DULUTH PUBLIC SCHOOLS ACADEMY
CHARTER SCHOOL NO. 4020

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

For The Year Ended June 30, 2022

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DULUTH PUBLIC SCHOOLS ACADEMY
CHARTER SCHOOL NO. 4020
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INTRODUCTORY SECTION

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BOARD OF DIRECTORS

Elective	Board Position
Kristin Grill	President
Amanda Bruggman	Vice-President
Drew Steile	Secretary
Gerard "Dave" Spoelhof	Treasurer
Andrew Richey	Immediate Past President
Sheila Kruger	Board Member
Ryan Goldberg	Board Member
Kim Oppelt	Board Member
Kelli Griffith Dyess	Board Member
Nargiza Dill	Board Member

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Duluth Public Schools Academy
Charter School No. 4020
Duluth, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of Duluth Public Schools Academy, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Duluth Public Schools Academy's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Duluth Public Schools Academy, as of June 30, 2022, and the respective changes in financial position 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Duluth Public Schools Academy 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 Duluth Public Schools Academy'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 *Governmental 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 Duluth Public Schools Academy'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 Duluth Public Schools Academy'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 the management's discussion and analysis, the budgetary comparison schedules, and the schedules of OPEB and pension information, as listed in the table of contents, 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Duluth Public Schools Academy's basic financial statements. The Uniform Financial Accounting and Reporting Standards Compliance Table is presented as supplemental information as required by the Minnesota Department of Education and is not part of the basic financial statements. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not 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 auditing standards generally accepted in the United States of America. In our opinion, the Uniform Financial Accounting and Reporting

Standards Compliance Table and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2022 on our consideration of Duluth Public Schools Academy’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Duluth Public Schools Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Duluth Public Schools Academy’s internal control over financial reporting and compliance.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

November 14, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The following report presents our discussion and analysis of Duluth Public Schools Academy's (the School) financial performance during the year ended June 30, 2022. The School's report consists of financial statements, notes to those statements and other information. The financial statements provide information about the activities of the School, presenting both an aggregate and long-term view of those finances.

The financial reports for the School provide detailed information about the School as a whole, not just the operating fund. This information shows how money flows into and out of funds and the balances left at the year end. The fund financial statements are reported using an accounting method called modified accrual accounting, which focuses on current financial resources. These reports provide a detailed short-term view of the operations of the School.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2021-2022 fiscal year include the following:

- Current assets decreased by $302,863 and current liabilities increased by $213,015. The change in assets is primarily due to the net effect of decreases in cash position of the General Fund and TCDBC and increases in accounts receivable for health care reimbursements. The change in liabilities is primarily due to an increase in claims payable in health care.

- Total revenue decreased by $565,621 (2.9%) between fiscal year 2021 and fiscal year 2022 primarily due to a reduction in State funding driven by lower enrollment. Expenses decreased by $2,842,645 (13.5%), which is attributed primarily to reduction in Special Education programming, staffing changes, operational expense due to lower enrollment, and a reduction in ADSIS programming.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the MD&A (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the School.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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 and liabilities. 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. The Statement of Net Position presents information on all of the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The Statement of Activities presents information showing how the School's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The school-wide financial statements outline functions of the School that are principally supported by intergovernmental revenues. The governmental activities of the School include instruction, support services, operation and maintenance of the plant, and operation of non-instructional services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with state statutes and to control and manage money for particular purposes.

Governmental funds – The School's basic services are included in governmental funds. Governmental fund financial statements focus on near-term inflows of cash and other financial assets that can readily be converted to cash, as well as the balances at year end that are available for spending. Consequently, the government 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net position may serve over time as a useful indicator of a district's financial position. In the case of the School, liabilities and deferred inflows exceed assets and deferred outflows by ($12,415,669) as of June 30, 2022.

Duluth Public Schools Academy
Charter School No. 4020
Statement of Net Position

	June 30, 2022	June 30, 2021
Assets and deferred outflows:		
Current assets	$7,935,406	$8,238,269
Capital assets, net	15,121,545	14,938,005
Deferred outflows of resources	5,764,062	6,589,662
Total assets and deferred outflows	28,821,013	29,765,936
Liabilities and deferred inflows:		
Current liabilities	2,522,482	2,309,447
Long-term liabilities	25,712,970	31,064,598
Deferred inflows of resources	13,001,230	9,813,782
Total liabilities and deferred inflows	41,236,682	43,187,827
Net position:		
Net investment in capital assets	(1,402,390)	(1,888,030)
Restricted for medical assistance	189,722	188,033
Restricted for food service	138,795	99,983
Restricted for community service	39,182	38,408
Restricted for capital and debt service	434,809	414,043
Unrestricted	(11,815,787)	(12,274,328)
Total net position	($12,415,669)	($13,421,891)

The School participates in cost-sharing multiple-employer defined benefit pension plans administered by the Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA). Governmental accounting standards require that the School's share of each plan's net pension liability be recorded on the Statement of Net Position. The portion attributable to the School is based on its contributions to each plan in comparison to contributions made by all plan participants.

The School's net pension liability, combined with pension related deferred outflows and inflows of resources, negatively impacted unrestricted net position by $14,766,577 and $15,872,966 as of June 30, 2022 and 2021, respectively.

The School continues to make its required contributions to each plan. Additional information can be found in Note 5 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Changes in Net Position

The School's total revenues were $19,240,780 for the year ended June 30, 2022. Program revenues accounted for 53.6% of total revenue for the year.

The total cost of all programs and services was $18,234,558. Total revenues exceeded expenses by $1,006,222.

Duluth Public Schools Academy
Charter School No. 4020
Changes in Net Position

	For The Years Ended June 30,	
	2022	2021
Revenues:		
Program revenues:		
Charges for services	$132,877	$86,321
Operating grants and contributions	10,185,187	10,105,586
General revenues:		
Local sources	262,274	29,097
State sources	8,659,736	9,584,947
Investment income	706	450
Total revenues	19,240,780	19,806,401
Expenses:		
District support services	1,962,280	2,397,593
Regular instruction	4,626,840	5,475,623
Special education	5,903,574	7,464,323
Community education and services	13,622	8,775
Instructional support services	169,508	1,117,488
Pupil support services	2,799,855	2,571,254
Site, building and equipment	1,685,078	949,508
Fiscal and other fixed costs	156,795	161,107
Interest and fiscal charges on long-term debt	917,006	931,532
Total expenses	18,234,558	21,077,203
Change in net position	1,006,222	(1,270,802)
Net position - beginning, as previously reported	(13,421,891)	(12,218,173)
Prior period adjustment	-	67,084
Net position - beginning, as restated	(13,421,891)	(12,151,089)
Net position - ending	($12,415,669)	($13,421,891)

FINANCIAL ANALYSIS OF THE SCHOOL'S GOVERNMENTAL FUNDS

The financial performance of the School as a whole is reflected in its governmental funds as well. Financial information from the fund statements is as follows:

	2022				
	General	Food Service	Community Service	Tischer Creek	Total
Assets	$5,895,754	$175,574	$39,182	$1,850,017	$7,960,527
Liabilities	1,986,990	36,779	-	26,246	2,050,015
Fund balance	$3,908,764	$138,795	$39,182	$1,823,771	$5,910,512

	2021				
	General	Food Service	Community Service	Tischer Creek	Total
Assets	$5,607,134	$178,999	$45,821	$2,413,699	$8,245,653
Liabilities	1,644,231	79,016	7,413	99,665	1,830,325
Fund balance	$3,962,903	$99,983	$38,408	$2,314,034	$6,415,328

	2022				
	General	Food Service	Community Service	Tischer Creek	Total
Revenues	$18,479,284	$746,579	$15,174	$1,494,580	$20,735,617
Expenditures	18,586,333	707,767	14,400	1,976,557	21,285,057
Other financing sources (uses)	52,910	-	-	(8,286)	44,624
Change in fund balance	($54,139)	$38,812	$774	($490,263)	($504,816)

	2021				
	General	Food Service	Community Service	Tischer Creek	Total
Revenue	$19,135,420	$573,218	$8,000	$1,688,179	$21,404,817
Expenditures	18,827,499	611,985	8,579	1,439,969	20,888,032
Other financing sources (uses)	10,139	-	-	(10,139)	-
Change in fund balance	$318,060	($38,767)	($579)	$238,071	$516,785

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

REVENUE ANALYSIS

General Fund - decrease in revenues of $656,136, or 3.4%, was due to reduced state funding sources from declining enrollment offset by increases in local revenues (fees and taxes and external grants) and in federal revenues from COVID funding.

Food Service Fund - increase in revenues of $173,361, or 30.2%, was due to higher Federal reimbursement rates as the Food delivery program changed due to the Pandemic and a Federal Supply Assistance Grant.

Community Service Fund - increase in revenues of $7,174, or 89.7%, was due to a Federal grant for the Summer Preschool Program.

Tischer Creek Fund - decrease in revenues of $193,599, or 11.5%, was primarily due to lower rent income, driven by the School's reduced enrollment.

EXPENDITURE ANALYSIS

General Fund - decrease in expenditures of $241,166, or 1.3%, was due to reduction in expense in the instructional support services and savings in operations due to distance learning at the start of the year.

Food Service Fund - increase in expenditures of $95,782, or 15.7%, was due to additional expense to meet the State directed provision of meal delivery in the School during COVID and to family's outside of the school day.

Community Service Fund - increase in expenditures of $5,821, or 67.9%, was due to the Summer Preschool Program.

Tischer Creek Fund - increase in expenditures of $536,588, or 37.3%, was due to completing a large greenspace project at North Star Academy.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund adopted an original revenue budget of $18,748,939 which was revised to a final revenue budget of $18,576,726.

The General Fund adopted an original expenditure budget of $18,728,350, which was revised to a final expenditure budget of $18,570,849.

While the School's final budget for the General Fund anticipated that revenues would exceed expenditures by $5,877, the actual results for the year showed expenditures exceeded revenues by $107,049.

- Actual revenues were $97,442 less than anticipated, due to reduced enrollment and Special Education revenue reduction.

- Actual expenditures were $15,484 more than anticipated, due to staffing changes, health care, and operational expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Most capital assets are owned by the Building Company and are related to the acquisition, construction and renovation of School facilities. Balances are as follows:

	2022	2021	Increase (Decrease)
Land	$2,773,948	$2,773,948	$ -
Construction in progress	5,596	72,008	(66,412)
Buildings	16,546,064	15,896,325	649,739
Furniture and fixtures	217,137	217,137	-
Equipment	130,479	56,379	74,100
Total capital assets	19,673,224	19,015,797	657,427
Accumulated depreciation	(4,551,679)	(4,077,792)	(473,887)
Net capital assets	$15,121,545	$14,938,005	$183,540

Additional information can be found in Note 4 to the financial statements.

Long-Term Debt

During the 2011 fiscal year, the Building Company issued debt totaling $18.4M to acquire facilities. The outstanding $16.7M of this debt was refunded in fiscal year 2019 by the issuance of $19.1M of new debt. The remaining proceeds were used for land acquisition and site improvements. $18.2M remains outstanding as of June 30, 2022.

Additional information can be found in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The School's administration considered many factors when setting the FY 2022-2023 budget. The largest factors affecting the budget are the pupil count, staffing, special education funding and health care costs. The original adopted budget in June was developed with reduced enrollment according to lessons learned from Pandemic losses in FY20. Enrollment in October was significantly less than budgeted and so the School will be providing a revised budget to the Board at the December meeting. Expense is reduced through staffing changes and trimmed non-programmatic expense to account for the reduced revenue. In the revised budget, the School expects to meet its Bond metric obligations for FY22. The school did receive a onetime payment for "declining enrollment". The school continues to work closely with our health insurance provider and agent to restructure the plan and education / staff support to increase consumerism, which has driven down expense, utilization is expected to be lower than last year as it was an outlier and given a younger and slightly smaller pool of enrollees.

Operating budget revenues include both enrollment/student based funding, lease aid and COVID grants. These revenues are received exclusively from State and Federal sources. As a result, the School is heavily dependent on the State's and Federal government's ability and desire to fund local school operations. Based on current enrollment data at the start of the 2022-2023 school year and October 1 updated enrollment, we see negative impacts on general revenue, operating, basic skills and referendum sources compared to 2021-2022. While some expense will follow the reduction in enrollment, the school has reduced staffing levels (proactively and through attrition) and has benefitted from turnover of highly paid positions as well as reduced non-programmatic expense to meet the lower enrollment and has increased oversight and controls on spending, as well as developed a plan to adjust the budget to account for the transition away from pandemic related funding sources.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. Any questions concerning this report or requests for additional information can be directed to the Director of Business Services, 629 W Central Entrance, Suite #102, Duluth, Minnesota 55811.

BASIC FINANCIAL STATEMENTS

DULUTH PUBLIC SCHOOLS ACADEMY
CHARTER SCHOOL NO. 4020 **Statement 1**
STATEMENT OF NET POSITION
June 30, 2022

Assets:	
Cash	$2,958,615
Cash and investments held by trustee	1,775,364
Accounts receivable net of allowance for uncollectible	1,162,804
Due from other governments	1,977,762
Prepaid items	60,861
Capital assets - nondepreciable	2,779,544
Capital assets - net of accumulated depreciation	12,342,001
Total assets	23,056,951
Deferred outflows of resources:	
Related to pensions	5,072,593
Related to OPEB	20,692
Related to debt refunding	670,777
Total deferred outflows of resources	5,764,062
Total assets and deferred outflows of resources	$28,821,013
Liabilities:	
Accounts payable	$206,891
Salaries and taxes payable	1,037,054
Claims payable	581,527
Due to EdisonLearning, Inc.	187,000
Unearned revenue	12,422
Accrued interest payable	146,498
Special assessments payable to the City of Duluth:	
Due in more than one year	37,568
Compensated absences:	
Due in less than one year	6,090
Due in more than one year	54,809
Bonds payable:	
Due in less than one year	345,000
Due in more than one year	18,043,769
Other postemployment benefits:	
Due in more than one year	531,359
Net pension liability:	
Due in more than one year	7,045,465
Total liabilities	28,235,452
Deferred inflows of resources:	
Related to pensions	12,793,705
Related to OPEB	207,525
Total deferred inflows of resources	13,001,230
Net position:	
Net investment in capital assets	(1,402,390)
Restricted for medical assistance	189,722
Restricted for food service	138,795
Restricted for community service	39,182
Restricted for capital and debt service	434,809
Unrestricted	(11,815,787)
Total net position	(12,415,669)
Total liabilities, deferred inflows of resources and net position	$28,821,013

The accompanying notes are an integral part of these financial statements.

DULUTH PUBLIC SCHOOLS ACADEMY
CHARTER SCHOOL NO. 4020 **Statement 2**
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:				
District support services	$1,962,280	$ -	$219,186	($1,743,094)
Regular instruction	4,626,840	34,484	970,912	(3,621,444)
Special education	5,903,574	89,771	6,373,608	559,805
Community education and services	13,622	-	774	(12,848)
Instructional support services	169,508	-	47,348	(122,160)
Pupil support services	2,799,855	8,622	940,282	(1,850,951)
Site, building and equipment	1,685,078	-	1,633,077	(52,001)
Fiscal and other fixed costs	156,795	-	-	(156,795)
Interest and fiscal charges on long-term debt	917,006	-	-	(917,006)
Total governmental activities	$18,234,558	$132,877	$10,185,187	(7,916,494)
General revenues:				
Local sources				262,274
State sources				8,659,736
Investment income				706
Total general revenues				8,922,716
Change in net position				1,006,222
Net position - beginning				(13,421,891)
Net position - ending				($12,415,669)

The accompanying notes are an integral part of these financial statements.

DULUTH PUBLIC SCHOOLS ACADEMY
CHARTER SCHOOL NO. 4020 **Statement 3**
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	Food Service	Community Service	Tischer Creek	Totals
Assets:					
Cash	$2,729,041	$116,227	$39,105	$74,242	$2,958,615
Cash and investments held by trustee	-	-	-	1,775,364	1,775,364
Accounts receivable	1,127,469	35,335	-	-	1,162,804
Due from Minnesota Department of Education	1,657,404	446	77	-	1,657,927
Due from Federal Government through Minnesota Department of Education	275,612	23,566	-	-	299,178
Due from Federal Government directly	2,052	-	-	-	2,052
Due from other governments	18,605	-	-	-	18,605
Due from other funds	25,121	-	-	-	25,121
Prepaid items	60,450	-	-	411	60,861
Total assets	$5,895,754	$175,574	$39,182	$1,850,017	$7,960,527
Liabilities:					
Accounts payable	$177,885	$27,881	$ -	$1,125	$206,891
Salaries and taxes payable	1,036,842	212	-	-	1,037,054
Claims payable	581,527	-	-	-	581,527
Due to EdisonLearning, Inc.	187,000	-	-	-	187,000
Due to other funds	-	-	-	25,121	25,121
Unearned revenue	3,736	8,686	-	-	12,422
Total liabilities	1,986,990	36,779	0	26,246	2,050,015
Fund balance:					
Nonspendable - prepaid items	60,450	-	-	411	60,861
Restricted for medical assistance	189,722	-	-	-	189,722
Restricted for food service	-	138,795	-	-	138,795
Restricted for community service	-	-	39,182	-	39,182
Restricted for capital and debt service	-	-	-	1,775,364	1,775,364
Assigned	-	-	-	47,996	47,996
Unassigned	3,658,592	-	-	-	3,658,592
Total fund balance	3,908,764	138,795	39,182	1,823,771	5,910,512
Total liabilities and fund balance	$5,895,754	$175,574	$39,182	$1,850,017	$7,960,527

Amounts reported for governmental activities in the statement of net position are different because:	
Fund balance reported above	$5,910,512
Capital assets and deferred outflows of resources used in governmental activities are not current financial resources and therefore are not reported in the funds:	
Capital assets	15,121,545
Deferred outflows of resources	5,764,062
Long-term liabilities and deferred inflows of resources are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable, including unamortized bond premium	(18,388,769)
Accrued interest payable	(146,498)
Special assessments payable to the City of Duluth	(37,568)
Net pension liability	(7,045,465)
Compensated absences	(60,899)
Other postemployment benefits	(531,359)
Deferred inflows of resources	(13,001,230)
Net position of governmental activities (Statement 1)	($12,415,669)

The accompanying notes are an integral part of these financial statements.

DULUTH PUBLIC SCHOOLS ACADEMY
CHARTER SCHOOL NO. 4020 — **Statement 4**
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2022

	General Fund	Food Service	Community Service	Tischer Creek	Totals
Revenues:					
Local sources	$386,529	$8,622	$ -	$1,494,257	$1,889,408
State sources	16,166,173	25,346	774	-	16,192,293
Federal sources	1,926,199	712,611	14,400	-	2,653,210
Investment income	383	-	-	323	706
Total revenues	18,479,284	746,579	15,174	1,494,580	20,735,617
Expenditures:					
Current:					
District support services	2,048,241	-	-	-	2,048,241
Regular instruction	4,985,176	-	-	-	4,985,176
Special education	6,380,978	-	-	-	6,380,978
Community education and services	-	-	14,400	-	14,400
Instructional support services	181,707	-	-	-	181,707
Pupil support services	2,151,630	702,649	-	-	2,854,279
Site, building and equipment	2,578,013	-	-	124,476	2,702,489
Fiscal and other fixed costs	156,795	-	-	-	156,795
Capital outlay	103,793	5,118	-	622,355	731,266
Debt service:					
Principal	-	-	-	337,056	337,056
Interest	-	-	-	892,670	892,670
Total expenditures	18,586,333	707,767	14,400	1,976,557	21,285,057
Revenues over (under) expenditures	(107,049)	38,812	774	(481,977)	(549,440)
Other financing sources (uses):					
Transfers in	52,910	-	-	-	52,910
Transfers out	-	-	-	(52,910)	(52,910)
Issuance of debt for sidewalk repairs	-	-	-	44,624	44,624
Total other financing sources (uses)	52,910	0	0	(8,286)	44,624
Net change in fund balance	(54,139)	38,812	774	(490,263)	(504,816)
Fund balance - beginning	3,962,903	99,983	38,408	2,314,034	6,415,328
Fund balance - ending	$3,908,764	$138,795	$39,182	$1,823,771	$5,910,512

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

Net change in fund balance reported above	($504,816)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay expenditures - capitalized	657,427
Depreciation	(473,887)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds:	
Repayment of principal	330,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Amortization of bond and call premiums	(27,900)
Change in accrued interest	3,564
Change in special assessments payable to the City of Duluth	(37,568)
Change in compensated absences	3,542
Change in other post employment benefits payable and related deferred outflows/inflows of resources	(50,529)
Governmental funds report pension contributions as expenditures, however, pension expense is reported in the statement of activities	1,106,389
Change in net position of governmental activities (Statement 2)	$1,006,222

The accompanying notes are an integral part of these financial statements.

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Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Duluth Public Schools Academy (the School), a Minnesota nonprofit corporation, was formed and operates pursuant to Minnesota Statutes, Chapter 317A.

The basic financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the School are described below.

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

A. FINANCIAL REPORTING ENTITY

As required by state statute, the School operates as a nonprofit corporation under Minnesota Statutes §317A. 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 accounting structure.

The financial statements of the reporting entity include those of the School (the primary government) and its component units. Generally, component units are legally separate organizations for which the primary government is financially accountable.

There is one organization that is considered to be a component unit of the School. Tischer Creek Duluth Building Company (the Building Company) is an affiliated nonprofit building corporation which is classified as a 501(c)(3) tax exempt organization. The Building Company is governed by a separate board. 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 and own educational sites which are leased to the School. No separate financial statements of the Building Company are issued.

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

B. SCHOOL-WIDE FINANCIAL STATEMENTS

The school-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School. Amounts 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. *Governmental activities* generally are financed through intergovernmental revenues, and other non-exchange transactions. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. All amounts reported in the school-wide financial statements are classified as governmental activities.

As a general rule the effect of interfund activity has been eliminated from the school-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services, are similarly treated when they involve other funds of the School. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include charges for goods and services, as well as operating and capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not included among program revenues are reported instead as *general revenues*.

C. FUND FINANCIAL STATEMENTS

Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized when it becomes both measurable and available. *Measurable* means the amount of the transaction can be determined and *available* means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota Statutes and GAAP. Minnesota Statutes include state aid formulas for specific fiscal years. Federal revenue and other non-exchange transactions are recognized when all eligibility requirements imposed by the provider have been met and the resources are available. Food service sales and other miscellaneous revenue are recorded as revenue when received because they are generally not measurable until then. A 60 day availability period is used for other fund revenue.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, as applicable, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The emphasis of fund financial statements is on major funds, each displayed in a separate column. The School reports the following major funds:

The *General Fund* is the general operating fund of the School. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

The *Food Service Fund* is used to account for food service revenues and expenditures.

The *Community Service Fund* is used to account for the kid’s club program and early childhood screening programs.

The *Tischer Creek Fund* is used to account for the activities of the Building Company, a blended component unit.

D. INCOME TAXES

The School and the Building Company are classified as tax-exempt organizations under section 501(c)(3) of the Internal Revenue Code and comparable sections of the Minnesota income tax statutes.

A tax expense or benefit from an uncertain income tax position (including tax-exempt status) may be recognized only when it is more likely than not that the position will be sustained upon examination by taxing authorities. Management believes the School and the Building Company have no uncertain income tax positions that would result in an accrual, expense or benefit under the more likely than not standard.

E. BUDGETS

The School's Board adopts an annual budget for the General Fund, the Food Service Special Revenue Fund and the Community Service Special Revenue Fund. Budgets are prepared on the same basis of accounting as the financial statements. Legal budgetary control is at the fund level. Budgeted amounts are as originally adopted or as amended by the Board. Budgeted expenditure appropriations lapse at year end. Encumbrance accounting is not used.

Expenditures that exceeded budgeted appropriations for the year ended June 30, 2022 are as follows:

	Budget	Actual	Overage
General Fund	$18,570,849	$18,586,333	$15,484

F. STUDENT ACTIVITIES

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, school boards must control all extracurricular activities of the teachers and students. Therefore, any extracurricular student activity accounts are included in the School's General Fund. During the year ended June 30, 2022, there were no revenue or expenditures recognized relating to student activities.

G. CASH AND INVESTMENTS

Cash balances of the General Fund and Food Service and Community Service Special Revenue 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. Investments are stated at fair value as of the balance sheet date.

H. CASH AND INVESTMENTS HELD BY TRUSTEE

These cash and investments are held by an escrow agent and restricted for purposes contained in the 2018 bond documents.

I. RECEIVABLES

Receivables represent amounts receivable from other governments, 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 prepaid items in both school-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures at the time of consumption.

K. CAPITAL ASSETS

Capital assets, which include property, plant, and equipment are reported in the school-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than $5,000, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The 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 depreciated using the straight-line method over their estimated useful lives. Buildings are depreciated over 10-39 years. Furniture, fixtures and equipment are depreciated over 5-15 years.

L. COMPENSATED ABSENCES

It is the School's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and accumulated sick leave benefits that are vested as severance pay are accrued when incurred in the school-wide financial statements.

A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In accordance with the provisions of Statement of Government Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

M. DEFINED BENEFIT PENSION PLANS

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA) and additions to/deductions from TRA's and PERA's fiduciary net position have been determined on the same basis as they are reported by TRA and PERA. Plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with 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, the City of Minneapolis, and the Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association in

2015. PERA also has a special funding situation created by direct aid contributions from the State of Minnesota.

N. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The School has three items that qualify for reporting in this category. They are deferred outflows of resources related to pensions, other post-employment benefits (OPEB) and debt refunding, and are reported in the school-wide statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The School has two items that qualify for reporting in this category. They are deferred inflows of resources related to pensions and other post-employment benefits (OPEB) and are reported in the school-wide statement of net position.

O. UNEARNED REVENUE

Unearned revenue represents amounts received under federal, state or private grant programs but not expended in the current year. Such amounts are unearned until subsequent periods when the funds are expended.

P. LONG-TERM OBLIGATIONS

In the school-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, if material, are amortized over the life of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Q. FUND BALANCE CLASSIFICATIONS

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

Nonspendable - consists of amounts that are not in spendable form, such as prepaid items.

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

Committed - consists of internally imposed constraints. These constraints are established by Resolution of the School Board.

Assigned - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the School's intended use. These constraints are established by the School Board and/or management. Pursuant to Board Resolution, the School's Director is authorized to establish assignments of fund balance.

Unassigned - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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

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

R. MINIMUM FUND BALANCE POLICY

The School's board has formally adopted a fund balance policy for the General Fund. The policy establishes a minimum fund balance for the General Fund equal to 20% of the annual budgeted expenditures.

At June 30, 2022, the targeted minimum unassigned fund balance for the General Fund was $3,714,170. Actual unassigned fund balance in the General Fund was $3,658,592.

S. NET POSITION

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

T. USE OF ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

U. FAIR VALUE OF FINANCIAL INSTRUMENTS

The School defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. To determine fair value, the School uses a fair value hierarchy categorized into three levels based on the inputs used. Generally, the three levels are as follows:

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Significant other observable inputs.
- Level 3 – Significant unobservable inputs.

The School does not have any significant fair value measurements as of June 30, 2022.

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with Minnesota Statutes, the School maintains deposits at financial institutions which are authorized by the School's Board.

Custodial Credit Risk – For deposits, custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. Minnesota Statutes require that all deposits be protected by insurance, surety bond or collateral. Minnesota Statute 118A.03 identifies allowable forms of collateral.

The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Securities pledged as collateral must 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 depository.

The School does not have a deposit policy that is more restrictive than Minnesota Statutes. At June 30, 2022, the bank balance of the School's deposits, excluding amounts held by the Building Company, was $3,195,970, all of which was covered by insurance or collateral.

B. INVESTMENTS

The School may also invest idle funds as authorized by Minnesota Statute 118A.04. Such investments are subject to the following risks:

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The School's investment policy does not place further limits on its investment choices.

Custodial Credit Risk – For investments in securities, custodial credit risk is the risk that in the event of failure of the counterparty to a transaction, the School will not be able to recover the value of its investment securities that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form, and therefore are not subject to custodial credit risk disclosures. The School's investment policy does not address custodial credit risk.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt investments could adversely affect the fair value of an investment. The School's investment policy does not address interest rate risk.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may be attributed to the magnitude of an entity's investment in a single issuer. The School places no limit on the amount the School may invest in any one issuer. At June 30, 2022, all of the School's investments are in the First American Government Obligation Fund with U.S. Bank serving as the trustee.

In addition to following Minnesota Statutes pertaining to deposits and investments, the Building Company complies with all investment limitations and requirements imposed by its bondholders.

A recap of cash and investments as presented in the financial statements is as follows:

	Deposits	Investments	Total
Cash	$2,958,615	$ -	$2,958,615
Cash and investments held by trustee	-	1,775,364	1,775,364
Total	$2,958,615	$1,775,364	$4,733,979

The investments are held in a First American Government Obligation Fund which has an S&P rating of AAAm. The fund utilizes the amortized cost method of valuation to transact at a $1.00 share price. Shares may be redeemed without penalty on any business day.

Note 3 INTERFUND ACTIVITY

As of June 30, 2022, the School's due to/from other funds consisted of $25,121 due to the General Fund from the Tischer Creek Fund for the reimbursement of general operating costs. There was also a transfer from the Tischer Creek Fund to the General Fund of $52,910 to help fund certain operating costs.

Note 4 CAPITAL ASSETS

Most capital asset activity relates to the Building Company. Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$2,773,948	$ -	$ -	$2,773,948
Construction in progress	72,008	542,612	(609,024)	5,596
Total capital assets, not being depreciated	2,845,956	542,612	(609,024)	2,779,544
Capital assets, being depreciated:				
Buildings	15,896,325	649,739	-	16,546,064
Furniture and fixtures	217,137	-	-	217,137
Equipment	56,379	74,100	-	130,479
Total capital assets, being depreciated	16,169,841	723,839	0	16,893,680
Less accumulated depreciation for:				
Buildings	3,851,394	467,069	-	4,318,463
Furniture and fixtures	191,120	2,808	-	193,928
Equipment	35,278	4,010	-	39,288
Total accumulated depreciation	4,077,792	473,887	0	4,551,679
Total capital assets being depreciated - net	12,092,049	249,952	-	12,342,001
Governmental activities capital assets - net	$14,938,005	$792,564	($609,024)	$15,121,545

Depreciation expense was charged to functions/programs as follows:

Site, building and equipment	$469,877
Pupil support services	4,010
Total depreciation expense - governmental activities	$473,887

Note 5 DEFINED BENEFIT PENSION PLANS

The School participates in cost-sharing multiple-employer defined benefit pension plans administered on a statewide basis by the Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA). The defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code. Disclosures relating to these plans are as follows:

A. PLAN DESCRIPTIONS

TRA administers a Coordinated Plan in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials. Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members.

PERA administers the General Employees Retirement Fund (GERF) in accordance with Minnesota Statutes, Chapters 353 and 356, and is governed by an eleven member Board of Trustees. All full-time and certain part-time employees of the School, other than educators, are covered by the GERF.

B. BENEFITS PROVIDED

TRA

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

Tier 1 Benefits – for members with service years up to July 1, 2006, a step rate formula of 1.2% per year for the first ten years of service and 1.7% per year thereafter is applied. For members with service years beginning July 1, 2006, a step rate formula of 1.4% per year for the first ten years of service and 1.9% per year thereafter is applied.

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

Members first employed before July 1, 1989 receive the greater of the Tier I or Tier II benefits as described. 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.

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.

PERA
PERA provides retirement, disability, and death benefits. Benefit provisions are established by Minnesota Statutes 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.

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

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

C. CONTRIBUTIONS

Employee and employer contribution rates are established by Minnesota Statutes. Contribution rates can only be modified by the state legislature. The School's contributions to TRA and PERA were equal to the required contributions as set by Minnesota Statutes.

TRA
Employees were required to contribute 7.5% of their annual covered salary in fiscal year 2022 and the School was required to contribute 8.34%. The School's contributions to the plan for the year ended June 30, 2022 were $595,518.

PERA
Employees were required to contribute 6.5% of their annual covered salary in fiscal year 2022 and the School was required to contribute 7.5%. The School's contributions to the plan for the year ended June 30, 2022 were $212,778.

D. NET PENSION LIABILITY AND PENSION EXPENSE

The net pension liability reported as of June 30, 2022 was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the measurement date. The school's proportionate share of the net pension liability was based on contributions to each respective plan during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total contributions to the plan, which included direct aid from the State of Minnesota, the City of Minneapolis and the Minneapolis School District. The School has no pension-related assets.

The School's net pension liability, its proportionate share of the plan's net pension liability, and pension expense as of and for the year ended June 30, 2022 are as follows:

	TRA	PERA	Total
Net pension liability	$5,264,688	$1,780,777	$7,045,465
Proportionate share of net pension liability:			
Measurement date	0.1203%	0.0417%	
Prior measurement date	0.1296%	0.0433%	
Pension expense	($211,568)	($87,105)	($298,673)

The pension expense related to TRA includes recognition of $4,970 as a decrease to pension expense (and grant revenue) for the support provided by direct aid. The pension expense related to PERA includes recognition of $4,390 as an increase to pension expense (and grant revenue) for the support provided by direct aid.

The net pension liability related to TRA reflected a reduction due to direct aid in the amount of $37,840,073 provided to TRA. The amount recognized by the School as its proportionate share of the net pension liability, the State's proportionate share of the net pension liability, and the total portion of the net pension liability that was associated with the School were $5,264,688, $443,861 and $5,708,549, respectively.

The net pension liability related to PERA reflected a reduction due to direct aid in the amount of $16,000,000 provided to PERA. The amount recognized by the School as its proportionate share of the net pension liability, the State's proportionate share of the net pension liability, and the total portion of the net pension liability that was associated with the School were $1,780,777, $54,415, and $1,835,192 respectively.

E. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience:		
TRA	$142,591	$142,828
PERA	10,731	54,496
Difference between projected and actual investment earnings:		
TRA	-	4,402,364
PERA	-	1,540,007
Changes in actuarial assumptions:		
TRA	1,929,310	4,406,411
PERA	1,087,305	39,152
Changes in proportion:		
TRA	1,094,360	1,996,000
PERA	-	212,447
Contributions paid subsequent to the measurement date:		
TRA	595,518	-
PERA	212,778	-
Total	$5,072,593	$12,793,705

Amounts reported as deferred outflows of resources resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense during the following years:

	Pension Expense		
Year	TRA	PERA	Total
2023	($2,865,818)	($226,092)	($3,091,910)
2024	(3,023,399)	(65,315)	(3,088,714)
2025	(1,218,458)	(36,013)	(1,254,471)
2026	(942,284)	(420,646)	(1,362,930)
2027	268,617	-	268,617
Thereafter	-	-	-

F. ACTUARIAL ASSUMPTIONS

TRA
The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Information	
Valuation date	July 1, 2021
Experience studies:	
	June 28, 2019 (demographic assumptions)
	November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.10% each year up to 1.5% annually.
Mortality assumptions:	
Pre-retirement	RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale.
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2022 is six years. The *Difference between Expected and Actual Economic Experience*, *Changes in Actuarial Assumptions*, and *Changes in Proportion* use the amortization period of six years in the schedule presented. The amortization period for *Net Difference between Projected and Actual Investment Earnings* is five years as required by GASB 68.

The following changes in actuarial assumptions occurred since the 2020 valuation:

- The investment return assumption was changed from 7.50% to 7.00%.

PERA
The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.25% per year
Investment rate of return	6.50%

The long-term investment rate of return 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 investment return rates deemed to be reasonable by the actuary. An investment return of 6.50% was deemed to be within that range of reasonableness for financial reporting purposes.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.00% after 29 years of service and 6.00% per year thereafter.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA's experience. Cost of living benefit increases after retirement are assumed to be 1.25% per year for the General Employees Plan.

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 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

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

TRA and PERA
The State Board of Investment, which manages the investments of TRA and 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.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.5%	5.10%
International equity	17.5%	5.30%
Private markets	25%	5.90%
Fixed income	20%	0.75%
Cash equivalents	2%	0.00%
Total	100%	

PERA
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%
International equity	16.5%	5.30%
Private markets	25%	0.75%
Fixed income	25%	5.90%
Total	100%	

G. DISCOUNT RATE

TRA
The discount rate used to measure the total pension liability was 7.00%. The discount rate used to measure the total pension liability at the prior measurement date was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2021 contribution rate, contributions from schools will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

PERA
The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on that assumption, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. PENSION LIABILITY SENSITIVITY

The following presents the School's proportionate share of the net pension liability calculated using the discount rate for each plan, as well as the liability measured using one percent lower (6.00% for TRA and 5.50% for PERA) and one percent higher (8.00% for TRA and 7.50% for PERA) than the current discount rate:

	1% Decrease	Current	1% Increase
TRA	$10,634,925	$5,264,688	$860,665
PERA	$3,631,876	$1,780,777	$261,837

I. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report that includes financial statements and required supplementary information. That report can be obtained at www.minnesotatra.org.

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

Note 6 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. PLAN DESCRIPTION

In addition to providing the pension benefits described in Note 5, the School provides post-employment health care benefits, as defined in paragraph B, through its group health insurance plan (the plan). The plan is a single-employer defined benefit OPEB plan administered by the School. The authority to provide these benefits is established in Minnesota Statutes Sections 471.61 Subd. 2a and 299A.465. The benefits, benefit levels, employee contributions and employer contributions are governed by the School and can be amended by the School through its personnel manual and collective bargaining agreements with employee groups. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

B. BENEFITS PROVIDED

At retirement, employees of the School receiving a retirement or disability benefit, or eligible to receive a benefit, from a Minnesota public pension plan may continue to participate in the School's group insurance plan through COBRA. Vesting requirements of three years if hired before July 1, 2010 or five years if hired on or after July 1, 2010 for employees participating in the PERA retirement plan, and of three years for employees participating in the TRA retirement plan, generally apply.

All health care coverage is provided through the School's group health insurance plans. The retiree is required to pay 100% of their premium cost for the School-sponsored group health insurance plan in which they participate. The premium is a blended rate determined on the entire active and retiree population. Since the projected claims costs for retirees exceed the blended premium paid by retirees, the retirees are receiving an implicit rate subsidy (benefit). The coverage levels are the same as those afforded to active employees. Upon a retiree reaching age 65, Medicare becomes the primary insurer and the School's plan becomes secondary.

C. PARTICIPANTS

As of the June 30, 2020 actuarial valuation, participants of the plan consisted of:

Active employees electing coverage	163
Retirees electing coverage	-
Total participants	163

D. TOTAL OPEB LIABILITY AND CHANGES IN TOTAL OPEB LIABILITY

The School has elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of the prior fiscal year-end but applied to the current fiscal year. The valuation date, measurement date, measurement period and reporting dates are:

Valuation date (census)	June 30, 2020
Measurement date (assets and liabilities)	June 30, 2021
Measurement period	July 1, 2020 to June 30, 2021
Reporting date (fiscal year-end)	June 30, 2022

The School's total OPEB liability was $531,359 as of the measurement date and was determined by an actuarial valuation as of the valuation date. Changes in the total OPEB liability since the previous measurement date were:

Balance - beginning of year	$438,089
Changes for the year:	
Service cost	62,447
Interest	12,263
Changes of benefit terms	-
Differences between expected and actual experience	(3,456)
Changes in assumptions	22,016
Benefit payments	-
Net changes	93,270
Balance - end of year	$531,359

Changes in assumptions reflect a change in the discount rate from 2.45% as of June 30, 2020 to 1.92% as of June 30, 2021.

E. ACTUARIAL ASSUMPTIONS AND OTHER INPUTS

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	2.25%
Discount rate	1.92%
Investment rate of return	1.92%
Healthcare cost trend rates	6.7% for 2021; gradually decreasing over several decades to an ultimate rate of 3.8% in 2076 and later years.

Since the plan is funded on a pay-as-you-go basis, both the discount rate and the investment rate of return was based on the Fidelity 20-Year Municipal GO AA Index as of the measurement date.

Mortality rates for teachers were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments. Mortality rates for non-teachers were based on the Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2019, and other adjustments.

100% of current retirees are assumed to continue coverage in their current plan until Medicare eligible (age 65) and then discontinue coverage. 50% of future retirees are assumed to elect coverage at retirement, continue coverage until Medicare eligible (age 65) and then discontinue coverage.

For retirees, actual disability status was used. 100% of current and future retirees under age 65 are assumed to become Medicare eligible at the later of age 65 or retirement. Actual Medicare status was used for retired members.

F. SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the total OPEB liability of the School, as well as what the School's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (0.92%) or 1% higher (2.92%) than the current discount rate:

	1% Decrease (0.92%)	Discount Rate (1.92%)	1% Increase (2.92%)
Total OPEB liability	$573,906	$531,359	$490,205

G. SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATES

The following presents the total OPEB liability of the School, as well as what the School's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.7% decreasing to 2.8%) or 1% higher (7.7% decreasing to 4.8%) than the current healthcare cost trend rates:

	1% Decrease (5.7% decreasing to 2.8%)	Healthcare Cost Trend Rates (6.7% decreasing to 3.8%)	1% Increase (7.7% decreasing to 4.8%)
Total OPEB liability	$450,371	$531,359	$630,412

H. OPEB EXPENSE AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended June 30, 2022, the School recognized $50,529 of OPEB expense.

At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	($112,759)
Change of assumptions	20,692	(94,766)
	$20,692	($207,525)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	OPEB Expense
2023	($24,181)
2024	(24,181)
2025	(24,181)
2026	(24,181)
2027	(24,181)
Thereafter	(65,928)
	($186,833)

Note 7 LONG-TERM LIABILITIES

On October 31, 2018, the Building Company obtained a $19,115,000 loan from lease revenue bond proceeds sold by the HRA of Duluth, Minnesota. $16,320,000 of proceeds were used to refund the outstanding principal due on the Lease Revenue Bonds, Series 2010A. The remaining proceeds were used for land acquisition and site improvements upon land adjacent to the North Star Campus.

The bond proceeds were placed in an escrow account controlled by U.S. Bank under the terms of a trust agreement between the HRA of Duluth, Minnesota and U.S. Bank for the benefit of the Building Company. The resulting loan is payable in semi-annual installments of principal and interest through November 1, 2048. The loan is secured by a mortgage agreement covering the related land, school building, and building contents as well as the assignment of all lease revenue. The loan is also guaranteed by Duluth Public Schools Academy and has certain restrictive debt covenants, including a minimum debt service coverage of 110% before corrective action is needed, and 100% for default.

A summary of long-term liabilities as of June 30, 2022 is as follows:

	Balance June 30, 2022
Building Company	
$18,655,000 Lease Revenue Refunding Bonds Series 2018A; interest rates from 3.125% to 5.00%; final maturity date November 1, 2048.	$18,160,000
Unamortized bond premium	228,769
$44,624 special assessments payable to the City of Duluth for sidewalk repairs due in semi-annual installments through February 2, 2036 with an interest rate of 3.625%	37,568
Total	$18,426,337

Changes in long-term liabilities are as follows:

	June 30, 2021	Additions	Deductions	June 30, 2022	Due in One Year
Bonds payable	$18,490,000	$ -	($330,000)	$18,160,000	$345,000
Unamortized bond premium	237,457	-	(8,688)	228,769	-
Special assessments payable	-	44,624	(7,056)	37,568	-
Compensated absences payable	64,441	84,162	(87,704)	60,899	6,090
Total	$18,791,898	$128,786	($433,448)	$18,487,236	$351,090

Deferred Outflows of Resources – Debt Refunding
When the 2010A bonds were refunded, an unamortized bond discount of $478,533 existed. This amount, combined with a call premium of $326,400 paid to refund the bonds, is being amortized as interest expense on the Statement of Activities at a rate of $36,588 per year through November 2040. The unamortized balance is presented as *deferred outflows of resources related to debt refunding* on the Statement of Net Position.

Annual debt service requirements to maturity are as follows:

Fiscal Year	Bonds Payable Principal	Bonds Payable Interest
2023	$345,000	$877,859
2024	355,000	864,728
2025	370,000	849,988
2026	385,000	833,944
2027	405,000	817,156
2028	420,000	799,625
2029	440,000	781,350
2030	460,000	760,500
2031	485,000	736,875
2032	510,000	712,000
2033	535,000	685,875
2034	565,000	658,375
2035	590,000	629,500
2036	620,000	599,250
2037	655,000	567,375
2038	685,000	533,875
2039	720,000	498,750
2040	760,000	461,750
2041	800,000	422,750
2042	840,000	381,750
2043	880,000	338,750
2044	930,000	293,500
2045	975,000	245,875
2046	1,025,000	195,875
2047	1,080,000	143,250
2048	1,135,000	87,875
2049	1,190,000	29,750
Totals	$18,160,000	$14,808,150

It is not practicable to determine the specific year for payment of long-term accrued compensated absences.

Note 8 COMMITMENTS AND CONTINGENCIES

A. LITIGATION

Existing and pending lawsuits, claims, and other actions in which the School is a defendant are either covered by insurance; of an immaterial amount; or, in the judgment of the School's management, remotely recoverable by plaintiffs.

B. 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 funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the School expects such amounts, if any, to be immaterial. The federal financial assistance received may be subject to an audit pursuant to the Uniform Guidance under 2 CFR 200, or audits by the grantor agency.

C. CONTRACTUAL COMMITMENTS AND CONTINGENCIES

The School previously contracted with EdisonLearning, Inc., a Delaware limited partnership, to manage and provide the educational program. The contract was mutually terminated as of June 30, 2016. The June 30, 2022 remaining accrued liability related to EdisonLearning, Inc. is $187,000. This represents amounts for which School management and EdisonLearning Inc. are currently reviewing. Any future adjustments would be recognized when determinable.

D. LEASES BETWEEN SCHOOL AND BUILDING COMPANY

The School leases the facility at Northstar Academy and Raleigh Academy from the Building Company with the current agreement extending through June 30, 2049. The net annual base rent for the term of the lease agreement is tied closely to the debt service requirements of the Building Company (see Note 7). Rent expense under this lease was $1,435,913 for the year ended June 30, 2022. Future annual base rents shall be subject to confirmation by mutual written agreement of the School and Building Company.

The School also leases modular office space at Raleigh Edison Charter School from the Building Company. The agreement term is on a year-to-year basis for twelve month extension terms unless either party gives notice of non-renewal. The current agreement term expires June 30, 2023. Rent expense under the lease was $58,344 for the year ended June 30, 2022. Rent during any extension term shall be 105% of the monthly rent during the immediately prior term.

Because these leases are between the primary government (the School) and a blended component unit (the Tischer Creek Building Company), GASB Statement No. 87 does not apply and a lease liability is not reported in the financial statements.

Future minimum payments under the terms of these leases are as follows:

Year Ending June 30	Amount
2022	$1,494,257
2023	1,435,913
2024	1,435,913
2025	1,435,913
2026	1,435,913
2027-2031	7,179,565
2032-2036	7,179,565
2037-2041	7,179,565
2042-2046	7,179,565
2047-2049	2,871,826
Total	$38,827,996

Note 9 LINE OF CREDIT

The School has a line of credit for short-term cash flow needs with a maximum amount of $1,500,000. The School has another line of credit for health insurance costs related to their self-insured employee health insurance plan with a maximum amount of $800,000. Both lines of credit have a variable interest rate equal to the prime rate plus 1%, with a 4.75% minimum and have maturity dates of January 31, 2023. They are secured by the School's assets, however, North Shore Bank of Commerce has signed a subordination agreement, relinquishing and subordinating the priority and superiority of its lien on the School's assets to U.S. Bank. This is because the School's bond is also secured by the School's assets. The School had zero activity on the lines of credit during the year ended June 30, 2022.

Note 10 RISK MANAGEMENT

The School purchases commercial insurance for property and liability, transferring the risk of loss (other than deductibles) to the insurance carrier. There were no significant reductions in coverage from the previous year and settled claims have not exceeded insurance coverage in any of the prior three years.

The School participates in a risk pool for workers' compensation insurance. The pool in turn contracts with an insurance carrier, thereby transferring the risk from the pool members to the insurance carrier. The workers' compensation policy is retrospectively rated in that the initial premium is adjusted based on the actual experience during the coverage period of the group of entities that participate in the pool.

Effective July 1, 2016, the School began using stop-loss insurance coverage for employee healthcare. The School obtained a line of credit for short-term funding (see Note 9).

The claims liability reported at June 30, 2022 is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* which requires a liability for claims be reported if it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

A summary of claims activity and related receivables and payables at June 30, 2022 and June 30, 2021, is as follows:

	2022	2021
Beginning balance, claims payable	$192,472	$159,546
Payments on prior year claims	(192,472)	(159,546)
Incurred claims, premiums and admin fees	3,062,266	2,013,911
Payments on current year claims	(2,480,739)	(1,821,439)
Claims payable	$581,527	$192,472
Total reimbursable claims	$3,062,266	$2,013,911
Less School's out-of-pocket portion	(1,996,182)	(1,874,267)
Insurance claims liability	1,066,084	139,644
Less insurance paid	(25,730)	(134,270)
Reimbursement receivable (included in accounts receivable)	$1,040,354	$5,374

The School's maximum out-of-pocket claims liability was $1,962,029 and $2,096,074 for the years ended June 30, 2022 and June 30, 2021. Reimbursable claims in excess of this amount are covered 100% by insurance. In addition, the School's insurance carrier is responsible for claims in excess of $110,000 per employee.

Note 11 RECENTLY ISSUED ACCOUNTING STANDARDS

The Government Accounting Standards Board recently approved the following statements which were not implemented for these financial statements:

Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96 *Subscription – Based Information Technology Arrangements.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 99 *Omnibus 2022.* The provisions of this Statement contain multiple effective dates, the first being for reporting periods beginning after June 15, 2022.

Statement No. 100 *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The provisions of this Statement are effective for reporting periods beginning after June 15, 2023.

Statement No. 101 *Compensated Absences.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2023.

The effect these standards may have on future financial statements is not determinable at this time.

REQUIRED SUPPLEMENTARY INFORMATION

DULUTH PUBLIC SCHOOLS ACADEMY
CHARTER SCHOOL NO. 4020 **Statement 5**
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended June 30, 2022
With Comparative Actual Amounts For The Year Ended June 30, 2021

	2022				
	Budgeted Amounts		Actual	Variance with Final Budget -	2021 Actual
	Original	Final	Amounts	Over (Under)	Amounts
Revenues:					
Local sources	$284,106	$399,131	$386,529	($12,602)	$102,685
State sources	16,917,174	16,282,362	16,166,173	(116,189)	17,701,173
Federal sources	1,546,659	1,894,233	1,926,199	31,966	1,331,218
Investment income	1,000	1,000	383	(617)	344
Total revenues	18,748,939	18,576,726	18,479,284	(97,442)	19,135,420
Expenditures:					
District support services	1,843,949	2,038,749	2,048,241	9,492	2,176,221
Regular instruction	5,089,779	4,950,311	4,985,176	34,865	4,920,512
Special education	6,941,122	6,433,610	6,380,978	(52,632)	6,612,519
Instructional support services	140,742	214,121	181,707	(32,414)	492,012
Pupil support services	2,021,684	2,114,025	2,151,630	37,605	1,989,763
Site, building and equipment	2,521,574	2,571,733	2,578,013	6,280	2,466,649
Fiscal and other fixed costs	163,000	163,000	156,795	(6,205)	161,107
Capital outlay	6,500	85,300	103,793	18,493	8,716
Total expenditures	18,728,350	18,570,849	18,586,333	15,484	18,827,499
Revenues over (under) expenditures	20,589	5,877	(107,049)	(112,926)	307,921
Other financing sources:					
Transfers in	-	-	52,910	52,910	10,139
Net change in fund balance	$20,589	$5,877	(54,139)	($60,016)	318,060
Fund balance - beginning			3,962,903		3,644,843
Fund balance - ending			$3,908,764		$3,962,903

The accompanying notes are an integral part of these financial statements.

DULUTH PUBLIC SCHOOLS ACADEMY
CHARTER SCHOOL NO. 4020 **Statement 6**
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - FOOD SERVICE FUND
For The Year Ended June 30, 2022
With Comparative Actual Amounts For The Year Ended June 30, 2021

	2022				
	Budgeted Amounts			Variance with Final Budget -	2021 Actual
	Original	Final	Actual Amounts	Over (Under)	Amounts
Revenues:					
Local sources	$11,896	$10,629	$8,622	($2,007)	$3,521
State sources	458	24,593	25,346	753	590
Federal sources	544,402	654,901	712,611	57,710	569,107
Total revenues	556,756	690,123	746,579	56,456	573,218
Expenditures:					
Pupil support services	595,399	734,694	702,649	(32,045)	608,957
Capital outlay	3,028	5,150	5,118	(32)	3,028
Total expenditures	598,427	739,844	707,767	(32,077)	611,985
Revenues over (under) expenditures	($41,671)	($49,721)	38,812	$88,533	(38,767)
Fund balance - beginning			99,983		138,750
Fund balance - ending			$138,795		$99,983

The accompanying notes are an integral part of these financial statements.

DULUTH PUBLIC SCHOOLS ACADEMY
CHARTER SCHOOL NO. 4020 **Statement 7**
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - COMMUNITY SERVICE FUND
For The Year Ended June 30, 2022
With Comparative Actual Amounts For The Year Ended June 30, 2021

	2022				
	Budgeted Amounts		Actual	Variance with Final Budget -	2021 Actual
	Original	Final	Amounts	Over (Under)	Amounts
Revenues:					
State sources	$1,290	$774	$774	$ -	$2,028
Federal sources	-	14,400	14,400	-	5,972
Total revenues	1,290	15,174	15,174	0	8,000
Expenditures:					
Community education and services	-	14,724	14,400	(324)	8,579
	0	14,724	14,400	(324)	8,579
Revenues over expenditures	$1,290	$450	774	$324	(579)
Fund balance - beginning			38,408		38,987
Fund balance - ending			$39,182		$38,408

The accompanying notes are an integral part of these financial statements.

DULUTH PUBLIC SCHOOLS ACADEMY
CHARTER SCHOOL NO. 4020 **Statement 8**
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
For The Last Ten Years

	2022	2021	2020	2019
Total OPEB liability:				
Service cost	$62,447	$79,434	$73,524	$69,658
Interest	12,263	21,023	20,644	17,172
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(3,456)	(137,699)	-	-
Changes in assumptions	22,016	(116,883)	1,305	(2,789)
Benefit payments	-	-	-	-
Net change in total OPEB liability	93,270	(154,125)	95,473	84,041
Total OPEB liability - beginning	438,089	592,214	496,741	412,700
Total OPEB liability - ending	$531,359	$438,089	$592,214	$496,741
Covered-employee payroll	$8,739,693	$8,956,790	$9,516,384	$9,133,822
Total OPEB liability as a percentage of covered-employee payroll	6.1%	4.9%	6.2%	5.4%

The schedule is provided prospectively beginning with the School's fiscal year ended June 30, 2019 and is intended to show a ten year trend. Additional years will be added as they become available.

See accompanying notes to the required supplementary information.

DULUTH PUBLIC SCHOOLS ACADEMY
CHARTER SCHOOL NO. 4020 **Statement 9**
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
For The Last Ten Years

Measurement Date June 30	Fiscal Year Ending June 30	School's Proportion of the Net Pension Liability	School's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the School (b)	Total Proportionate Share of the Net Pension Liability (a+b)	Covered Payroll (c)	School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Teachers Retirement Association								
2014	2015	0.1188%	$5,474,218	$385,233	$5,859,451	$5,387,481	108.8%	81.5%
2015	2016	0.1100%	6,804,588	834,698	7,639,286	5,654,747	135.1%	76.8%
2016	2017	0.1262%	30,101,711	3,022,140	33,123,851	6,565,133	504.5%	44.9%
2017	2018	0.1319%	26,329,633	2,546,075	28,875,708	7,234,653	399.1%	51.6%
2018	2019	0.1398%	8,783,819	824,791	9,608,610	7,810,160	123.0%	78.1%
2019	2020	0.1334%	8,502,944	752,456	9,255,400	7,572,010	122.2%	78.2%
2020	2021	0.1296%	9,575,022	802,638	10,377,660	7,526,301	137.9%	75.5%
2021	2022	0.1203%	5,264,688	443,861	5,708,549	7,199,533	79.3%	86.6%
PERA - General Employees Retirement Fund								
2014	2015	0.0000%	$ -	$ -	$ -	$ -	0.0%	78.8%
2015	2016	0.0000%	-	-	-	-	0.0%	78.2%
2016	2017	0.0000%	-	-	-	-	0.0%	68.9%
2017	2018	0.0464%	2,962,145	37,223	2,999,368	3,207,040	93.5%	75.9%
2018	2019	0.0513%	2,845,914	93,205	2,939,119	3,360,533	87.5%	79.5%
2019	2020	0.0445%	2,460,305	76,497	2,536,802	3,114,360	81.5%	80.2%
2020	2021	0.0433%	2,596,033	79,989	2,676,022	2,995,213	89.3%	79.1%
2021	2022	0.0417%	1,780,777	54,415	1,835,192	2,865,105	64.1%	87.0%

The schedule is provided prospectively beginning with the School's fiscal year ended June 30, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available. The School began making contributions to PERA during the fiscal year ending June 30, 2017 and therefore, did not report a net pension liability related to those contributions until June 30, 2018.

See accompanying notes to the required supplementory information.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
For The Last Ten Years

Fiscal Year Ending June 30	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
Teachers Retirement Association					
June 30, 2015	$424,106	$424,106	$ -	$5,654,747	7.50%
June 30, 2016	492,385	492,385	-	6,565,133	7.50%
June 30, 2017	542,599	542,599	-	7,234,653	7.50%
June 30, 2018	585,762	585,762	-	7,810,160	7.50%
June 30, 2019	583,802	583,802	-	7,572,010	7.71%
June 30, 2020	596,083	596,083	-	7,526,301	7.92%
June 30, 2021	585,322	585,322	-	7,199,533	8.13%
June 30, 2022	595,518	595,518	-	7,140,504	8.34%
PERA - General Employees Retirement Fund					
June 30, 2015	$ -	$ -	$ -	$ -	n/a
June 30, 2016	-	-	-	-	n/a
June 30, 2017	240,528	240,528	-	3,207,040	7.50%
June 30, 2018	252,040	252,040	-	3,360,533	7.50%
June 30, 2019	233,577	233,577	-	3,114,360	7.50%
June 30, 2020	224,641	224,641	-	2,995,213	7.50%
June 30, 2021	214,883	214,883	-	2,865,105	7.50%
June 30, 2022	212,778	212,778	-	2,837,040	7.50%

The schedule above is provided prospectively beginning with the School's fiscal year ended June 30, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available. The School began making contributions to PERA during the fiscal year ending June 30, 2017.

See accompanying notes to the required supplementary information.

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DULUTH PUBLIC SCHOOLS ACADEMY
CHARTER SCHOOL NO. 4020
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
June 30, 2022

Note A BUDGETARY INFORMATION

The General Fund, Food Service Fund and Community Service Fund budgets are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the fund level.

Note B PENSION INFORMATION

TEACHERS RETIREMENT ASSOCIATION

2021 Changes
Changes in actuarial assumptions:

- The investment return assumption was changed from 7.50% to 7.00%.

2020 Changes – None.

2019 Changes – None.

2018 Changes
Changes in actuarial assumptions:

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes
Changes in actuarial assumptions:

- The investment return assumption was changed from 8.00% to 7.50%.
- The price inflation assumption was lowered from 2.75% to 2.50%.
- The payroll growth assumption was lowered from 3.50% to 3.00%.
- The general wage growth assumption was lowered from 3.50% 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.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive loan increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.

2016 Changes
Changes in actuarial assumptions:

- The assumed investment rate of return and discount rate was reduced from 8.00% to 4.66%.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The general wage growth and payroll growth assumptions were reduced from 3.75% to 3.50%.
- Projected salary increases of 3.5% – 12.0% were changed to 3.5% – 9.5%.
- Mortality assumptions changed as a result of using updated mortality tables.

2015 Changes
Changes of benefit terms:

- The Duluth Teacher's Retirement Fund Association was merged into TRA on June 30, 2015.

Changes in actuarial assumptions:

- Post-retirement benefit adjustments are assumed to remain level at 2.0% annually. The previous valuation assumed a 2.5% increase commencing July 1, 2034.
- The discount rate was reduced from 8.25% to 8.00%.

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2021 Changes
Changes in actuarial assumptions:

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

2020 Changes
Changes in actuarial assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- As recommended in the June 30, 2019 experience study, assumed salary increase rates were decreased 0.25% and assumed rates of retirement were changed resulting in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination and disability were also changed.
- The base mortality tables were changed from RP-2014 tables to Pub-2010 tables, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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 changed 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 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

2017 Changes
Changes in actuarial assumptions:
- The Combined Service Annuity (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% 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% per year for all future years to 1% per year through 2044 and 2.5% per year thereafter.

2016 Changes
Changes in actuarial assumptions:
- The assumed post-retirement benefit increase rate was changed from 1% per year through 2035 and 2.5% per year thereafter to 1% per year for all future years.
- The assumed investment rate of return and discount rate was reduced from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. Assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.5% for inflation.

2015 Changes – None.

Additional details can be obtained from the financial reports of TRA and PERA.

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SUPPLEMENTAL INFORMATION

DULUTH PUBLIC SCHOOLS ACADEMY
CHARTER SCHOOL NO. 4020 **Schedule 1**
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
June 30, 2022

	Audit *	UFARS	Variance
01 GENERAL FUND			
Total Revenue *	$18,532,194	$18,532,192	$2
Total Expenditures	18,586,333	18,586,333	-
Non-Spendable:			
4.60 Non Spendable Fund Balance	60,450	60,450	-
Restricted / Reserved:			
4.01 Student Activities	-	-	-
4.02 Scholarships	-	-	-
4.03 Staff Development	-	-	-
4.07 Capital Projects Levy	-	-	-
4.08 Cooperative Revenue	-	-	-
4.13 Project Funded By COP	-	-	-
4.14 Operating Debt	-	-	-
4.16 Levy Reduction	-	-	-
4.17 Taconite Building Maint	-	-	-
4.24 Operating Capital	-	-	-
4.26 $25 Taconite	-	-	-
4.27 Disabled Accessibility	-	-	-
4.28 Learning & Development	-	-	-
4.34 Area Learning Center	-	-	-
4.35 Contracted Alt. Programs	-	-	-
4.36 State Approved Alt. Program	-	-	-
4.38 Gifted & Talented	-	-	-
4.40 Teacher Development and Evaluation	-	-	-
4.41 Basic Skills Programs	-	-	-
4.48 Achievement and Integration	-	-	-
4.49 Safe School Crime - Crime Levy	-	-	-
4.51 QZAB Payments	-	-	-
4.52 OPEB Liab Not In Trust	-	-	-
4.53 Unfunded Sev & Retiremt Levy	-	-	-
4.59 Basic Skills Extended Time	-	-	-
4.67 LTFM	-	-	-
4.72 Medical Assistance	189,722	189,722	-
4.73 PPP Loan	-	-	-
4.74 EIDL Loan	-	-	-
Restricted:			
4.64 Restricted Fund Balance	-	-	-
4.75 Title VII Impact Aid	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-
Committed:			
4.18 Committed for Separation	-	-	-
4.61 Committed Fund Balance	-	-	-
Assigned:			
4.62 Assigned Fund Balance	-	-	-
Unassigned:			
4.22 Unassigned Fund Balance	3,658,592	3,658,587	5
02 FOOD SERVICE			
Total Revenue	$746,579	$746,579	$ -
Total Expenditures	707,767	707,763	4
Non-Spendable:			
4.60 Non Spendable Fund Balance	-	-	-
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	-	-	-
4.74 EIDL Loan	-	-	-
Restricted:			
4.64 Restricted Fund Balance	138,795	138,797	(2)
Unassigned:			
4.63 Unassigned Fund Balance	-	-	-
04 COMMUNITY SERVICE			
Total Revenue	$15,174	$15,174	$ -
Total Expenditures	14,400	14,400	-
Non-Spendable:			
4.60 Non Spendable Fund Balance	-	-	-
Restricted / Reserved:			
4.26 $25 Taconite	-	-	-
4.31 Community Education	-	-	-
4.32 E.C.F.E	-	-	-
4.40 Teacher Development and Evaluation	-	-	-
4.44 School Readiness	-	-	-
4.47 Adult Basic Education	-	-	-
4.52 OPEB Liab Not In Trust	-	-	-
4.73 PPP Loan	-	-	-
4.74 EIDL Loan	-	-	-

	Audit	UFARS	Variance
04 COMMUNITY SERVICE (continued)			
Restricted:			
4.64 Restricted Fund Balance	$39,182	$39,182	$ -
Unassigned:			
4.63 Unassigned Fund Balance	-	-	-
06 BUILDING CONSTRUCTION			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Non-Spendable:			
4.60 Non Spendable Fund Balance	-	-	-
Restricted / Reserved:			
4.07 Capital Projects Levy	-	-	-
4.13 Projects Funded By COP	-	-	-
4.67 LTFM	-	-	-
Restricted:			
4.64 Restricted Fund Balance	-	-	-
Unassigned:			
4.63 Unassigned Fund Balance	-	-	-
07 DEBT SERVICE			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Non-Spendable:			
4.60 Non Spendable Fund Balance	-	-	-
Restricted / Reserved:			
4.25 Bond Refundings	-	-	-
4.33 Maximum Effort Loan Aid	-	-	-
4.51 QZAB Payments	-	-	-
4.67 LFTM	-	-	-
Restricted:			
4.64 Restricted Fund Balance	-	-	-
Unassigned:			
4.63 Unassigned Fund Balance	-	-	-
08 TRUST			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Restricted / Reserved:			
4.01 Student Activities	-	-	-
4.02 Scholarships	-	-	-
4.22 Unassigned Fund Balance (Net Assets)	-	-	-
18 CUSTODIAL			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Restricted / Reserved:			
4.01 Student Activities	-	-	-
4.02 Scholarships	-	-	-
4.48 Achievement and Integration	-	-	-
4.64 Restricted Fund Balance	-	-	-
20 INTERNAL SERVICE			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
4.22 Unassigned Fund Balance (Net Assets)	-	-	-
25 OPEB REVOCABLE TRUST			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
4.22 Unassigned Fund Balance (Net Assets)	-	-	-
45 OPEB IRREVOCABLE TRUST			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
4.22 Unassigned Fund Balance (Net Assets)	-	-	-
47 OPEB DEBT SERVICE FUND			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Non-Spendable:			
4.60 Non Spendable Fund Balance	-	-	-
Restricted:			
4.25 Bond Refundings	-	-	-
4.64 Restricted Fund Balance	-	-	-
Unassigned:			
4.63 Unassigned Fund Balance	-	-	-

** Note: The amount shown above in the Audit column for Total Revenues of the General Fund includes a reclassification of $52,910 from Transfer In (as listed on Statement 4) to Local Sources revenue for UFARS purposes only. This represents an interfund transfer in to the General Fund from the School's Tischer Creek Building Company Fund, which is recorded in the audited financial statements as an interfund transfer (other financing source) per GASB Statement No. 34.*

OTHER REQUIRED REPORTS

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

To the Board of Directors
Duluth Public Schools Academy
Charter School No. 4020
Duluth, 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 Duluth Public Schools Academy, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Duluth Public Schools Academy's basic financial statements, and have issued our report thereon dated November 14, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Duluth Public Schools Academy'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 Duluth Public Schools Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Duluth Public Schools Academy's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Duluth Public Schools Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Duluth Public Schools Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Duluth Public Schools Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

November 14, 2022

MINNESOTA LEGAL COMPLIANCE REPORT

To the Board of Directors
Duluth Public Schools Academy
Charter School No. 4020
Duluth, 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 Duluth Public Schools Academy as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Duluth Public School Academy's basic financial statements, and have issued our report thereon dated November 14, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that Duluth Public Schools Academy failed to comply with the provisions of the uniform financial accounting and reporting standards and charter schools sections of the *Minnesota Legal Compliance Audit Guide for Charter Schools,* promulgated by the State Auditor pursuant to Minnesota Statute § 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 Duluth Public Schools Academy'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.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

November 14, 2022

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Duluth Public Schools Academy
Charter School No. 4020
Duluth, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Duluth Public Schools Academy's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Duluth Public Schools Academy's major federal programs for the year ended June 30, 2022. Duluth Public Schools Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Duluth Public Schools Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Duluth Public Schools Academy and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Duluth Public Schools Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Duluth Public Schools Academy's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Duluth Public Schools Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Duluth Public Schools Academy's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Duluth Public Schools Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Duluth Public Schools Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Duluth Public Schools Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

November 14, 2022

DULUTH PUBLIC SCHOOLS ACADEMY
CHARTER SCHOOL NO. 4020
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education:			
Received directly from federal sources:			
Indian Education Grants to Local Educational Agencies	84.060	None noted	$14,724
Passed through the Minnesota Department of Education:			
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	None noted	190,646
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	None noted	29,283
Student Support and Academic Enrichment Program	84.424	None noted	13,414
Special Education Cluster (IDEA):			
Special Education - Grants to States (IDEA, Part B)	84.027	None noted	278,323
COVID-19 - Special Education - Grants to States (IDEA, Part B) - Individuals with Disabilities Education Act/American Rescue Plan Act of 2021 (ARP)	84.027X	None noted	44,461
Special Education - Preschool Grants (IDEA Preschool)	84.173	None noted	6,750
COVID-19 - Special Education- Preschool Grants (IDEA Preschool) Individuals with Disabilities Education Act/American Rescue Plan Act of 2021 (ARP)	84.173X	None noted	3,587
Total Special Education Cluster			333,121
Education Stabilization Fund:			
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER I and II) Fund	84.425D	None noted	552,929
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	None noted	587,165
Total Education Stabilization Fund			1,140,094
Total U.S. Department of Education			1,721,282
U.S. Department of Treasury:			
Passed through the Minnesota Department of Education:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	None noted	137,446
Passed through St. Louis County, Minnesota:			
COVID-19 - Coronavirus Relief Fund	21.019	None noted	628
Total U.S. Department of Treasury			138,074

DULUTH PUBLIC SCHOOLS ACADEMY
CHARTER SCHOOL NO. 4020
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services (HHS):			
Passed through the Minnesota Department of Education:			
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	None noted	73,304
Total U.S. Department of Health and Human Services (HHS)			73,304
U.S. Department of Agriculture:			
Passed through the Minnesota Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program (NSLP)	10.555	None noted	530,990
School Breakfast Program (SBP)	10.553	None noted	170,544
Summer Food Service Program for Children (SFSP)	10.559	None noted	12,099
Total Child Nutrition Cluster			713,633
Child and Adult Care Food Program (CACFP)	10.558	None noted	10,449
Total U.S. Department of Agriculture			724,082
Total Federal Expenditures			$2,656,742

Notes to the schedule of expenditures of federal awards

Note 1. Significant accounting policies used in preparing the schedule of expenditures of federal awards. The above schedule of federal awards includes the federal grant activity of Duluth Public Schools Academy and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Indirect Costs. Duluth Public Schools Academy has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Subrecipients. Duluth Public Schools Academy did not pass any federal awards through to subrecipients.

Note 4. Non-Cash Assistance. The above schedules includes $47,477 of non-cash assistance. This amount represents the value of commodities received and disbursed for the U.S. Department of Agriculture National School Lunch Program (NSLP), Assistance Listing No. 10.555.

DULUTH PUBLIC SCHOOLS ACADEMY
CHARTER SCHOOL NO. 4020
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

A.	Type of auditors' report issued:	Unmodified			
B.	Internal control over financial reporting:				
	• Material weakness(es) identified?	____	Yes	X	No
	• Significant deficiencies identified that are not considered to be material weaknesses?	____	Yes	X	No
C.	Noncompliance material to financial statements noted?	____	Yes	X	No

Federal Awards

D.	Internal control over major programs:				
	• Material weakness(es) identified?	____	Yes	X	No
	• Significant deficiencies identified that are not considered to be material weaknesses?	____	Yes	X	No
E.	Type of auditors' report issued on compliance for major programs:	Unmodified			
F.	Any other findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	____	Yes	X	No
G.	Identification of major programs:				

Name of Federal Program	Assistance Listing Number
COVID-19 – Education Stabilization Fund	84.425D/84.425U

H.	Dollar threshold used to distinguish between Type A and Type B programs:	$750,000			
I.	Auditee qualified as a low-risk auditee:	_____	Yes	X	No

DULUTH PUBLIC SCHOOLS ACADEMY
CHARTER SCHOOL NO. 4020
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

No current year findings.

SECTION III – FEDERAL AWARD FINDINGS

No current year findings.

SECTION IV – MINNESOTA LEGAL COMPLIANCE FINDINGS

No current year findings.

DULUTH PUBLIC SCHOOLS ACADEMY
CHARTER SCHOOL NO. 4020
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2022

FOLLOW-UP ON PRIOR YEAR FINDINGS

FINANCIAL STATEMENT FINDINGS

2021-001 Financial Statement Corrections

Criteria: An entity's internal controls should allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Condition: During 2021, management was notified that $67,084 of funds belonging to Tischer Creek Duluth Building Company were held in escrow by a title company. The funds were not previously reported in the financial statements. In order to properly record the assets, a prior period adjustment was reported to restate beginning equity balances.

Cause: It is believed that in November 2010 when the Building Company issued bonds, a portion of the amount which was transferred to the title company was recorded as an expense instead of an asset.

Effect: Since June 30, 2011, assets and equity were understated by $67,084.

Recommendation: We recommend any future transactions involving the issuance of debt be carefully reviewed to avoid reporting a misstatement.

Status: The transaction was corrected, and similar transactions are not expected to occur within the foreseeable future. If such transactions do occur, the Company President in collaboration with the Director of Business Services and Senior Accountant will review any journal entries proposed by the Company's accountant to record the transaction.

FEDERAL AWARD FINDINGS

None.

MINNESOTA LEGAL COMPLIANCE FINDINGS

None.