current year pension liability.

- For the current fiscal year, the Charter School's governmental funds fund balances are shown in the Financial Analysis of the City's Funds section of the MD&A. The total fund balance decreased in comparison with the prior year. This decrease was minimal and overall, the fund balance remained consistent to the prior year. The total of assigned and unassigned as shown in the governmental fund balance table is available for spending at the City's discretion.

- The Charter Schools long-term liabilities decreased $205,262 during the current year and the decrease is due to the retirement of lease payable.

Overview of the Financial Statements

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



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

Major Features of the Government-wide and Fund Financial Statements

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

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

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

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

The government-wide financial statements display functions of the Charter School that are principally supported by intergovernmental revenues (*governmental activities*). The governmental activities of the Charter School include administration, district support services, elementary and secondary regular instruction, special education instruction, instructional support services, pupil support services, food service, sites and buildings, fiscal and other fixed cost programs, and interest on long-term debt.

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

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

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

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

The Charter School maintains three governmental funds. Information is presented in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the governmental funds.

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

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

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

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Charter School's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found starting on page 54 of this report.

Other Information. The combining and individual fund financial statements, schedules, and table that start on page 62 presents budget and prior year comparative data for the General fund, Food Service fund and Community Service fund.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Charter School, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $517,756 at the close of the 2023 fiscal year.

Three Rivers Montessori's Summary of Net Position

	Governmental Activities		
	2023	2022	Increase (Decrease)
Assets			
Current and other assets	$ 364,682	$ 547,491	$ (182,809)
Capital assets, net of depreciation	674,042	896,618	(222,576)
Total Assets	1,038,724	1,444,109	(405,385)
Deferred Outflows of Resources			
Deferred pension resources	406,560	205,717	200,843
Liabilities			
Noncurrent liabilities outstanding	736,777	942,039	(205,262)
Current and other liabilities	1,222,628	557,424	665,204
Total Liabilities	1,959,405	1,499,463	459,942
Deferred Inflows of Resources			
Deferred pension resources	3,635	274,327	(270,692)
Net Position			
Net investment in capital assets	(62,735)	(45,421)	(17,314)
Restricted	14,307	16,218	(1,911)
Unrestricted	(469,328)	(94,761)	(374,567)
Total Net Position	$ (517,756)	$ (123,964)	$ (393,792)
Net Position as a Percent of Total			
Net investment in capital assets	12.2 %	36.7 %	
Restricted	(2.8)	(13.1)	
Unrestricted	90.6	76.4	
	100.0 %	100.0 %	

A portion of the Charter School's net position reflects its net investment in capital assets. The Charter School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the Charter School's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The Charter School is only able to present a positive net position in the restricted category.

Three Rivers Montessori's Changes in Net Position

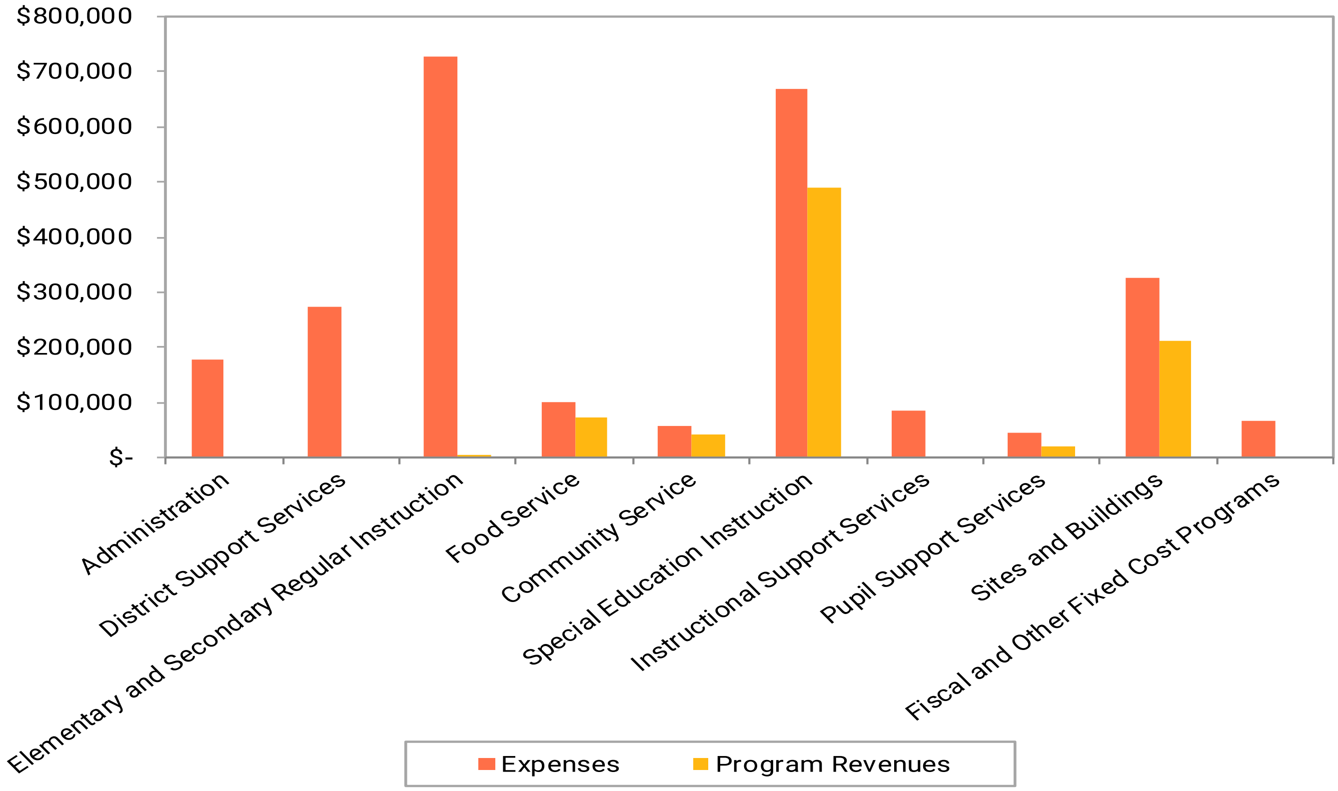
	Governmental Activities		
	2023	2022	Increase (Decrease)
Revenues			
Program revenues			
Charges for services	$ 77,538	$ 66,187	$ 11,351
Operating grants and contributions	762,961	1,180,654	(417,693)
General revenues			
State aid-formula grants	1,104,880	1,147,838	(42,958)
Other revenues	188,909	17,041	171,868
Unrestricted investment earnings	-	11	(11)
Total Revenues	2,134,288	2,411,731	(277,443)
Expenses			
Administration	176,575	177,003	(428)
District support services	272,625	229,405	43,220
Elementary and secondary regular instruction	728,940	860,727	(131,787)
Special education instruction	669,468	730,257	(60,789)
Instructional support services	84,204	68,083	16,121
Pupil support services	44,347	44,445	(98)
Food Service	100,717	128,554	(27,837)
Community service	57,033	40,115	16,918
Sites and buildings	327,197	347,890	(20,693)
Fiscal and other fixed cost programs	66,974	66,693	281
Total Expenses	2,528,080	2,693,172	(165,092)
Change in Net Position	(393,792)	(281,441)	(112,351)
Net Position, July 1	(123,964)	157,477	(281,441)
Net Position, June 30	$ (517,756)	$ (123,964)	$ (393,792)

At the end of the current fiscal year the Charter School experienced decreases in both revenue and expenses.

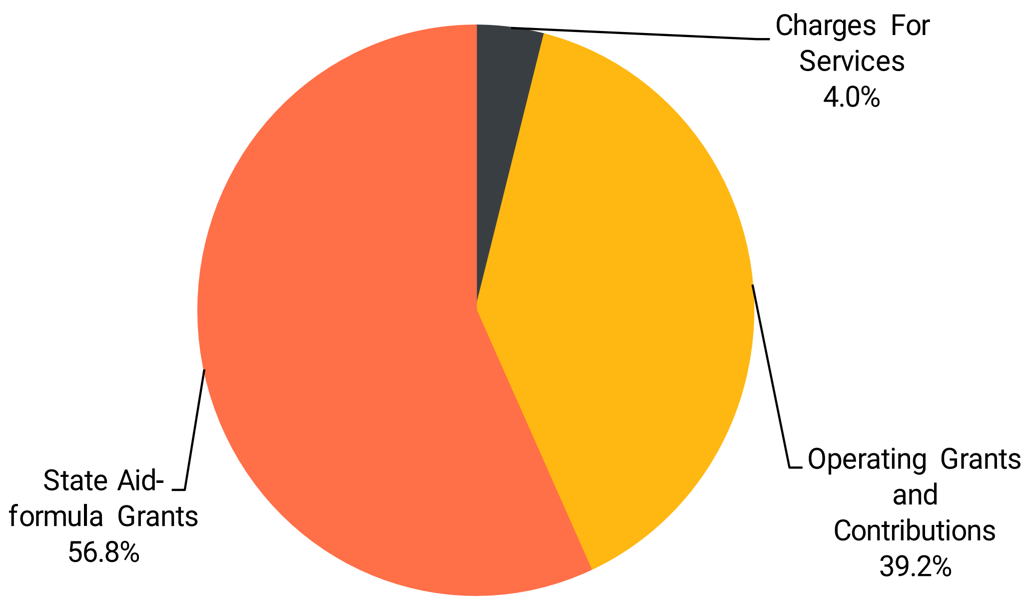
- Total revenues decreased $277,443 during the year. The decrease can mainly be attributed to less operating grants in relation to COVID-19 received and used during the year.
- Total expenses decreased $165,092 during the year. This decrease can be attributed to less than expected special education expenses and a decrease in total elementary and secondary regular instruction expense.

The following graph depicts various governmental activities and shows the expenses and program revenues directly related to those activities.

Expenses and Program Revenue - Governmental Activities Graph



Revenue by Source - Governmental Activities Graph



Financial Analysis of the Charter School's Funds

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

Governmental Funds. The focus of the Charter School's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Charter School's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The table below outlines the governmental fund balances for the year ended June 30, 2023.

	General Fund	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances					
Nonspendable for prepaid items	$ 14,397	$ -	$ 14,397	$ 9,385	$ 5,012
Restricted for community service	-	14,029	14,029	16,218	(2,189)
Restricted for medical assistance	278	-	278	-	278
Unassigned	252,122	-	252,122	255,453	(3,331)
	$ 266,797	$ 14,029	$ 280,826	$ 281,056	$ (230)

As of the close of the current fiscal year, the Charter School's governmental funds reported combined ending fund balances as shown above. Additional information on the Charter School's fund balances can be found in Note 1 of the financial statements.

The General fund is the primary operating fund of the Charter School. At the end of the current year, the fund balance of the General fund is shown in the table above. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Total unassigned fund balance as a percent of total fund expenditures is shown in the chart below.

	Current Year Ending Balance	Prior Year Ending Balance	Increase/ (Decrease)
General Fund Fund Balances			
Nonspendable	$ 14,397	$ 9,385	$ 5,012
Restricted for medical assistance	278	-	278
Unassigned	252,122	255,453	(3,331)
	$ 266,797	$ 264,838	$ 1,959
General Fund expenditures	$ 2,000,851	$ 2,093,825	
Total Fund Balance as a percent of expenditures	13.3%	12.6%	

Other Funds

	June 30, 2023	June 30, 2022	Increase (Decrease)
Food service fund	$ -	$ -	$ -
The Food service fund balance remained consistent at zero during the year but did show an operating loss. loss. A transfer of $26,102 was made from the general fund to cover the deficit.			
Community Service fund	14,029	16,218	(2,189)
The ending fund balance decreased to $14,029 during the year mainly due to expenditures in excess of charges for services/usage for the fund during the current fiscal year.			

General Fund Budgetary Highlights

	Original Budgeted Amounts	Budget Amendments	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	$ 2,148,642	$ (134,666)	$ 2,013,976	$ 2,028,912	$ 14,936
Expenditures	2,112,888	(131,137)	1,981,751	2,000,851	(19,100)
Excess of Revenues Over Expenditures	35,754	(3,529)	32,225	28,061	(4,164)
Other Financing Sources (Uses)					
Transfers out	(10,965)	10,965	-	(26,102)	(26,102)
Net Change in Fund Balances	24,789	(3,529)	32,225	1,959	(30,266)
Fund Balances, January 1	264,838	-	264,838	264,838	
Fund Balances, December 31	$ 289,627	$ (3,529)	$ 297,063	$ 266,797	$ (30,266)

The Charter School's budget was amended during the year as shown above. Total revenues were under budget by mainly due to receiving less federal aid than originally anticipated. Total expenditures were greater than budget mainly due to Special Education expenses greater than expected.

Capital Assets

The Charter School's investment in capital assets for its governmental activities as of June 30, 2023 is shown below in capital asset table (net of accumulated depreciation). This investment in capital assets includes buildings and improvements and equipment. The total depreciation for the year is stated below in the Net of Depreciation chart. The following is a schedule of capital assets as of June 30, 2023.

Three Rivers Montessori' Capital Assets

(Net of Depreciation/Amortization)

	Governmental Activities		
	2023	2022	Increase (Decrease)
Right to Use - Buildings	$ 664,418	$ 885,891	$ (221,473)
Equipment	9,624	10,727	(1,103)
Total	$ 674,042	$ 896,618	$ (222,576)

Additional information on the Charter School's capital assets can be found in Note 3B on page 41 of this report.

Noncurrent Liabilities

At the end of the current fiscal year, the Charter School had the following noncurrent liabilities outstanding.

Three Rivers Montessori' Long-term Liabilities

	Governmental Activities		
	2023	2022	Increase (Decrease)
Leases	$ 736,777	$ 942,039	$ (205,262)

The Charter School's total noncurrent liabilities decrease during the year due to the scheduled retirement of lease payable.

Factors Bearing on the Charter School's Future

Three Rivers Montessori (TRM) is a public charter school providing authentic Montessori education for students K-6th grade. TRM opened its doors to over 80 students in the fall of 2020 and expanded to serve up to 160 students in the fall of 2023. Three River Montessori currently has an enrollment of 110 students. We saw a decline in enrollment due to the bussing changes ISD 728 made that affected our school start and end times. With our current decline in enrollment TRM has moved from six classrooms to five, and decreased staffing to meet current needs. TRM has one classroom serving grades k-1, two classrooms serving grades 1-3 and two classrooms serving grades 4-6. TRM has a strong school culture that encourages parent engagement through volunteer efforts and board participation. The TRM community has shown the desire for a further expansion to serve preschool through middle school and high school in the coming years and we are hopeful to add a preschool feeder program in the near future to build back our enrollment numbers.

Requests for Information

This financial report is designed to provide a general overview of the Charter School's finances for all those with an interest in the Charter School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Antonio Kuklok, Executive Director, Three Rivers Montessori 17229 and 17267 Yale Street, NW, Elk River, MN 55330.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

THREE RIVERS MONTESSORI
ELK RIVER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Three Rivers Montessori
Elk River, Minnesota
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Cash and temporary investments	$ 172,312
Accounts receivable	1,327
Due from the Department of Education	126,116
Due from the Federal government	50,530
Prepaid items	14,397
Capital assets	
Depreciable assets, net of accumulated depreciation/amortization	674,042
Total Assets	1,038,724
Deferred Outflows of Resources	
Deferred pension resources	406,560
Liabilities	
Accounts payable	33,092
Accrued salaries payable	48,548
Unearned revenue	2,216
Due within one year	
Long-term liabilities	225,823
Due in more than one year	
Long-term liabilities	510,954
Net pension Liability	1,138,772
Total Liabilities	1,959,405
Deferred Inflows of Resources	
Deferred pension resources	3,635
Net Position	
Net Investment in capital assets	(62,735)
Restricted for	
Medical assistance	278
Community service	14,029
Unrestricted	(469,328)
Total Net Position	$ (517,756)

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

Three Rivers Montessori
Elk River, Minnesota
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Expenses and Changes in Net Position: Governmental Activities
Governmental Activities					
Administration	$ 176,575	$ -	$ -	$ -	$ (176,575)
District support services	272,625	-	-	-	(272,625)
Elementary and secondary regular instruction	728,940	1,003	3,598	-	(724,339)
Special education instruction	669,468	-	490,289	-	(179,179)
Instructional support services	84,204	-	-	-	(84,204)
Pupil support services	44,347	-	20,000	-	(24,347)
Food service	100,717	35,442	38,261	-	(27,014)
Community service	57,033	41,093	-	-	(15,940)
Sites and buildings	327,197	-	210,813	-	(116,384)
Fiscal and other fixed cost programs	66,974	-	-	-	(66,974)
Total Governmental Activities	$ 2,528,080	$ 77,538	$ 762,961	$ -	(1,687,581)
General Revenues					
State aid formula grants					1,104,880
Other general revenues					188,909
Total General Revenues					1,293,789
Change in Net Position					(393,792)
Net Position, July 1					(123,964)
Net Position, June 30					$ (517,756)

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

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FUND FINANCIAL STATEMENTS

THREE RIVERS MONTESSORI
ELK RIVER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Three Rivers Montessori
Elk River, Minnesota
Balance Sheet and Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
June 30, 2023

	General	Nonmajor Governmental	Total
Assets			
Cash and temporary investments	$ 156,042	$ 16,270	$ 172,312
Accounts receivable	-	1,327	1,327
Due from the Department of Education	126,019	97	126,116
Due from Federal government	49,564	966	50,530
Prepaid items	14,397	-	14,397
Total Assets	$ 346,022	$ 18,660	$ 364,682
Liabilities			
Accounts payable	$ 30,677	$ 2,415	$ 33,092
Accrued salaries and benefits payable	48,548	-	48,548
Unearned revenue	-	2,216	2,216
Total Liabilities	79,225	4,631	83,856
Fund Balances			
Nonspendable for prepaid items	14,397	-	14,397
Restricted for			
Medical assistance	278	-	278
Community service	-	14,029	14,029
Unassigned	252,122	-	252,122
Total Fund Balance	266,797	14,029	280,826
Total Liabilities and Fund Balances	$ 346,022	$ 18,660	$ 364,682

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

Three Rivers Montessori

Elk River, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
June 30, 2023

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

Total Fund Balances - Governmental Funds	$	280,826
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets		1,118,394
Less accumulated depreciation / amortization		(444,352)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Noncurrent liabilities at year-end consist of		
Lease payable		(736,777)
Net pension liability		(1,138,772)
Governmental funds do not report long-term amounts related to pensions.		
Deferred outflow of pension resources		406,560
Deferred inflow of pension resources		(3,635)
Total Net Position - Governmental Activities	$	(517,756)

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

Three Rivers Montessori

Elk River, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
and Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2023

	General	Nonmajor Governmental	Total
Revenues			
Revenue from state sources	$ 1,783,926	$ 2,987	$ 1,786,913
Revenue from federal sources	45,654	35,274	80,928
Other local revenue	189,912	41,093	231,005
Sales and other conversion of assets	9,420	26,022	35,442
Total Revenues	2,028,912	105,376	2,134,288
Expenditures			
Current			
Administration	158,779	-	158,779
District support services	243,948	-	243,948
Elementary and secondary regular instruction	603,437	-	603,437
Special education instruction	520,238	-	520,238
Instructional support services	65,526	-	65,526
Pupil support services	29,110	-	29,110
Food service	-	90,385	90,385
Community service	-	43,282	43,282
Sites and buildings	103,171	-	103,171
Fiscal and other fixed cost programs	11,416	-	11,416
Capital outlay			
Elementary and secondary regular instruction	2,956	-	2,956
Sites and buildings	1,450	-	1,450
Debt Service			
Principal	205,262	-	205,262
Interest and other charges	55,558	-	55,558
Total Expenditures	2,000,851	133,667	2,134,518
Excess (Deficiency) of Revenues Over (Under) Expenditures	28,061	(28,291)	(230)
Other Financing Sources (Uses)			
Transfers in	-	26,102	26,102
Transfers out	(26,102)	-	(26,102)
Total Other Financing Sources (Uses)	(26,102)	26,102	-
Net Change in Fund Balances	1,959	(2,189)	(230)
Fund Balances, July 1	264,838	16,218	281,056
Fund Balance, June 30	$ 266,797	$ 14,029	$ 280,826

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

Three Rivers Montessori
Elk River, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2023

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

Net Change in Fund Balances - Governmental Funds	$	(230)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Depreciation / amortization expense		(222,576)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.		
Lease principal payments		205,262
Long-term pension activity is not reported in governmental funds.		
Pension expense		(384,592)
Pension revenue		8,344
Change in Net Position - Governmental Activities	$	(393,792)

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

Three Rivers Montessori
Elk River, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended June 30, 2023

	General Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Revenue from state sources	$ 2,133,142	$ 1,759,929	$ 1,783,926	$ 23,997
Revenue from federal sources	15,500	48,475	45,654	(2,821)
Other local revenue	-	200,572	189,912	(10,660)
Sales and other conversion of assets	-	5,000	9,420	4,420
Total Revenues	2,148,642	2,013,976	2,028,912	14,936
Expenditures				
Current				
Administration	157,477	169,980	158,779	11,201
District support services	237,124	271,325	243,948	27,377
Elementary and secondary regular instruction	590,475	604,926	603,437	1,489
Special education instruction	688,680	475,471	520,238	(44,767)
Instructional support services	62,365	62,364	65,526	(3,162)
Pupil support services	11,966	13,786	29,110	(15,324)
Sites and buildings	94,600	104,698	103,171	1,527
Fiscal and other fixed cost programs	12,500	12,500	11,416	1,084
Capital outlay				
Elementary and secondary regular instruction	-	3,354	2,956	398
Sites and buildings	-	1,646	1,450	196
Debt service				
Principal	256,201	256,201	205,262	50,939
Interest and other charges	1,500	5,500	55,558	(50,058)
Total Expenditures	2,112,888	1,981,751	2,000,851	(19,100)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	35,754	32,225	28,061	(4,164)
Other Financing Sources (Uses)				
Transfers out	(10,965)	-	(26,102)	(26,102)
Net Change in Fund Balances	24,789	32,225	1,959	(30,266)
Fund Balances, July 1	264,838	264,838	264,838	-
Fund Balance, June 30	$ 289,627	$ 297,063	$ 266,797	$ (30,266)

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

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Three Rivers Montessori (the Charter School), Elk River, Minnesota is a nonprofit that was incorporated on January 19, 2017 as a non-profit corporation under section 501(c)3 of the Internal Revenue Code of 1954, for the purpose of providing educational services to individuals within the area. The Charter School is authorized by Osprey Wilds. The permanent governing body consists of a minimum five members in the Board of Directors.

The Charter School has considered all potential units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Charter School are such that exclusion would cause the Charter School's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The Charter School has no component units that meet the GASB criteria.

Aside from its authorization, Osprey Wilds has no authority, control, power, or administrative responsibilities over the Charter School. Therefore, the Charter School is not considered a component unit.

For the year ended June 30, 2023, the Charter School does not have any extracurricular student activities funds.

B. Government-wide and Fund Financial Statements

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

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. Amounts reported as *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State aid formula grants and other internally dedicated resources are reported as general revenues rather than as program revenues.

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

Description of Funds

The Charter School fund has been established by the State of Minnesota Department of Education. The fund is accounted for as an independent entity. Descriptions of the funds included in the report are as follows:

Major Governmental Funds

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

Non-major Governmental Funds

The *Food Service special revenue fund* is used to account for food service revenue and expenditures. The major sources of revenues are food service sales and federal and state grants, which are restricted for this purpose.

The *Community Service special revenue fund* accounts for services provided to residents in the areas of recreation, civic activities, non-public pupils, adult or early childhood programs, or other similar services. The major sources of revenues are recreation fees, which are restricted for these purposes.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments

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

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

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

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

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

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

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

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

7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.

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

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

The Charter School does not have any investments or a formal investment policy.

Due from the Department of Education and Federal Government

Due from the Department of Education and Federal Government include amounts billed for services provided before year end as well as amounts for expenditures that have been incurred before year end that will be reimbursed with state and federal funding. No substantial losses are anticipated from present receivable balances, therefore no allowance for uncollectible has been recorded.

Note 1: Summary of Significant Accounting Policies (Continued)

Prepaid Items

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

Deferred Outflows of Resources

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

Pensions

Teachers Retirement Association (TRA)

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by TRA.
TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis Charter School. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association in 2015. Additional information can be found in Note 4.

Public Employees Retirement Association (PERA)

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. 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. Additional information can be found in Note 4.

The total pension expense for the General Employee Plan (GERP) and Teacher Retirement Plan (TRA) is as follows:

	GERP	TRA	Total All Plans
Charter School's proportionate share	$ 302,451	$ 162,211	$ 464,662
Proportionate share of State's contribution	2,494	5,850	8,344
Total pension expense	$ 304,945	$ 168,061	$ 473,006

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

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

Fund Balance

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

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

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

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

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

Unassigned - The residual classification for the General fund.

The Charter School considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the Charter School would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Charter School currently does not have a fund balance policy.

Net Position

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

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

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

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

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Budgets are prepared for Charter School funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the General fund. The budget was amended during the current fiscal year. The Charter School's original General fund budget called for an increase of $24,789 in fund balance and final budget an increase of $32,225. The final amended budget included a decrease in revenues of $134,666 and a decrease in expenditures of $131,137.

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

1. The start-up budget is prepared by the Director to be adopted by the Board of Education.
2. Budgets for the General fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
3. Budgeted amounts are as originally adopted, or as amended.
4. Budget appropriations lapse at year end.
5. The legal level of control is the fund level.
6. The Charter School does not use encumbrance accounting.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2023 expenditures exceeded appropriations in the following fund:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	$ 1,981,751	$ 2,000,851	$ 19,100

The excess of expenditures over appropriations was funded by revenues in excess of appropriation and available fund balance.

Note 3: Detailed Notes on All Funds

A. Deposits

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

Minnesota statutes require that all Charter School deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

Note 3: Detailed Notes on All Funds (Continued)

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At period end, the Charter School's carrying amount of deposits was $172,312 and the bank balance was $172,824. The entire balance was covered by federal depository insurance.

B. Capital Assets

Capital asset activity for the Charter School for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets Being Depreciated/Amortized				
Right to Use - Buildings	$ 1,107,364	$ -	$ -	$ 1,107,364
Equipment	11,030	-	-	11,030
Total capital assets being depreciated	1,118,394	-	-	1,118,394
Less Accumulated Depreciation/Amortization for				
Right to Use - Buildings	(221,473)	(221,473)	-	(442,946)
Equipment	(303)	(1,103)	-	(1,406)
Total accumulated depreciation	(221,776)	(222,576)	-	(444,352)
Governmental Activities Capital Assets, Net	$ 896,618	$ (222,576)	$ -	$ 674,042

Depreciation/Amortization Expense was Charged to Governmental Activities as follows:

Sites and Buildings	$ 222,576

Note 3: Detailed Notes on All Funds (Continued)

C. Lease Payable

Lease agreements are summarized as follows:

Description	Total Lease Liability	Interest Rate	Issue Date	End Date	Balance at Year End	Due Within One Year
Montessori Training Center	$ 1,107,364	6.000 %	07/01/21	06/30/26	$ 736,777	$ 225,823

On May 14, 2020 the Charter School entered into an lease with CSDC Facilities Corporation, District of Columbia nonprofit corporation. Under the terms of the lease agreement, the lease term begins July 1, 2021 and ends June 30, 2026. The lease agreement has contingencies and deferrals based on total students and potential build-out costs. In addition, the School is responsible for all operating costs including maintenance and utility costs and those costs are currently unknown.

The following is a summary of future lease payments:

Year Ending June 30,	Principal	Interest	Total
2024	225,823	38,064	263,887
2025	247,834	23,915	271,749
2026	263,120	8,630	271,750
Total	$ 736,777	$ 70,609	$ 807,386

Changes in Long-term Liabilities

Long-term liability activity for the year ended 2023was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Lease Payable	$ 942,039	$ -	$ (205,262)	$ 736,777	$ 263,887

Line of Credit

The Charter School has an outstanding line of credit in the amount of $75,000 with The Bank of Elk River at a rate of 8.250%. The Charter school did not draw on the active line of credit during the year ended June 30, 2023.

Note 4: Defined Benefit Pension Plans - Statewide

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

A. Teachers Retirement Association (TRA)

1. Plan Description

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

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

2. Benefits Provided

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

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

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

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

With these provisions:

1. Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

2. Three percent per year early retirement reduction factors for all years under normal retirement age.

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

or

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

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

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

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

3. Contribution Rate

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

	Ending June 30, 2021		Ending June 30, 2022		Ending June 30, 2023	
Plan	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	12.13%	11.00%	12.34%	11.00%	12.55%
Coordinated	7.50%	8.13%	7.50%	8.34%	7.50%	8.55%

The Charter School’s contributions to TRA for the years ending June 30, 2023, 2022 and 2021 were $51,314, $36,823, and $22,450. The Charter’s contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

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

The following is a reconciliation of employer contributions in TRA's fiscal year 2022 Annual Comprehensive Financial Report "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

Employer Contributions Reported in TRA's Annual Comprehensive Financial Report Statement of Changes in Fiduciary Net Position	$ 482,679,000
Employer Contributions Not Related to Future Contribution Efforts	(2,178,000)
TRA's Contributions Not Included in Allocation	(572,000)
Total Employer Contributions	479,929,000
Total Non-employer Contributions	35,590,000
Total Contributions Reported in Schedule of Employer and Non-Employer Pension Allocations	$ 515,519,000

4. Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Information	
Valuation date	July 1, 2022
Measurement date	June 30, 2022
Experience study	June 5, 2019 (demographic assumptions)*
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% thereafter
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% thereafter
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality Assumption	
Pre-retirement	RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment

*The assumptions prescribed are based on the experience study dated June 28, 2019. For GASB 67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with the actuary.

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

5. *Long-Term Rate of Return*

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.50 %	5.10 %
International Equity	16.50	5.30
Private Markets	25.00	5.90
Fixed Income	25.00	0.75
Total	100.00 %	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2023 is six years. The Difference between Expected and Actual Experience, Changes of Assumptions, and Changes in Proportion use the amortization period of six years in the schedule presented. The amortization period for Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments" is five years as required by GASB 68.

Changes in actuarial assumptions since the 2021 valuation:

- None

6. *Discount Rate*

The discount rate used to measure the total pension liability was 7.00 percent. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2022 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).

7. *Net Pension Liability*

On June 30, 2023, the Charter School reported a liability of $568,530 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Charter School's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The Charter School proportionate share was 0.0071 percent at the end of the measurement period and .0046 at the beginning of the year.

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

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

Charter School's proportionate share of net pension liability	$ 568,530
State's proportionate share of net pension liability associated with the Charter School	42,416

For the year ended June 30, 2023 the Charter School recognized pension expense of $162,211. It also recognized $5,850 as an increase to pension expense for the support provided by direct aid.

On June 30, 2023, the Charter School had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,004	$ 2,016
Changes in actuarial assumptions	58,854	-
Net difference between projected and actual earnings on plan investments	69,392	-
Contributions to TRA subsequent to the measurement date	51,314	-
Total	$ 181,564	$ 2,016

Deferred outflows of resources totaling $51,314 related to pensions resulting from the Charter School contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2024	$ 9,958
2025	9,958
2026	9,958
2027	56,119
2028	41,909
Thereafter	332

8. Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

1 Percent Decrease (6.00%)	Current (7.0%)	1 Percent Increase (8.0%)
$ 896,257	$ 568,530	$ 299,897

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

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

9. Pension Plan Fiduciary Net Position

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

B. Public Employees Retirement Association (PERA)

1. Plan Description

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

General Employees Retirement Plan

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

2. Benefits Provided

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

General Employee Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 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. 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.

3. Contributions

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

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the Charter School was required to contribute 7.50 percent for Coordinated Plan members. The Charter School's contributions to the General Employees Fund for the year ending June 30, 2023, 2022 and 2022 were $37,100, $40,570, and $7,177, respectively. The Charter School's contributions were equal to the required contributions for each year as set by state statute.

4. Pension Costs

General Employee Fund Pension Costs

At June 30, 2023, the Charter School reported a liability of $570,242 for its proportionate share of the General Employee Fund's net pension liability. The Charter School's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Charter School totaled $16,693.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Charter School's proportionate share of the net pension liability was based on the Charter School's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023 relative to the total employer contributions received from all of PERA's participating employers. The Charter School's proportion was 0.0072 percent which was measured as of June 30, 2022.

For the year ended June 30, 2023, the Charter School recognized pension expense of $302,451 for its proportionate share of the General Employees Plan's pension expense. In addition, the School recognized $2,494 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

At June 30, 2023, the Charter School reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 4,763	$ 1,619
Changes in Actuarial Assumptions	40,403	-
Net Difference Between Projected and Actual Earnings on Plan Investments	142,730	-
Contributions to PERA Subsequent to the Measurement Date	37,100	-
Total	$ 224,996	$ 1,619

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

The $37,100 reported as deferred outflows of resources related to pensions resulting from the Charter School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follow:

2024	$ 50,717
2025	50,717
2026	33,274
2027	51,569

5. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.50 %	5.10 %
Private Markets	25.00	5.90
Fixed Income	25.00	0.75
International Equity	16.50	5.30
Total	100.00 %	

6. Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA’s experience.

Actuarial assumptions used in the June 30, 2023 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was. completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

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

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

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

7. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 6.50 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 General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

8. Pension Liability Sensitivity

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

	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
General Employee Fund	$ 900,728	$ 570,242	$ 299,193

9. Pension Plan Fiduciary Net Position

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

Note 5: Other Information

A. Risk Management

The Charter School is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Charter School carries commercial insurance. Settled claims have not exceeded this commercial coverage in fiscal year 2023.

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

B. Commitments and Contingencies

Federal and State Programs

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

C. Income Taxes

The Charter School is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Organization is not a private foundation and contributions to the Charter School qualify as a charitable tax deduction by the contributor.

The Organization has evaluated and determined that there are no uncertain tax positions as of June 30, 2023. The Association's tax returns are subject to possible examination by the taxing authorities.

D. Economic Dependency

The Charter School has a significant amount of revenue (84%) coming from the State of Minnesota.

REQUIRED SUPPLEMENTARY INFORMATION

THREE RIVERS MONTESSORI
ELK RIVER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Three Rivers Montessori
Elk River, Minnesota
Required Supplementary Information
June 30, 2023

Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	Charter School's Proportion of the Net Pension Liability	Charter School's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the Charter School (b)	Total (a+b)	Charter School's Covered-Employee Payroll (c)	Charter School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2022	0.0071 %	$ 568,530	$ 42,416	$ 610,946	$ 441,523	128.8 %	76.2 %
6/30/2021	0.0046	201,310	17,019	218,329	276,138	72.9	86.6

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

Schedule of Employer's Teacher Retirement Association Contributions

Fiscal Period Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Charter School's Covered-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
6/30/2023	$ 51,314	$ 51,314	$ -	$ 600,169	8.5 %
6/30/2022	36,823	36,823	-	441,523	8.3
6/30/2021	22,450	22,450	-	276,138	8.1

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

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

2022 – No changes noted.

2021 - The investment return assumption was changed from 7.50 percent to 7.00 percent

2020 - Assumed termination rates were changed to more closely reflect actual experience. The pre-retirement mortality assumption was changed to RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 - No changes noted.

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

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

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

2015 - The cost of living adjustment was not assumed to increase to 2.5 percent but remain at 2.0 percent for all future years. The investment return assumption was changed from 8.25 percent to 8.00 percent.

2014 - The cost of living adjustment was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2034.

Notes to the Required Supplementary Information – TRA (Continued)

Changes in Plan Provisions

2022 – No changes noted.

2021 - No changes noted.

2020 - No changes noted.

2019 - No changes noted.

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

- The COLA was reduced from 2.0 percent each January 1 to 1.0 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1 percent each year until reaching the ultimate rate of 1.5 percent in January 1, 2028.

- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.

- The COLA trigger provision, which would have increased the COLA to 2.5 percent if the funded ratio was at least 90 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 4.0 percent to 3.0 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5 percent to 7.5 percent, effective July 1, 2018.

- The employer contribution rate is increased each July 1 over the next 6 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, 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.

2017 - No changes noted.

2016 - No changes noted.

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

2014 - The increase in the post-retirement benefit adjustment (COLA) will be made once the plan is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

Schedule of Employer's Share of PERA Net Pension Liability

Fiscal Year Ending	Charter School's Proportion of the Net Pension Liability	Charter School's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the Charter School (b)	Total (a+b)	Charter School's Covered-Employee Payroll (c)	Charter School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2022	0.0072 %	$ 570,242	$ 16,693	$ 586,935	$ 540,933	105.4 %	76.7 %
6/30/2021	0.0021	89,679	2,657	92,336	94,893	94.5	87.0

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

Schedule of Employer's Public Employee Retirement Association Contributions

Fiscal Period Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Charter School's Covered-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
6/30/2023	$ 37,100	$ 37,100	$ -	$ 494,673	7.5 %
6/30/2022	40,570	40,570	-	540,933	7.5
6/30/2021	7,117	7,117	-	94,893	7.5

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

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2022 – The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

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

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

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

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

Notes to the Required Supplementary Information – PERA (Continued)

Changes in Plan Provisions

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

2020 - Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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

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

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals $16,000,000 in 2017 and 2018, and $6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21,000,000 to $31,000,000 in calendar years 2019 to 2031. The state's contribution changed from $16,000,000 to $6,000,000 in calendar years 2019 to 2031.
2016 - No changes noted.

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

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COMBINING AND INDIVIDUAL FUND
STATEMENTS, SCHEDULES AND TABLE

THREE RIVERS MONTESSORI
ELK RIVER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Three Rivers Montessori
Elk River, Minnesota
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Food Service	Community Service	Total
Assets			
Cash and temporary investments	$ 1,110	$ 15,160	$ 16,270
Accounts receivable	825	502	1,327
Due from the Department of Education	97	-	97
Due from Federal government	966	-	966
Total Assets	$ 2,998	$ 15,662	$ 18,660
Liabilities			
Accounts payable	$ 2,118	$ 297	$ 2,415
Unearned revenue	880	1,336	2,216
Total Liabilities	2,998	1,633	4,631
Fund Balance			
Restricted			
Community service	-	14,029	14,029
Total Liabilities and Fund Balance	$ 2,998	$ 15,662	$ 18,660

Three Rivers Montessori

Elk River, Minnesota

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2023

	Food Service	Community Service	Total
Revenues			
Revenue from state sources	$ 2,987	$ -	$ 2,987
Revenue from federal sources	35,274	-	35,274
Other local revenue	-	41,093	41,093
Sales and other conversion of assets	26,022	-	26,022
Total Revenues	64,283	41,093	105,376
Expenditures			
Current			
Food service	90,385	-	90,385
Community service	-	43,282	43,282
Total Expenditures	90,385	43,282	133,667
Excess (Deficiency) of Revenues Over (Under) Expenditures	(26,102)	(2,189)	(28,291)
Other Financing Sources (Uses)			
Transfers in	26,102	-	26,102
Net Change in Fund Balance	-	(2,189)	(2,189)
Fund Balances, July 1	-	16,218	16,218
Fund Balance, June 30	$ -	$ 14,029	$ 14,029

Three Rivers Montessori
Elk River, Minnesota
Food Service Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Revenue from state sources	$ 1,400	$ 4,000	$ 2,987	$ (1,013)
Revenue from federal sources	83,000	83,000	35,274	(47,726)
Sales and other conversion of assets	-	28,468	26,022	(2,446)
Total Revenues	84,400	115,468	64,283	(51,185)
Expenditures				
Current				
Food service	101,637	115,468	90,385	25,083
Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,237)	-	(26,102)	(26,102)
Other Financing Sources (Uses)				
Transfers in	10,965	-	26,102	26,102
Net Change in Fund Balances	(6,272)	-	-	-
Fund Balances, July 1	-	-	-	-
Fund Balance, June 30	$ (6,272)	$ -	$ -	$ -

Three Rivers Montessori
Elk River, Minnesota
Community Service Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Other local revenue	$ 60,060	$ 48,000	$ 41,093	$ (6,907)
Expenditures				
Current				
Community service	58,181	47,836	43,282	4,554
Net Change in Fund Balances	1,879	164	(2,189)	(2,353)
Fund Balances, July 1	-	-	16,218	16,218
Fund Balance, June 30	$ 1,879	$ 164	$ 14,029	$ 13,865

Three Rivers Montessori
Elk River, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued on the Following Page)
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023				2022
	Budgeted Amounts		Actual	Variance With	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Revenue from state sources	$ 2,133,142	$ 1,759,929	$ 1,783,926	$ 23,997	$ 1,858,797
Revenue from federal sources	15,500	48,475	45,654	(2,821)	352,968
Other local revenue	-	200,572	189,912	(10,660)	23,087
Interest earned on investments	-	-	-	-	11
Sales and other conversion of assets	-	5,000	9,420	4,420	7,594
Total Revenues	2,148,642	2,013,976	2,028,912	14,936	2,242,457
Expenditures					
Current					
Administration					
Salaries	120,000	129,167	121,148	8,019	83,597
Fringe benefits	19,668	21,423	19,865	1,558	17,292
Purchased services	-	2,165	2,000	165	-
Supplies and materials	-	148	143	5	-
Other	17,809	17,077	15,623	1,454	17,090
Total administration	157,477	169,980	158,779	11,201	117,979
District Support Services					
Salaries	68,334	66,462	53,596	12,866	59,389
Fringe benefits	29,990	26,598	21,140	5,458	17,404
Purchased services	112,500	153,765	142,771	10,994	95,688
Supplies and materials	23,800	21,199	23,427	(2,228)	26,643
Other	2,500	3,301	3,014	287	1,794
Total district support services	237,124	271,325	243,948	27,377	200,918
Elementary and secondary regular instruction					
Salaries	436,906	460,748	448,314	12,434	381,775
Fringe benefits	132,069	106,959	118,242	(11,283)	84,750
Purchased services	5,500	13,762	12,403	1,359	5,975
Supplies and materials	16,000	23,457	24,478	(1,021)	166,789
Total elementary and secondary regular instruction	590,475	604,926	603,437	1,489	639,289
Special education instruction					
Salaries	472,639	280,340	312,562	(32,222)	363,833
Fringe benefits	125,041	56,095	56,676	(581)	75,365
Purchased services	87,500	132,636	146,883	(14,247)	128,467
Supplies and materials	3,500	6,400	4,117	2,283	1,436
Total special education instruction	688,680	475,471	520,238	(44,767)	569,101

Three Rivers Montessori
Elk River, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023				2022
	Budgeted Amounts		Actual	Variance With	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Instructional support services					
Salaries	$ 45,000	$ 41,400	$ 45,471	$ (4,071)	$ 40,717
Fringe benefits	13,865	12,361	12,573	(212)	12,638
Purchased services	3,500	3,069	1,795	1,274	17,457
Supplies and materials	-	5,534	5,687	(153)	226
Total instructional support services	62,365	62,364	65,526	(3,162)	71,038
Pupil support services					
Salaries	4,919	7,143	16,642	(9,499)	34,656
Fringe benefits	797	1,420	4,276	(2,856)	5,343
Purchased services	6,000	3,112	2,941	171	5,166
Supplies and materials	250	2,111	5,251	(3,140)	358
Total pupil support services	11,966	13,786	29,110	(15,324)	45,523
Sites and buildings					
Purchased services	88,600	96,208	94,282	1,926	80,001
Supplies and materials	6,000	8,490	8,889	(399)	21,273
Total sites and buildings	94,600	104,698	103,171	1,527	101,274
Fiscal and other fixed cost programs					
Purchased services	12,500	12,500	11,416	1,084	10,340
Total current	1,855,187	1,715,050	1,735,625	(20,575)	1,755,462
Capital outlay					
Elementary and secondary regular instruction	-	3,354	2,956	398	80,815
Sites and buildings	-	1,646	1,450	196	35,870
Total capital outlay expenditures	-	5,000	4,406	594	116,685
Debt service					
Principal	256,201	256,201	205,262	50,939	165,325
Interest	1,500	5,500	55,558	(50,058)	56,353
Total debt service expenditures	257,701	261,701	260,820	881	221,678
Total Expenditures	2,112,888	1,981,751	2,000,851	(19,100)	2,093,825
Excess (Deficiency) of Revenues Over (Under) Expenditures	35,754	32,225	28,061	(4,164)	148,632
Other Financing Sources (Uses)					
Transfers out	(10,965)	-	(26,102)	(26,102)	(11,704)
Net Change in Fund Balances	24,789	32,225	1,959	(30,266)	136,928
Fund Balances, July 1	264,838	264,838	264,838	-	127,910
Fund Balance, June 30	$ 289,627	$ 297,063	$ 266,797	$ (30,266)	$ 264,838

DEPARTMENT OF EDUCATION

Fiscal Compliance

Fiscal Compliance Report - 6/30/2023
District: THREE RIVERS MONTESSORI (4266-7)

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$2,028,912	$2,028,910	$2
Total Expenditures	$2,000,851	$2,000,849	$2
Non Spendable:			
4.60 Non Spendable Fund Balance	$14,397	$14,397	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.03 Staff Development	$0	$0	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Funded by COP/FP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$0	$0	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe Schools Levy	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	$0	$0	$0
4.72 Medical Assistance	$278	$278	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$0	$0	$0
Unassigned:			
4.22 Unassigned Fund Balance	$252,122	$252,123	($1)
02 FOOD SERVICES			
Total Revenue	$64,283	$64,283	$0
Total Expenditures	$90,385	$90,385	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0

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

Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

Total Revenue	$41,093	$41,093	$0
Total Expenditures	$43,282	$43,282	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$0	$0	$0
4.32 E.C.F.E	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$0	$0	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$14,029	$14,029	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

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

45 OPEB IRREVOCABLE TRUST

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

47 OPEB DEBT SERVICE

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

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OTHER REQUIRED REPORTS

THREE RIVERS MONTESSORI
ELK RIVER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Members of the Board of Education
Three Rivers Montessori
Elk River, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Three Rivers Montessori (the Charter School), Elk River, Minnesota as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated September 20, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the Charter School failed to comply with the provisions of the uniform financial accounting and reporting standards for charter schools of the *Minnesota Legal Compliance Audit Guide for Charter Schools*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the Schedule of Findings and Responses as items 2023-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Charter School's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The Charter School's response to the finding in our audit is described in the accompanying Schedule of Finding and Response. The Charter School response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of those charged with governance and management of the Charter School and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

Abdo

Abdo
Minneapolis, Minnesota
September 20, 2023

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*

Members of the Board of Education
Three Rivers Montessori
Elk River, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of governmental activities, the major fund and the aggregate remaining fund information of the Three Rivers Montessori (the Charter School), Elk River, Minnesota, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated September 20, 2023.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as finding 2023-001.

Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Charter School's responses to the findings identified in our audit and described in the accompanying schedule of finding and response. The Charter School's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

Abdo

Abdo
Minneapolis, Minnesota
September 20, 2023

2023-001 **Time Period for Payment**

Condition: During our audit procedures, it came to our attention that the Charter School made seven payments late in our sample of twenty-five in comparison with the timeframe set forth by state statutes.

Criteria: Minnesota statute §471.425 requires the Charter School to pay bills within 35 days from receipt. If the invoice is not paid within 35 days, interest at 1.50 percent per month is to be added to the amount due.

Cause: While testing disbursements, we noted that some invoices indicated that timely payments had not been made. Specifically, the Charter School had not paid the original invoice within 35 days set forth in State statute. Additionally, some disbursements contained late fees which is inappropriate use of public funds.

Effect: The Charter School is out of compliance with Minnesota statute.

Recommendation: We recommend that the Charter School develop policies and procedures related to the accounts payable cycle. These policies and procedures should include payment terms that are outlined within State statutes. Implementing this recommendation will not result in any additional cost to the Charter School.

Management Response:

The Charter School is aware of the situation and plans to implement procedures to ensure that timely payments are made in future fiscal years.

17267 Yale St. NW
Elk River, MN 55330
(763) 595-1213
admin@threeriversmontessori.org

CORRECTIVE ACTION PLAN

The following are our responses to findings in the audit as of June 30, 2023.

FINDING 2023-001

During the audit we reviewed a sample of purchases made by the Charter School and found that seven payments made late in our sample of twenty-five in comparison with the timeframe set forth by state statutes.

1. **Explanation of Disagreement with Audit Finding:**

   There is no disagreement with the audit finding.

2. **Actions Planned in Response to Finding:**

   The Charter School plans to implement the recommended procedures including stamping invoices when received, promptly approving invoices after receipt and sent to the contracted provider for payment.

3. **Official Responsible for Ensuring CAP:**

   Antonio Kuklok, Executive Director, is the official responsible for ensuring corrective action.

4. **Planned Completion Date for CAP:**

   Completed by the end of the 2023-2024 fiscal school year

5. **Plan to Monitor Completion of CAP:**

   The Charter School will continue to review its procedures to determine if any improvements can be made using the limited personnel available.

Respectfully,

Antonio Kuklok
Executive Director