

**SWAN RIVER MONTESSORI CHARTER SCHOOL,
CHARTER SCHOOL NO. 4137**

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2025

SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
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JUNE 30, 2025

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INTRODUCTORY SECTION

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
SCHOOL BOARD ADMINISTRATION
JUNE 30, 2025**

SCHOOL BOARD

NAME	TERM ON BOARD EXPIRES	BOARD POSITION
Jana Evink	06/2026	Board Chair
Amy Bergquist-Savage	06/2026	Treasurer
Amy Jensen	06/2026	Secretary
Julie Halvorson	06/2028	Member
Nicole Perez	06/2028	Member
Claire Belknap	06/2027	Member
Rick Freese	06/2026	Member

SRM BUILDING COMPANY

NAME	TERM ON BOARD EXPIRES	BOARD POSITION
Robert Dowd	06/2027	Board Chair
Jon Evink	06/2026	Treasurer
Kirsten Host	06/2026	Member
Matthew Savage	06/2025	Member
Josh Johnson	06/2026	Member

ADMINISTRATION

Annette Vemuri
Kirsten Host

School Director
Operations Coordinator

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Swan River Montessori Charter School
Charter School No. 4137
Monticello, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Swan River Montessori Charter School, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Swan River Montessori 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 and each major fund of Swan River Montessori Charter School, as of June 30, 2025, and the respective changes in financial position and the respective budgetary comparisons for the General Fund, Food Service Fund, and Community Service Fund for the year then ended in accordance 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 (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Swan River Montessori 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Swan River Montessori 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 GAAS 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 GAAS 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 Swan River Montessori 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 Swan River Montessori 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, which follows this report, and the schedules of the School's proportionate share of the net pension liabilities and schedules of the School pension contributions, starting on page 50, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 Swan River Montessori Charter School's basic financial statements. The Uniform Financial Accounting and Reporting Standards (UFARS) compliance table is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 GAAS. In our opinion, the UFARS compliance table is 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 included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements 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.

Report on Summarized Comparative Information

We have previously audited Swan River Montessori Charter School's 2024 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities and each major fund in our report dated November 14, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2025, on our consideration of Swan River Montessori 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 Swan River Montessori 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 Swan River Montessori Charter School's internal control over financial reporting and compliance.

Esterbrooks Certified Public Accountants, Ltd.

Esterbrooks Certified Public Accountants Ltd.

Duluth, Minnesota
October 10, 2025

REQUIRED SUPPLEMENTARY INFORMATION

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

This section of Swan River Montessori Charter School – Charter School No. 4137's (the School) annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2025. Please read it in conjunction with the School's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2024-2025 fiscal year include the following:

- Total General Fund revenues were \$2,527,330 as compared to \$2,418,883 of expenditures.
- Total net position of governmental activities on June 30, 2025 was \$(952,962).
- The total fund balance of the General Fund increased from \$699,040 at June 30, 2024 to \$782,026 at June 30, 2025.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

School-Wide Statements

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

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

- Over time, increases or decreases in the School's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

School-Wide Statements (Continued)

- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the School's creditworthiness and the condition of school buildings and other facilities.

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

- Governmental Activities – Most of the School's basic services are included here, such as regular and special education, transportation, administration, and food services. State aid finances most of these activities.

Fund Financial Statements

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

- Some funds are required by state law and by debt covenants.
- The School may establish other funds to control and manage money for a blended component unit such as the Swan River Montessori Charter School Building Company.

The School has the following fund type:

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

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's combined net position was \$(952,962) and \$(950,592) on June 30, 2025 and 2024, respectively (see Table A-1).

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

	Governmental Activities as of		
	June 30,		Percentage
	2025	2024	Change
Curent and Other Assets	\$ 1,092,989	\$ 1,007,336	8.50%
Capital Assets	835,065	1,010,381	(17.35%)
Total Assets	1,928,054	2,017,717	(4.44%)
Deferred Outflows of Resources	329,037	486,110	(32.31%)
Current Liabilities	311,740	299,507	4.08%
Long-Term Liabilities	2,435,622	3,003,278	(18.90%)
Total Liabilities	2,747,362	3,302,785	(16.82%)
Deferred Inflows of Resources	462,691	151,634	205.14%
Net Position:			
Net Investment in Capital Assets	(723,836)	(639,718)	13.15%
Restricted	122,858	133,464	(7.95%)
Unrestricted	(351,984)	(444,338)	(20.78%)
Total Net Position	\$ (952,962)	\$ (950,592)	0.25%

Changes in Net Position

The School's total revenues were \$2,741,447 and \$2,769,442 for the years ended June 30, 2025 and 2024, respectively. Unrestricted state formula aid accounted for 47% of total revenue for the year ended June 30, 2025 (see Chart A-2). Another 46% came from operating grants and the remainder from charges for services and other general revenues.

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

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

	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2025	2024	
Revenues			
Program Revenues			
Charges for Services	\$ 140,169	\$ 142,360	(1.54%)
Operating Grants and Contributions	1,264,170	1,358,610	(6.95%)
General Revenues			
Unrestricted State Aid	1,298,139	1,232,225	5.35%
Investment Earnings	11,748	8,064	45.68%
Other	27,221	28,163	(3.34%)
 Total Revenues	 2,741,447	 2,769,422	 (1.01%)
Expenses			
Administration	112,004	93,585	19.68%
School Support Services	178,846	167,211	6.96%
Regular Instruction	899,379	757,848	18.68%
Special Education Instruction	883,229	838,593	5.32%
Instructional Support Services	29,852	19,672	51.75%
Pupil Support Services	50,444	3,672	1273.75%
Sites and Buildings	222,982	197,009	13.18%
Fiscal and Other Fixed Cost Programs	28,851	23,249	24.10%
Food Service	133,645	146,239	(8.61%)
Community Service	108,267	122,450	(11.58%)
Interest and Fiscal Changes on Long-Term Liabilities	96,318	64,692	48.89%
 Total Expenses	 2,743,817	 2,434,220	 12.72%
 Change in Net Position	 (2,370)	 335,202	
 Beginning Net Position	 (950,592)	 (1,285,794)	
Ending Net Position	<u>\$ (952,962)</u>	<u>\$ (950,592)</u>	

The total cost of all programs and services including interest and fiscal charges was \$2,743,817 and \$2,434,200 for 2025 and 2024, respectively. Total expenses exceeded revenues in fiscal year 2025, decreasing net position to a deficit balance of \$(952,962) at June 30, 2025.

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

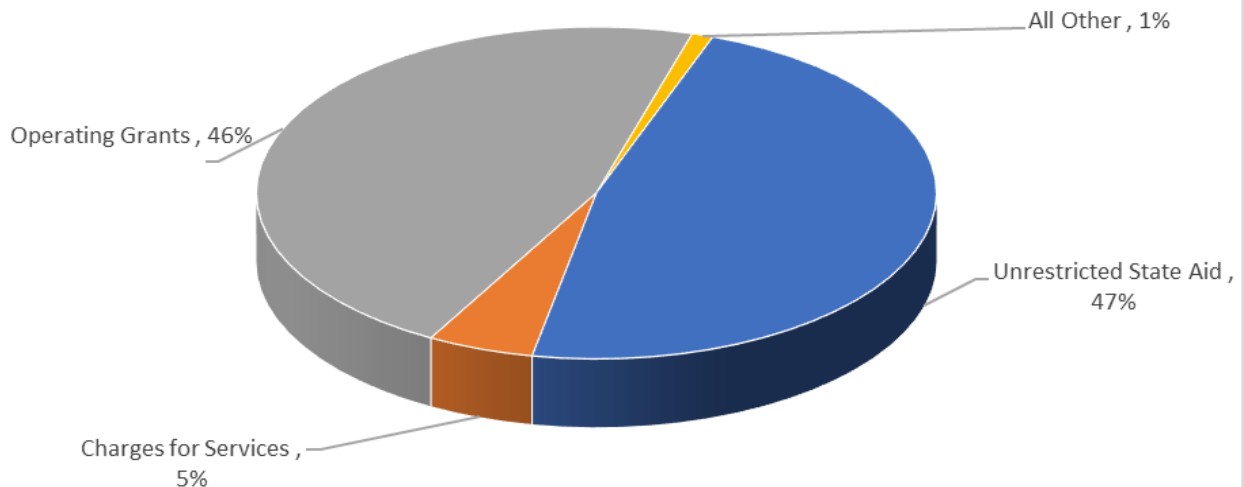
FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

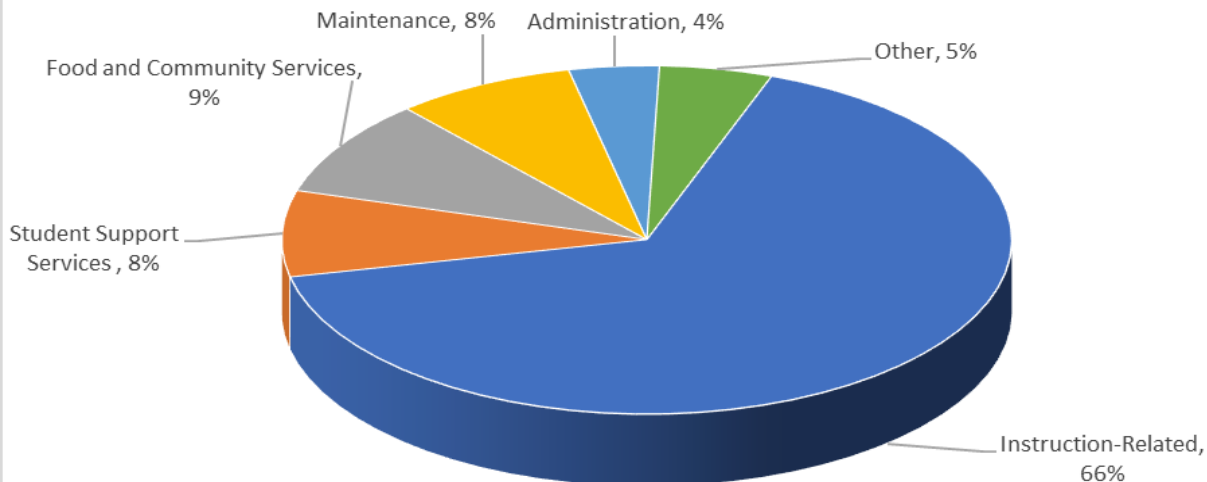
The cost of all governmental activities this year was \$2,743,817.

- Some of the cost was paid by the users of the School's programs in the amount of \$140,169.
- The federal government, restricted state sources, and private grant funds subsidized certain programs with grants and contributions in the amount of \$1,264,170.
- The majority of remaining costs were paid for by unrestricted state aid in the amount of \$1,298,139.

**Chart A-1
Source's of School's Revenue for Fiscal 2025**



**Chart A-2
Source's of School's Expense for Fiscal 2025**



**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

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

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2025	2024		2025	2024	
Administration	\$ 112,004	\$ 93,585	19.68%	\$ 112,004	\$ 93,585	19.68%
School Support Services	178,846	167,211	6.96%	178,846	167,211	6.96%
Regular Instruction	899,379	757,848	18.68%	812,802	635,016	28.00%
Special Education Instruction	883,229	838,593	5.32%	49,869	(38,987)	(227.91%)
Instructional Support Service	29,852	19,672	51.75%	29,852	19,672	51.75%
Pupil Support Services	50,444	3,672	1273.75%	50,444	3,672	1273.75%
Sites and Buildings	222,982	197,009	13.18%	51,401	40,556	26.74%
Fiscal and Other Fixed Cost Programs	28,851	23,249	24.10%	28,851	23,249	24.10%
Food Service	133,645	146,239	(8.61%)	28,795	12,922	122.84%
Community Service	108,267	122,450	(11.58%)	(31,138)	(19,772)	57.49%
Interest and Fiscal Charges on Long-Term Liabilities	<u>96,318</u>	<u>64,692</u>	48.89%	<u>27,752</u>	<u>(3,874)</u>	0.00%
Total	<u>\$ 2,743,817</u>	<u>\$ 2,434,220</u>		<u>\$ 1,339,478</u>	<u>\$ 933,250</u>	

Governmental activities include not only funds received for the general operation of the School, which are used for classroom instruction, but also includes resources from the entrepreneurial type funds of Food Service and Community Service. Funding for the general operation of the School is controlled by the state and the School does not have the latitude to allocate money received in Food Service or Community Service to enhance classroom instruction resources. The School cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

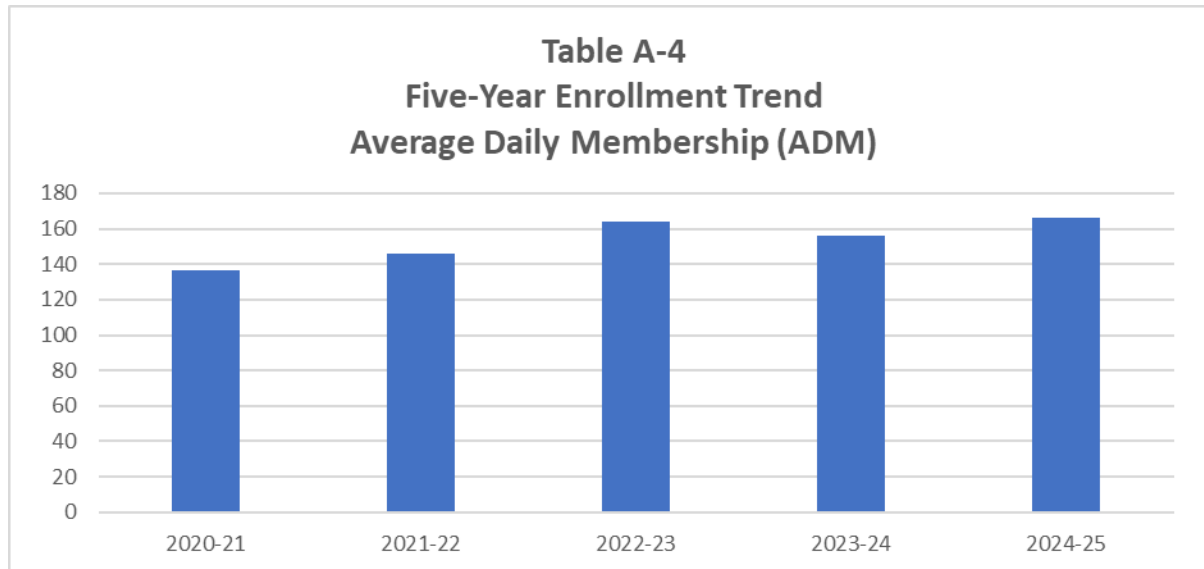
The financial performance of the School as a whole is reflected in its governmental funds as well. At June 30, 2025, the School's governmental funds reported a combined fund balance of \$899,548. This includes the Building Company activity relating to the ownership of the facility that is leased by the School.

Total revenues for the School's governmental funds (including the Building Company) were \$2,974,661 while total expenditures were \$2,901,738. This resulted in an increase to the combined fund balance from the prior year of \$72,923.

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

ENROLLMENT

Enrollment is a critical factor in determining revenue with the predominant levels of General Fund revenue being determined by enrollment. The following chart shows the number of students over the last five years.



In 2021 the School maintained an average daily membership of 137 students. Enrollment increased to 146 ADMs in 2022 and 164 in 2023. Enrollment then decreased to 156 ADMs in 2024 and increased to 166 in 2024.

GENERAL FUND

The General Fund includes the primary operations of the School in providing educational services to students from kindergarten through grade 6.

Approximately 97% of the General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model providing approximately 97% of the expenditures.

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Revenues.

**Table A-5
General Fund Revenues**

	Year Ended		Change	
	June 30, 2025	June 30, 2024	Increase (Decrease)	Percent Change
Local Sources:				
Earnings on Investments	\$ 7,051	\$ 6,061	\$ 990	16.33%
Other	27,224	28,162	(938)	(3.33%)
State Sources	2,442,687	2,393,228	49,459	2.07%
Federal Sources	50,368	69,380	(19,012)	(27.40%)
 Total General Fund Revenue	 <u>\$ 2,527,330</u>	 <u>\$ 2,496,831</u>	 <u>\$ 30,499</u>	

Total General Fund revenue increased by \$30,499 from the previous year. State sources increased mainly due to the increase in general education aid related to increased enrollment. Federal revenues decreased due to Elementary and Secondary School Emergency Relief received in 2024 for the response to the COVID-19 pandemic.

Basic general education revenue is determined by multiple complex state formulas, largely enrollment driven, and consists of a specified minimum amount with variables such as socioeconomic indicators driving additional funding. For Minnesota charter schools the majority of all funding is made up of general education aid, special education aid and charter school lease aid. Other revenue consists of federal and private grant funding that is often expenditure driven.

The following schedule presents a summary of General Fund Expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2025	June 30, 2024		
Salaries	\$ 1,202,248	\$ 1,103,474	\$ 98,774	8.95%
Employee Benefits	239,689	231,175	8,514	3.68%
Purchased Services	892,804	862,029	30,775	3.57%
Supplies and Materials	59,499	57,171	2,328	4.07%
Other Expenditures	24,643	18,074	6,569	36.35%
 Total Expenditures	 <u>\$ 2,418,883</u>	 <u>\$ 2,271,923</u>	 <u>\$ 146,960</u>	

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

GENERAL FUND (CONTINUED)

Total General Fund Expenditures increased \$146,960 from the previous year due to the net effect in salaries and benefits in Table A-6 above. Salaries and benefits increased at total of \$98,774 due to a increase in staff.

In 2024-25, General Fund expenditures exceeded revenues by \$82,986. Therefore, the total fund balance increased from \$699,040 at June 30, 2024 to \$782,026 at June 30, 2025. Total fund balance is the single best measure of overall financial health. The total fund balance of the General Fund at June 30, 2025 represents 32.3% of annual expenditures.

OTHER MAJOR FUNDS

Expenditures exceeded revenues in the Food Service Fund by \$3,333, decreasing the Food Service Fund balance from \$3,333 at June 30, 2024 to \$0 at June 30, 2025. This fund balance is required to be either at zero or a positive fund balance.

The fund balance of the Community Service Fund increased by \$35,640, resulting in a fund balance of \$70,951 at year-end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Net Investment in Capital Assets

By the end of the fiscal year on June 30, 2025, the School had invested \$3,611,140 in capital assets, primarily relating to the Building Company (see Table A-7). Total depreciation expense for the year ended June 30, 2025 was \$175,316. More detailed information about net investment in capital assets can be found in Note 3 to the financial statements.

**Table A-7
Capital Assets**

	2025	2024	Percentage Change
Land	\$ 135,523	\$ 135,523	0.00%
Buildings and Improvements	3,140,754	3,140,754	0.00%
Equipment	334,863	334,863	0.00%
Less: Accumulated Depreciation	<u>(2,776,075)</u>	<u>(2,600,759)</u>	6.74%
Total	<u>\$ 835,065</u>	<u>\$ 1,010,381</u>	

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Liabilities

At year-end, the Building Company owed \$1,558,901 in long-term loans and the School owed \$24,896 in compensated absences payable, as shown in Note 4 to the basic financial statements.

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

	2025	2024	Percentage Change
Pension Benefits Payable	\$ 970,124	\$ 1,450,620	(33.12%)
Mortgage Loan Payable	1,558,901	1,650,100	(5.53%)
Compensated Absences Payable	<u>24,896</u>	<u>21,354</u>	16.59%
 Total	 <u><u>\$ 2,553,921</u></u>	 <u><u>\$ 3,122,074</u></u>	
 Long-Term Liabilities:			
Due Within One Year	\$ 118,299	\$ 118,798	
Due in More Than One Year	<u>2,435,622</u>	<u>3,003,278</u>	
 Total	 <u><u>\$ 2,553,921</u></u>	 <u><u>\$ 3,122,076</u></u>	

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over from the prior fiscal year.
- Legislation passed subsequent to budget adoption, changes necessitated by employment agreements, or change in enrollment, and increases in appropriations for significant unbudgeted costs.

Actual revenues were higher than anticipated in state aid by \$62,879 mostly due to special education funding being more than anticipated based on final expenditures. Actual expenditures were also less than anticipated when compared to the final adopted budget, as budgeted expenditures exceeded the actual by \$19,472. The School's final budget for the General Fund anticipated that revenues would exceed expenditures by \$13,879; and the actual result for the year shows an increase in fund balance of \$108,447.

FACTORS BEARING ON THE SCHOOL'S FUTURE

The School is dependent on the state of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

The School will strive to maintain its commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our constituents, state oversight agencies, lenders, customers, legislative leaders, and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administration Office, 500 Maple Street, Monticello, Minnesota 55362, telephone number 763-271-7926.

BASIC FINANCIAL STATEMENTS

SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
STATEMENT OF NET POSITION
JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2024)

	Governmental Activities	
	2025	2024
ASSETS		
Cash and Investments	\$ 702,932	\$ 606,489
Receivables:		
Other Governments	390,057	392,985
Prepaid items	-	7,862
Capital assets		
Land	135,523	135,523
Other Capital Assets, Net of Depreciation	<u>699,542</u>	<u>874,858</u>
 Total Assets	 1,928,054	 2,017,717
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pensions	329,037	486,110
 LIABILITIES		
Salaries Payable	159,521	134,181
Accounts and Contracts Payable	33,920	46,528
Long-Term Liabilities:		
Net Pension Liability	970,124	1,450,620
Other Long-Term Liabilities Due Within One Year	118,299	118,798
Other Long-Term Liabilities Due in More Than One Year	<u>1,465,498</u>	<u>1,552,658</u>
 Total Liabilities	 2,747,362	 3,302,785
 DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pensions	462,691	151,634
 NET POSITION		
Net investment in Capital Assets	(723,836)	(639,718)
Restricted for:		
Food Service	-	3,333
Community Service	70,951	35,311
Building Company	46,571	88,941
Safe Schools Crime Levy	5,336	5,336
Medical Assistance	-	543
Unrestricted	<u>(351,984)</u>	<u>(444,338)</u>
 Total Net Position	 <u>\$ (952,962)</u>	 <u>\$ (950,592)</u>

See notes to basic financial statements.

SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2024)

		2025			2024	
Functions	Expenses	Program Revenues		Net Revenues (Expenses) and Change in Net Position	Net Revenues (Expenses) and Change in Net Position	
		Charges for Services	Operating	Total	Total	
			Grants and Contributions	Governmental	Governmental	
				Activities	Activities	
GOVERNMENTAL ACTIVITIES						
Administration	\$ 112,004	\$ -	\$ -	\$ (112,004)	\$ (93,585)	
School Support Services	178,846	-	-	(178,846)	(167,211)	
Regular Instruction	899,379	-	86,577	(812,802)	(635,016)	
Special Education Instruction	883,229	-	833,360	(49,869)	38,987	
Instructional Support Services	29,852	-	-	(29,852)	(19,672)	
Pupil Support Services	50,444	-	-	(50,444)	(3,672)	
Sites and Buildings	222,982	-	171,581	(51,401)	(40,556)	
Fiscal and Other Fixed Cost Programs	28,851	-	-	(28,851)	(23,249)	
Food Service	133,645	764	104,086	(28,795)	(12,922)	
Community Service	108,267	139,405	-	31,138	19,772	
Interest and Fiscal Charges on Long-Term Liabilities	96,318	-	68,566	(27,752)	3,874	
Total Governmental Activities	<u>\$ 2,743,817</u>	<u>\$ 140,169</u>	<u>\$ 1,264,170</u>	(1,339,478)	(933,250)	
GENERAL REVENUES						
State Aid Not Restricted to Specific Purposes				1,298,139	1,232,225	
Earnings on Investments				11,748	8,064	
Miscellaneous				<u>27,221</u>	<u>28,163</u>	
Total General Revenues				<u>1,337,108</u>	<u>1,268,452</u>	
CHANGE IN NET POSITION				(2,370)	335,202	
Net Position, July 1				<u>(950,592)</u>	<u>(1,285,794)</u>	
NET POSITION, JUNE 30				<u>\$ (952,962)</u>	<u>\$ (950,592)</u>	

See notes to basic financial statements.

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2024)**

	Major Funds				Total Governmental Funds	
	General	Food Service	Community Service	Building Company	2025	2024
ASSETS:						
Cash and Investments	\$ 575,421	\$ -	\$ 80,940	\$ 46,571	\$ 702,932	\$ 606,488
Receivables:						
Due from Minnesota Department of Education	379,353	-	-	-	379,353	378,981
Due from Federal through Minnesota Department of Education	10,704	-	-	-	10,704	14,005
Due from Other Funds	-	-	-	-	-	25,885
Prepays	-	-	-	-	-	7,862
 Total Assets	<u>\$ 965,478</u>	<u>\$ -</u>	<u>\$ 80,940</u>	<u>\$ 46,571</u>	<u>\$ 1,092,989</u>	<u>\$ 1,033,221</u>
LIABILITIES:						
Salaries Payable	\$ 85,329	\$ -	\$ 9,989	\$ -	\$ 95,318	\$ 79,619
Payroll Deductions and Employer Contributions Payable	64,203	-	-	-	64,203	54,562
Accounts and Contracts Payable	33,920	-	-	-	33,920	46,530
Due to Other Funds	-	-	-	-	-	25,885
 Total Liabilities	<u>183,452</u>	<u>-</u>	<u>9,989</u>	<u>-</u>	<u>193,441</u>	<u>206,596</u>
FUND BALANCES:						
Nonspendable						
Prepays	-	-	-	-	-	7,862
Restricted for:						
Food Service	-	-	-	-	-	3,333
Community Service	-	-	70,951	-	70,951	35,311
Building Company	-	-	-	46,571	46,571	88,941
Safe Schools Crime Levy	5,336	-	-	-	5,336	5,336
READ Act - Literacy Aid	2,973	-	-	-	2,973	-
READ Act - Teacher Training Compensation	1,075	-	-	-	1,075	-
Medical Assistance	-	-	-	-	-	543
Committed for:						
Other Committed	-	-	-	-	-	152,079
Unassigned	<u>772,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>772,642</u>	<u>533,220</u>
Total Fund Balances	<u>782,026</u>	<u>-</u>	<u>70,951</u>	<u>46,571</u>	<u>899,548</u>	<u>826,625</u>
 Total Liabilities and Fund Balances	<u>\$ 965,478</u>	<u>\$ -</u>	<u>\$ 80,940</u>	<u>\$ 46,571</u>	<u>\$ 1,092,989</u>	<u>\$ 1,033,221</u>

See notes to basic financial statements.

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
RECONCILIATION OF THE BALANCE SHEET- GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2024)**

	<u>2025</u>	<u>2024</u>
TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 899,548	\$ 826,625

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	135,523	135,523
Buildings and Improvements, Net of Accumulated Depreciation	693,346	849,531
Equipment, Net of Accumulated Depreciation	6,196	25,327

The School's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:

Net Pension Liability	(970,124)	(1,450,620)
Deferred Inflows of Resources - Pensions	(462,691)	(151,634)
Deferred Outflows of Resources - Pensions	329,037	486,110

Long-term liabilities that pertain to governmental funds, including loans payable, are not due and payable in the current period, and, therefore, are not reported as fund liabilities. All liabilities - both current and long term - are reported in the statement of net position. Balances at year-end are:

Educational Facilities Revenue Notes	(1,558,901)	(1,650,100)
Compensated Absences	<u>(24,896)</u>	<u>(21,354)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ (952,962)</u>	<u>\$ (950,592)</u>
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See notes to basic financial statements.

SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2024)

	Major Funds				Total Governmental Funds	
	General	Food Service	Community Service	Building Company	2025	2024
REVENUES						
Local Sources:						
Earning and Investments	\$ 7,051	\$ -	\$ -	\$ 4,696	\$ 11,747	8,063
Other	27,224	764	139,405	198,380	365,773	368,902
State Sources	2,442,687	65,217	-	-	2,507,904	2,471,266
Federal Sources	50,368	38,869	-	-	89,237	124,521
Total Revenues	2,527,330	104,850	139,405	203,076	2,974,661	2,972,752
EXPENDITURES						
Current:						
Administration	92,304	-	-	-	92,304	106,565
School Support Services	201,443	-	-	-	201,443	172,025
Elementary and Secondary Regular Instruction	748,563	-	-	-	748,563	708,568
Special Education Instruction	912,497	-	-	-	912,497	885,282
Instructional Support Services	32,011	-	-	-	32,011	23,475
Pupil Support Services	51,621	-	-	-	51,621	3,677
Sites and Buildings	351,593	-	-	57,929	409,522	382,629
Fiscal and Other Fixed Cost Programs	28,851	-	-	-	28,851	23,249
Food Service	-	133,644	-	-	133,644	146,239
Community Service	-	-	103,765	-	103,765	131,629
Capital Outlay	-	-	-	-	-	6,946
Debt Service:						
Principal	-	-	-	91,199	91,199	94,370
Interest and Fiscal Charges	-	-	-	96,318	96,318	64,692
Total Expenditures	2,418,883	133,644	103,765	245,446	2,901,738	2,749,346
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	108,447	(28,794)	35,640	(42,370)	72,923	223,406
OTHER FINANCING SOURCES						
Transfer In	-	25,461	-	-	25,461	-
Transfer Out	(25,461)	-	-	-	(25,461)	-
Loan proceeds	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(25,461)	25,461	-	-	-	-
NET CHANGE IN FUND BALANCE						
	82,986	(3,333)	35,640	(42,370)	72,923	223,406
Fund Balances - July 1	699,040	3,333	35,311	88,941	826,625	603,219
Fund Balances - June 30	\$ 782,026	\$ -	\$ 70,951	\$ 46,571	\$ 899,548	\$ 826,625

See notes to basic financial statements.

SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND
BALANCE – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2024)

	<u>2025</u>	<u>2024</u>
NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 72,923	\$ 223,406

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

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

Capital Outlays	-	6,946
Depreciation Expense	(175,316)	(176,703)

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

	12,363	184,241
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In the statement of activities, certain operating expenses - compensated absences - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amounts actually paid).

	(3,539)	2,942
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The governmental funds report long-term loan proceeds as financing sources, while repayment of loan principal is reported as an expenditures. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of long-term loans and related items is as follows:

Repayment of Loan Principal	<u>91,199</u>	<u>94,370</u>
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CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ (2,370)</u>	<u>\$ 335,202</u>
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See notes to basic financial statements.

SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET TO ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2025

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Local Sources:				
Earnings and Investments	\$ 500	\$ 6,500	\$ 7,051	\$ 551
Other	18,400	15,500	27,224	11,724
State Sources	2,289,194	2,379,808	2,442,687	62,879
Federal Sources	48,466	50,426	50,368	(58)
Total Revenues	<u>2,356,560</u>	<u>2,452,234</u>	<u>2,527,330</u>	<u>75,096</u>
EXPENDITURES				
Current:				
Administration	100,977	101,247	92,304	(8,943)
School Support Services	250,892	281,939	201,443	(80,496)
Elementary and Secondary Regular Instruction	815,545	834,028	748,563	(85,465)
Special Education Instruction	791,524	885,139	912,497	27,358
Instructional Support Services	6,300	6,300	32,011	25,711
Pupil Support Services	12,555	12,555	51,621	39,066
Sites and Buildings	292,736	292,736	351,593	58,857
Fiscal and Other Fixed Cost Programs	24,411	24,411	28,851	4,440
Total Expenditures	<u>2,294,940</u>	<u>2,438,355</u>	<u>2,418,883</u>	<u>(19,472)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	61,620	13,879	108,447	94,568
OTHER FINANCING SOURCES				
Transfer Out	<u>(16,098)</u>	<u>(20,095)</u>	<u>(25,461)</u>	<u>(5,366)</u>
Total Other Financing Sources (Uses)	<u>(16,098)</u>	<u>(20,095)</u>	<u>(25,461)</u>	<u>(5,366)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 45,522</u>	<u>\$ (6,216)</u>	82,986	<u>\$ 89,202</u>
FUND BALANCE				
Fund balances - July 1			<u>699,040</u>	
Fund balances - June 30			<u>\$ 782,026</u>	

See notes to basic financial statements.

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET TO ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2025**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	\$ -	\$ -	\$ 764	\$ 764
State Sources	70,134	71,505	65,217	(6,288)
Federal Sources	<u>67,000</u>	<u>67,000</u>	<u>38,869</u>	<u>(28,131)</u>
Total Revenues	137,134	138,505	104,850	(33,655)
EXPENDITURES				
Current:				
Food Service	<u>152,898</u>	<u>158,600</u>	<u>133,644</u>	<u>(24,956)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(15,764)	(20,095)	(28,794)	(8,699)
OTHER FINANCING SOURCES				
Transfer In	<u>16,098</u>	<u>20,095</u>	<u>25,461</u>	<u>5,366</u>
Total Other Financing Sources (Uses)	<u>16,098</u>	<u>20,095</u>	<u>25,461</u>	<u>5,366</u>
NET CHANGE IN FUND BALANCES	<u>\$ 334</u>	<u>\$ -</u>	(3,333)	<u>\$ (3,333)</u>
FUND BALANCE				
Fund balances - July 1			<u>3,333</u>	
Fund balances - June 30			<u>\$ -</u>	

See notes to basic financial statements.

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET TO ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2025**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Local Sources:				
Other - Primarily Tuition and Fees	<u>\$ 132,825</u>	<u>\$ 125,625</u>	<u>\$ 139,405</u>	<u>\$ 13,780</u>
Total Revenues	132,825	125,625	139,405	13,780
EXPENDITURES				
Current:				
Community Service	<u>122,120</u>	<u>106,200</u>	<u>103,765</u>	<u>(2,435)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 10,705</u>	<u>\$ 19,425</u>	35,640	<u>\$ 16,215</u>
FUND BALANCE				
Fund balances - July 1			<u>35,311</u>	
Fund balances - June 30			<u>\$ 70,951</u>	

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Swan River Montessori Charter School No. 4137 have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Financial Reporting Entity

Charter School No. 4137, also known as Swan River Montessori Charter School (the School), is a nonprofit corporation that was formed, and began operating, on July 28, 2004, in accordance with Minnesota Statutes. The School is sponsored by Osprey Wilds Environmental Learning Center under an authorizer agreement extending through June 30, 2026. The governing body consists of a board of directors composed of a Chair, Treasurer, and such other officers as the Board of Education shall determine from time to time.

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

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

Based on these criteria, there is one organization that is considered to be a component unit of the School. Swan River Charter School Building Company is a Minnesota nonprofit corporation holding Internal Revenue Service classification as a 501(c)(3) tax-exempt organization which owns the real estate and building that is leased by the School for its operations. The Building Company is governed by a separate board appointed by the board of the School.

Although it is legally separate from the School, the Building Company is reported as if it were part of the School (as a blended component unit) because its sole purpose is to acquire, improve, construct, and own the site that is leased to the School. The building is leased to the Swan River Montessori Charter School under the terms of a long-term agreement. All long-term debt related to the purchase and improvement of the building and property and all capital assets related to the school site that are presented in this financial report are the responsibility of and are under the ownership of the Swan River Charter School Building Company.

Aside from its sponsorship, Osprey Wilds Environmental Learning Center has no authority, control, power, or administrative responsibilities over Swan River Montessori Charter School. Therefore, the School is not considered a component unit of Osprey Wilds Environmental Learning Center.

SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial Reporting Entity (Continued)

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

C. Basic Financial Statement Presentation

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

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

Separate Fund financial statements are provided for the governmental funds.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The 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 when all eligibility requirements imposed by the provider have been met.

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

SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

1. Revenue Recognition

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

2. Recording of Expenditures

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

Unearned revenues are those in which resources are received by the School before it has a legal claim to them, including unearned revenues for the meal fees and daycare program fees that were paid for the subsequent school year.

Description of Funds

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

Major Governmental Funds

General Fund

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

Food Service Special Revenue Fund

The Food Service Fund accounts for all the activity related to the food service activity. The revenue sources for this fund are derived primarily from federal and state meal reimbursements in addition to revenue from meal sales.

SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Community Service Special Revenue Fund

The Community Service fund is used to account for the services provided for the after-school tutoring program as well as the fee-based preschool program for children ages three to five. The main revenue source is derived from student fees.

Building Company Special Revenue Fund

This Special Revenue fund is used to account for the proceeds and uses of resources borrowed for the purpose of purchasing and improving the school site, the receipt of lease payments from the School, as well as the debt service payments required under the terms of the related long-term capital loans. The main revenue source consists of lease payments received from the School.

E. Income Taxes

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

F. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

G. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with U.S. GAAP. Each June, the School Board adopts an annual budget for the following fiscal year for the General Fund, and the Food Service and Community Service Special Revenue Funds. A budget is not adopted for the Building Company Fund. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

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

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

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgeting (Continued)

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

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

	Original Budget	Amendments	Amended Budget
<u>Revenues</u>			
General Fund	\$ 2,356,560	\$ 95,674	\$ 2,452,234
Special Revenue Funds:			
Food Service Fund	137,134	1,371	138,505
Community Service Fund	132,825	(7,200)	125,625
<u>Expenditures:</u>			
General Fund	\$ 2,294,940	\$ 143,415	\$ 2,438,355
Special Revenue Funds:			
Food Service Fund	152,898	5,702	158,600
Community Service Fund	122,120	(15,920)	106,200

H. Cash

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

I. Accounts Receivable

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

J. Prepaid Items

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

SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The School maintains a threshold of \$1,500 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the School-wide financial statement but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the School, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 years for land improvements and buildings, and 5 to 15 years for equipment. Capital assets not being depreciated include land.

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

L. Long-Term Obligations

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

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

M. Leases

The School determines if an arrangement is a lease at inception. Leases are included in lease assets and lease liabilities in the statements of net position.

Lease assets represent the School's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the School's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the net present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Pensions

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

TRA has a special funding situation created by direct aid contributions made by the state of Minnesota, city of Minneapolis, and Minneapolis School District. 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 (DTRFA) in 2015. Additional information can be found in Note 5.

O. Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. Assigned funds are funds that are neither restricted nor committed. Unassigned fund balances are considered the remaining amounts in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the default spending priority per GASB Statement No. 54 is to use restricted, committed, assigned, and then unassigned fund balance on applicable expenditures. The school follows this Statement and utilizes restricted fund balance prior to utilizing unassigned fund balance when the expenditures qualify for the restricted use of the fund balance.

P. Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; workers' compensation, and natural disasters. The School purchases commercial insurance coverage for such risks.

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

**SWAN RIVER MONTESSORI CHARTER SCHOOL
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Net Position

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

R. Comparative Data

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2024, from which summarized information was derived. Prior year numbers may have been adjusted to be more comparable with the current year presentation.

NOTE 2 CASH

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

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

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

Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

The bank balance of the School's deposits in banks on June 30, 2025 is \$576,264 and was entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes. The School also had \$75 in petty cash balances. The bank balance of the Building Company's deposits in banks on June 30, 2025 is \$46,571 and was entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

SWAN RIVER MONTESSORI CHARTER SCHOOL
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Building Company				
Land	\$ 135,523	\$ -	\$ -	\$ 135,523
Capital Assets, Being Depreciated				
Charter School				
Building and Leasehold Improvements	3,140,754	-	-	3,140,754
Furniture and Equipment	334,863	-	-	334,863
Total Capital Assets, Being Depreciated	3,475,617	-	-	3,475,617
Accumulated Depreciation for:				
Building and Leasehold Improvements	(2,291,223)	(156,185)	-	(2,447,408)
Furniture and Equipment	(309,536)	(19,131)	-	(328,667)
Total Accumulated Depreciation	(2,600,759)	(175,316)	-	(2,776,075)
Total Capital Assets, Being Depreciated, Net	874,858	(175,316)	-	699,542
Governmental Assets				
Capital Assets, Net	<u>\$1,010,381</u>	<u>\$ (175,316)</u>	<u>\$ -</u>	<u>\$ 835,065</u>

**SWAN RIVER MONTESSORI CHARTER SCHOOL
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 3 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities

Administration	\$ 1,027
Regular Instruction	157,751
Pupil Support Services	215
Sites and Buildings	11,840
Community Service	<u>4,483</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 175,316</u>

NOTE 4 LONG-TERM LIABILITIES

Changes in long-term liabilities are as follows:

	June 30, 2024	Additions	Retirements	June 30, 2025	Due Within One Year
Educational Facilities Revenue Note Series 2017A	\$ 741,643	\$ -	\$ 41,013	\$ 700,630	\$ 41,979
Educational Facilities Revenue Note Series 2017B	908,459	-	50,188	858,271	51,424
Compensated Absences Payable	<u>21,354</u>	<u>68,954</u>	<u>65,412</u>	<u>24,896</u>	<u>24,896</u>
Total	<u>\$ 1,671,456</u>	<u>\$ 68,954</u>	<u>\$ 156,613</u>	<u>\$ 1,583,797</u>	<u>\$ 118,299</u>

Sherburne State Bank Series 2017A – On October 2, 2017, the Swan River Charter School Building Company obtained a \$1,000,000 capital improvement loan to finance the remodeling and equipping of the school facility. The proceeds from this loan were used to refund a Construction loan payable and provide additional capital for improvements to the building. The loan carried an interest rate of 3.75% through April 30, 2025, at which point the rate was adjusted to 5.25%. A subsequent interest rate adjustment is scheduled to occur on October 20, 2031. The loan matures on September 20, 2037.

Sherburne State Bank Series 2017B – On October 2, 2017, the Swan River Charter School Building Company obtained a \$1,225,000 capital improvement loan to finance the remodeling and equipping of the school facility. The proceeds from this loan were used to refund a Mortgage loan payable and provide additional capital for building improvements. The loan carried an interest rate of 3.75% through April 30, 2025, at which point the rate was adjusted to 5.25%. A subsequent interest rate adjustment is scheduled to occur on October 20, 2031. The loan matures on September 20, 2037. The loan is secured by the property.

As part of the loan agreement with Sherburne State Bank, the School guaranteed the loan and pledged certain revenues to secure the loan payments. Per the loan agreement pledged revenues consist of revenue received by the School from the state of Minnesota for general student funding, state building lease aid payments, state distributions of federal Title I funds, or any other funding sources, after deduction of operating expenditures of the School. Should the Building Company be unable to make the required lease payments the School would be required to make the payments from available funds as described above.

**SWAN RIVER MONTESSORI CHARTER SCHOOL
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

The total pledged revenue reported by the School for the year ended June 30, 2025 amounted to \$1,516,235, of which \$198,380 (or 13.1%) was remitted by the General Fund during the current year as lease payments to the Building Company.

Following are maturities of long-term debt for the Swan River Charter School Building Company for each of the next five years and thereafter ending June 30:

Year Ending June 30,	Educational Facilities Revenue		Educational Facilities Revenue		Total	
	Note Series 2017A		Note Series 2017B		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 41,979	\$ 35,870	\$ 51,424	\$ 43,940	\$ 93,403	\$ 79,810
2027	44,237	33,612	54,190	41,175	98,427	74,787
2028	46,616	31,233	57,104	38,260	103,720	69,493
2029	49,123	28,726	60,175	35,189	109,298	63,915
2030	51,765	26,084	63,412	31,953	115,177	58,037
2031-2035	303,701	85,541	372,034	104,788	675,735	190,329
2036-2039	163,209	1,288	199,932	12,604	363,141	13,892
Total	<u>\$ 700,630</u>	<u>\$ 242,354</u>	<u>\$ 858,271</u>	<u>\$ 307,909</u>	<u>\$ 1,558,901</u>	<u>\$ 550,263</u>

NOTE 5 DEFINED BENEFIT PENSION PLANS

A. Plan Description

The School participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and Teachers Retirement Fund (TRA). PERA's and TRA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353, 353D, 335E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements PERA's and TRA's defined benefit pension plans are tax-qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Fund (GERF)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

2. Teachers Retirement Fund (TRA)

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

SWAN RIVER MONTESSORI CHARTER SCHOOL
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

2. Teachers Retirement Fund (TRA)

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage within one year of eligible employment or elect coverage through the Defined Contribution Plan (DCR) administered by Minnesota State. A teacher employed by Minnesota State and electing DCR plan is not a member of TRA except for purposes of social security coverage.

B. Benefits Provided

1. GERF Benefits

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. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by 0.25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2024 annual increase was 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. 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.

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statute and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of formula service credit at termination of service. TRA members belong to either the Basic or Coordinated Plan.

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

Tier I Benefits

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

With these provisions:

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

or

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated members and 2.7% per year for Basic members applies. An early retirement reduction is applied to members retiring prior to age 65. Members who reach age 62 with 30 years of service have a lower (more favorable to the member) reduction rate applied.

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits

Tier II Benefits

Members first employed after June 30, 1989, receive only the Tier II benefit calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66. After July 1, 2024, the age will change to not to exceed 65. An early retirement reduction is applied to members retiring before age 66, but will be age 65 after July 1, 2024. Members who reach age 62 with 30 years of service have a lower (more favorable to the member) early retirement reduction rate applied.

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

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

C. Contributions

1. GERF Contributions

Minnesota Statutes Chapter 353, 353E, 353G, and 356 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 and the School was required to contribute 7.50% for General Plan members. The School's contributions to the General Employees Fund for the year ended June 30, 2025, were \$36,877. The School's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

Per *Minnesota Statutes*, Chapter 354 rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The School's contributions to TRA for the plan's fiscal year ended June 30, 2025 were \$71,069. The School's contributions were equal to the required contributions for each year as set by state statute.

SWAN RIVER MONTESSORI CHARTER SCHOOL
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs

1. GERF Pension Costs

At June 30, 2025, the School reported a liability of \$188,543 for its proportionate share of the General Employee's Fund net pension liability. The School's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the School totaled \$4,752, for a total net pension liability of \$193,295 associated with the School.

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The School's proportion was 0.0051% at the end of the measurement period and 0.0054% for the beginning of the period.

For the year ended June 30, 2025, the School recognized pension expense of a (\$46,699) for its proportionate share of the General Employees Plan's pension expense. In addition, the School recognized \$132 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The School recognized \$8,675 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

**SWAN RIVER MONTESSORI CHARTER SCHOOL
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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERS Pension Costs (Continued)

At June 30, 2025, the School reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 17,728	\$ -
Changes in Actuarial Assumptions	921	71,361
Net Difference Between Projected and Actual Earnings on Plan Investments	-	54,751
Changes in Proportion and Differences Between School Contributions and Proportionate Share of Contributions	13,901	19,245
School Contributions Subsequent to the Measurement Date	<u>36,877</u>	<u>-</u>
Total	<u>\$ 69,427</u>	<u>\$ 145,357</u>

A total of \$36,877 reported as deferred outflows of resources related to pensions resulting from School contributions to General Employees Fund subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to General Employees Fund pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense</u>
2025	\$ (53,681)
2026	(18,181)
2027	(26,495)
2028	(14,450)
2029	-
Thereafter	-

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs

At June 30, 2025, the School reported a liability of \$781,581 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The School's proportion of the net pension liability was based on the School's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. The School's proportionate share was 0.0123% at the end of the measurement period and 0.0139% for the beginning of the period.

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

Description	Amount
School's Proportionate Share of the TRA Net Pension Liability	\$ 781,581
State's Proportionate Share of the Net Pension Liability Associated with the School	54,612
	<u>\$ 836,193</u>

For the year ended June 30, 2025, the School recognized pension expense of \$34,333. The School also recognized \$4,377 as a decrease to pension expense and grant revenue for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The School recognized \$21,648 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Fund.

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

At June 30, 2025 the School reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 37,263	\$ 10,127
Changes in Actuarial Assumptions	78,823	93,208
Net Difference Between Projected and		
Actual Earnings on Plan Investments	-	110,622
Changes in Proportion and Differences		
Between School Contributions and		
Proportionate Share of Contributions	72,455	103,377
School Contributions Subsequent to the		
Measurement Date	<u>71,069</u>	<u>-</u>
Total	<u>\$ 259,610</u>	<u>\$ 317,334</u>

A total of \$71,069 reported as deferred outflows of resources related to pensions resulting from School contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense</u>
2025	\$ (49,942)
2026	68,017
2027	(63,606)
2028	(51,290)
2029	(31,972)
Thereafter	-

SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Long-Term Expected Return on Investments

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	33.5%	5.10%
Private Markets	25.0	5.90
Fixed Income	25.0	0.75
International Equity	16.5	5.30
Totals	<u>100.0%</u>	

The long-term expected rate of return on TRA 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 allocations 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
Domestic Equity	33.5%	5.10%
Private Markets	25.0	5.90
Fixed Income	25.0	0.75
International Equity	16.5	5.30
Totals	<u>100.0%</u>	

E. Actuarial Assumptions

The total pension liability in the June 30, 2024, 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 7.0% for PERA and 7.0% for TRA. 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 7.0% for PERA and 7.0% for TRA is within that range.

SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

TRA pre-retirement mortality rates were based on PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale. Healthy Retirees mortality rates were based on PubT-2010 (A) Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale. Beneficiaries mortality rates were based on Pub-2010 (A) Contingent Survivor Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.. Disabled Retirees mortality rates were based on PubNS-2010 Disabled Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.

Inflation is assumed to be 2.5% for TRA. Benefit increases after retirement are assumed to be 1.0% for January 2019 through January 2023 then increasing by 0.10% each year up to 1.5% annually.

Salary growth assumptions for TRA range in annual increments from 2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028.

The following changes for PERA occurred in 2024:

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions for TRA occurred in 2024:

Changes in actuarial assumptions since the 2022 valuation:

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

F. Discount Rate

The discount rate used to measure the PERA General Employees Plan total pension liability in 2024 was 7.00%. The discount rate used to measure the PERA General Employees Plan liability at the prior measurement date was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the TRA pension liability was 7.00%. 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 contribution will be made at the fiscal year 2024 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. 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.

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Pension Liability Sensitivity

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

Description	1% Decrease	Current Discount Rate	1% Increase
General Employees Plan Discount Rates	6.00%	7.00%	8.00%
School's Proportionate Share of the General Employees Plan Net Pension Liability	\$ 411,809	\$ 188,543	\$ 4,887
TRA Discount Rate	6.00%	7.00%	8.00%
School's Proportionate Share of the TRA Net Pension Liability	\$ 1,376,411	\$ 781,581	\$ 292,023

H. Pension Plan Fiduciary Net Position

Detailed information about the General Employees Fund 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.

Detailed information about TRA's fiduciary net position is available in a separately issued TRA financial report. That report can be obtained at www.minnesotatra.org, by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota, 55103-4000; or by calling (651) 296-2409 or 1-800-657-3669.

NOTE 6 INTERFUND ACTIVITY

The composition of interfund balances as of June 30, 2025 was as follows:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 25,461
Food Service Fund	25,461	-
Total	<u>\$ 25,461</u>	<u>\$ 25,461</u>

This amount represents the general funds' financing of a cash overdraft in the food service fund.

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 7 COMMITMENTS AND CONTINGENCIES

A. Federal Grants

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

B. Lease Commitments and Terms – Swan River Charter School Building Company – Related Party

On April 7, 2005, the School (lessee) signed a lease for educational space with the Swan River Charter School Building Company (lessor), Monticello, Minnesota, commencing in November 2005. On September 1, 2015, an amended lease agreement was signed effective July 1, 2015. The amended lease expires on August 31, 2035. The lease is considered an intra-entity, as it is between the School and the Building Company, which is presented as a blended component unit of the School. As such it does not qualify as a long-term lease under GASB 87. The annual rent under the new lease is \$198,380, to be paid in monthly installments of \$16,532.

The MDE-approved lease cost for the School for fiscal 2024-25 under the terms of the lease agreements was \$253,380. The School qualified for an estimated \$218,095 in state charter school lease aid for fiscal 2025 based on a statutory cap of \$1,314 per pupil unit. This entitlement is subject to proration by the Minnesota Department of Education to the extent the overall funding that has been provided is insufficient to meet all amounts owed to Minnesota charter schools.

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

Total future minimum lease payments on these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ 198,380
2027	198,380
2028	198,380
2029	198,380
2030	198,380
2031-2035	991,900
2036	33,064
Total Minimum Lease Payments	<u>\$ 2,016,864</u>

Total building lease expense for fiscal year 2025 for all of the School's leases was \$198,380.

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)

C. Shared Facility Use Agreement – City of Monticello

On June 22, 2005, the School entered into a 20-year agreement with the city of Monticello, Minnesota (the City) for the shared use of City's community center. The City and the School agreed to a termination agreement that terminated specific portions of the 2005 agreement on October 2, 2017. The termination agreement authorizes the School and the City to enter into a separate agreement on the use of the community center. On May 29, 2024, the School agreed to pay the City \$56,650 for the use of the community center, payable in quarterly installments of \$14,163, for period July 1, 2024 through June 30, 2025.

REQUIRED SUPPLEMENTARY INFORMATION

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
TRA SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST TEN MEASUREMENT PERIODS**

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

	Measurement Date June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
School's Proportion of the Net Pension Liability	0.0123%	0.0139%	0.0130%	0.0131%	0.0129%	0.0128%	0.0120%	0.0134%	0.0122%	0.0120%
School's Proportionate Share of the Net Pension Liability	\$ 781,581	\$ 1,148,658	\$ 1,040,971	\$ 573,295	\$ 953,069	\$ 815,875	\$ 754,666	\$ 2,674,883	\$ 2,909,991	\$ 742,319
State's Proportionate Share of the Net Pension Liability Associated with School	<u>54,612</u>	<u>80,462</u>	<u>77,268</u>	<u>48,335</u>	<u>79,978</u>	<u>72,203</u>	<u>70,665</u>	<u>258,654</u>	<u>291,553</u>	<u>91,242</u>
Total	<u>\$ 836,193</u>	<u>1,229,120</u>	<u>1,118,239</u>	<u>\$ 621,630</u>	<u>\$ 1,033,047</u>	<u>\$ 888,078</u>	<u>\$ 825,331</u>	<u>\$ 2,933,537</u>	<u>\$ 3,201,544</u>	<u>\$ 833,561</u>
School's Covered Payroll	\$ 790,514	\$ 897,766	\$ 826,823	\$ 772,804	\$ 793,413	\$ 756,480	\$ 680,080	\$ 712,400	\$ 655,760	\$ 614,680
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	98.87%	125.90%	125.90%	74.18%	120.12%	107.85%	110.97%	375.47%	443.76%	120.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.07%	76.42%	76.17%	86.63%	75.48%	78.21%	78.07%	51.57%	44.88%	76.77%

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
TRA SCHEDULE OF SCHOOL CONTRIBUTIONS
LAST TEN FISCAL YEARS**

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

	Fiscal Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily Required Contribution	\$ 71,069	\$ 69,170	\$ 76,759	\$ 68,957	\$ 62,829	\$ 59,506	\$ 56,736	\$ 51,006	\$ 53,430	\$ 49,182
Contributions in Relation to the Statutorily Required Contribution	<u>(71,069)</u>	<u>(69,170)</u>	<u>(76,759)</u>	<u>(68,957)</u>	<u>(62,829)</u>	<u>(59,506)</u>	<u>(56,736)</u>	<u>(51,006)</u>	<u>(53,430)</u>	<u>(49,182)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School's Covered Payroll	\$812,217	\$790,514	\$897,766	\$826,823	\$772,804	\$793,413	\$756,480	\$680,080	\$712,400	\$655,760
Contributions as a Percentage of Covered Payroll	8.75%	8.75%	8.55%	8.34%	8.13%	7.50%	7.50%	7.50%	7.50%	7.50%

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
GERF SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST TEN MEASUREMENT PERIODS**

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

	Measurement Date June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
School's Proportion of the Net Pension Liability	0.0051%	0.0054%	0.0057%	0.0047%	0.0059%	0.0059%	0.0065%	0.0067%	0.0063%	0.0066%
School's Proportionate Share of the Net Pension Liability	\$ 188,543	\$ 301,962	\$ 451,442	\$ 200,711	\$ 353,732	\$ 326,198	\$ 360,593	\$ 427,724	\$ 511,529	\$ 342,046
State's Proportionate Share of the Net Pension Liability for State of Minnesota Special Funding Situation Associated with School	4,752	8,101	13,084	6,201	10,940	10,166	11,981	5,412	6,699	-
Total	<u>\$ 193,295</u>	<u>\$ 310,063</u>	<u>\$ 464,526</u>	<u>\$ 206,912</u>	<u>\$ 364,672</u>	<u>\$ 336,364</u>	<u>\$ 372,574</u>	<u>\$ 433,136</u>	<u>\$ 518,228</u>	<u>\$ 342,046</u>
School's Covered Payroll	\$428,853	\$430,475	\$424,347	\$343,120	\$419,293	\$419,493	\$438,627	\$429,253	\$389,760	\$387,146
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	43.96%	70.15%	106.39%	58.50%	84.36%	77.76%	82.21%	99.64%	131.24%	88.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.08%	83.10%	76.67%	87.00%	79.10%	80.20%	79.50%	75.90%	68.90%	78.20%

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
GERF SCHEDULE OF SCHOOL CONTRIBUTIONS
LAST TEN FISCAL YEARS**

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

	Fiscal Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily Required Contribution	\$ 36,877	\$ 32,164	\$ 32,286	\$ 31,826	\$ 25,734	\$ 31,447	\$ 31,462	\$ 32,897	\$ 32,194	\$ 29,232
Contributions in Relation to the Statutorily Required Contribution	<u>(36,877)</u>	<u>(32,164)</u>	<u>(32,286)</u>	<u>(31,826)</u>	<u>(25,734)</u>	<u>(31,447)</u>	<u>(31,462)</u>	<u>(32,897)</u>	<u>(32,194)</u>	<u>(29,232)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$491,693	\$428,853	\$430,475	\$424,347	\$343,120	\$419,293	\$419,493	\$438,627	\$429,253	\$389,760
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%

SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

TRA Retirement Fund

2024 Changes

Changes in actuarial assumptions since the 2022 valuation:

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

2023 Changes

Changes in Actuarial Assumptions

- The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025.

2022 Changes

Changes in Actuarial Assumptions

- None.

2021 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.5% to 7.0%.

2020 Changes

Changes in Actuarial Assumptions

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the 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 Changes

Changes in Actuarial Assumptions

- None.

2018 Changes

Changes in Actuarial Assumptions

- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

TRA Retirement Fund (Continued)

2018 Changes (Continued)

- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due to payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023) . In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes

Changes in Actuarial Assumptions

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

2016 Changes

Changes in Actuarial Assumptions

- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

TRA Retirement Fund (Continued)

2016 Changes (Continued)

- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the 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.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes

Changes in Actuarial Assumptions

- The DTRFA was merged into TRA on June 30, 2015.
- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

General Employees Fund

2024 Changes

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

General Employees Fund (Continued)

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average .025% 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.

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

General Employees Fund (Continued)

2020 Changes (Continued)

- The base mortality table for healthy annuitants and employees has changed from RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed for 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 and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changes prospectively, requiring \$16 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

General Employees Fund (Continued)

2018 Changes (Continued)

- 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 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

- The 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.
- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

**SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOL NO. 4137
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

General Employees Fund (Continued)

2015 Changes (Continued)

Changes in Plan Provisions

- 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; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

SUPPLEMENTARY INFORMATION

SWAN RIVER MONTESSORI CHARTER SCHOOL
CHARTER SCHOOOL NO. 4137
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2025

	AUDIT	UFARS	DIFFERENCE
01 General Fund			
Total Revenue	\$ 2,527,330	\$ 2,527,331	\$ (1)
Total Expenditures	2,418,883	2,418,884	(1)
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
403 Staff Development	-	-	-
405 Deferred Maintenance	-	-	-
406 Health and Safety	-	-	-
407 Capital Project Levy	-	-	-
408 Cooperative Programs	-	-	-
412 Literacy Incentive Aid	-	-	-
414 Operating Debt	-	-	-
416 Levy reduction	-	-	-
417 Taconite Building Maintenance	-	-	-
424 Operating Capital	-	-	-
426 \$25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning and Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alternative Programs	-	-	-
436 State-Approved Alternative Programs	-	-	-
438 Gifted and Talented	-	-	-
440 Teacher Development and Evaluations	-	-	-
441 Basic Skills Programs	-	-	-
448 Achievement and Integration	-	-	-
449 Safe Schools Crime Levy	5,336	5,336	-
451 QZAB Payments	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-
453 Unfunded Severance & Retirement Levy	-	-	-
456 READ Act - Literacy Aid	2,973	2,973	-
457 READ Act - Tchr Training Compensation	1,075	1,075	-
464 Restricted Fund Balance	-	-	-
472 Medical Assistance	-	-	-
<i>Committed:</i>			
418 Committed for Seperation	-	-	-
461 Committed Fund Balance	-	-	-
<i>Assigned:</i>			
462 Assigned Fund Balance	-	-	-
<i>Unassigned:</i>			
422 Unassigned Fund Balance	772,642	772,641	1
02 Food Service			
Total revenue	104,850	104,850	-
Total Expenditures	133,644	133,645	(1)
<i>Nonspendable:</i>			
460 Nonspenable Fund Balance	-	-	-
<i>Restricted:</i>			
452 OPEB Liability Not Held in Trust	-	-	-
464 Restricted Fund Balance	-	-	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-
04 Community Service			
Total Revenue	139,405	139,405	-
Total Expenditures	103,765	103,765	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
426 \$25 Taconite	-	-	-
431 Community Education	-	-	-
432 E. C. F. E.	-	-	-
440 Teacher Development and Evaluations	-	-	-
444 School Readiness	-	-	-
447 Adult Basic Education	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-
464 Restricted Fund Balance	70,951	70,951	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-

OTHER REQUIRED REPORTS

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

Members of the Board of Education
Swan River Montessori Charter School
Charter School No. 4137
Monticello, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Swan River Montessori Charter School, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Swan River Montessori Charter School's basic financial statements, and have issued our report thereon dated October 10, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Swan River Montessori 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 Swan River Montessori Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Swan River Montessori Charter School's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Esterbrooks Certified Public Accountants, Ltd.

Esterbrooks Certified Public Accountants Ltd.

Duluth, Minnesota
October 10, 2025

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the Board of Education
Swan River Montessori Charter School
Charter School No. 4137
Monticello, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Swan River Montessori Charter School, as of and for the year ended June 30, 2025, and the related notes to the financial statements, and have issued our report thereon dated October 10, 2025.

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

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

Esterbrooks Certified Public Accountants, Ltd.

Esterbrooks Certified Public Accountants Ltd.

Duluth, Minnesota
October 10, 2025