DULUTH PUBLIC SCHOOLS ACADEMY
CHARTER SCHOOL NO. 4020

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

For The Year Ended June 30, 2023

- This page intentionally left blank -

DULUTH PUBLIC SCHOOLS ACADEMY
CHARTER SCHOOL NO. 4020
TABLE OF CONTENTS

- This page intentionally left blank -

INTRODUCTORY SECTION

- This page intentionally left blank -

BOARD OF DIRECTORS

Elective	Board Position
Kristin Grill	President
Amanda Bruggman	Vice-President
Erica Hanson	Secretary
Ryan Jones	Treasurer
Sheila Kruger	Board Member
Michael Molitor, Jr.	Board Member
Kim Oppelt	Board Member
Kelli Griffith Dyess	Board Member
Jena Evans	Board Member

- This page intentionally left blank -

FINANCIAL SECTION

- This page intentionally left blank -

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 accompanying financial statements of the governmental activities and each major fund of Duluth Public Schools Academy, as of and for the year ended June 30, 2023, 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 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, 2023, 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 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *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 January 3, 2024 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, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

January 3, 2024

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, 2023. 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 2022-2023 fiscal year include the following:

- Current assets decreased by $1,231,084 and current liabilities decreased by $541,196. The change in assets is primarily due to stop-loss reimbursements received in the current year. The change in liabilities is primarily due to a decrease to health insurance payables.

- Total revenue decreased by $2,187,181 (11.4%) between fiscal year 2022 and fiscal year 2023 primarily due to the use of COVID-Relief/CARES funds available for use. Expenses decreased by $2,298,707 (12.6%), which is attributed primarily to the use of the timing of COVID-Relief/CARES funds used.

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 of resources exceed assets and deferred outflows of resources by ($11,297,921) as of June 30, 2023.

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

	June 30,	
	2023	2022
Assets and deferred outflows:		
Current assets	$6,704,322	$7,935,406
Capital assets, net	14,663,255	15,121,545
Deferred outflows of resources	4,033,469	5,764,062
Total assets and deferred outflows	25,401,046	28,821,013
Liabilities and deferred inflows:		
Current liabilities	1,981,286	2,522,482
Long-term liabilities	30,137,807	25,712,970
Deferred inflows of resources	4,579,874	13,001,230
Total liabilities and deferred inflows	36,698,967	41,236,682
Net position:		
Net investment in capital assets	(1,543,580)	(1,402,390)
Restricted for medical assistance	195,920	189,722
Restricted for food service	-	138,795
Restricted for community service	36,287	39,182
Restricted for capital and debt service	528,924	434,809
Unrestricted	(10,515,472)	(11,815,787)
Total net position	($11,297,921)	($12,415,669)

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 $12,836,109 and $14,766,577 as of June 30, 2023 and 2022, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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

Changes in Net Position

The School's total revenues were $17,053,599 for the year ended June 30, 2023. Program revenues accounted for 51.6% of total revenue for the year.

The total cost of all programs and services was $15,935,851. Total revenues exceeded expenses by $1,117,748.

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

	For The Years Ended June 30,	
	2023	2022
Revenues:		
Program revenues:		
Charges for services	$180,468	$132,877
Operating grants and contributions	8,615,723	10,185,187
General revenues:		
Local sources	86,870	262,274
State sources	8,118,841	8,659,736
Investment income	51,697	706
Total revenues	17,053,599	19,240,780
Expenses:		
District support services	1,704,010	1,962,280
Regular instruction	3,602,140	4,626,840
Special education	4,808,620	5,903,574
Community education and services	2,918	13,622
Instructional support services	230,443	169,508
Pupil support services	2,917,319	2,799,855
Site, building and equipment	1,593,250	1,685,078
Fiscal and other fixed costs	166,747	156,795
Interest and fiscal charges on long-term debt	910,404	917,006
Total expenses	15,935,851	18,234,558
Change in net position	1,117,748	1,006,222
Net position - beginning	(12,415,669)	(13,421,891)
Net position - ending	($11,297,921)	($12,415,669)

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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:

	2023				
	General	Food Service	Community Service	Tischer Creek	Total
Assets	$4,711,946	$78,562	$37,557	$1,899,630	$6,727,695
Liabilities	1,388,124	78,562	1,270	23,373	1,491,329
Fund balance	$3,323,822	$ -	$36,287	$1,876,257	$5,236,366

	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

	2023				
	General	Food Service	Community Service	Tischer Creek	Total
Revenues	$16,372,244	$518,548	$817	$1,471,554	$18,363,163
Expenditures	16,932,502	760,398	3,712	1,340,697	19,037,309
Other financing sources (uses)	(24,684)	103,055	-	(78,371)	-
Change in fund balance	($584,942)	($138,795)	($2,895)	$52,486	($674,146)

	2022				
	General	Food Service	Community Service	Tischer Creek	Total
Revenue	$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)

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

REVENUE ANALYSIS

General Fund - decrease in revenues of $2,107,040, or 11.4%, was due to decrease in enrollment and a decrease in available COVID-Relief/CARES funding.

Food Service Fund – decrease in revenues of $228,031, or 30.5%, was due to additional Federal funding in FY22 that was not available in the current year.

Community Service Fund - decrease in revenues of $14,357, or 94.6%, was due to Preschool Summer funding available in the previous year.

Tischer Creek Fund - decrease in revenues of $23,026 or 1.5%, was due to lower rent revenue, partially offset by increased investment income.

EXPENDITURE ANALYSIS

General Fund - decrease in expenditures of $1,653,831, or 8.9%, was due to decreased planned spending due to enrollment and COVID-Relief/CARES spending.

Food Service Fund - increase in expenditures of $52,631, or 7.4%, was due to increase in cost of meals served.

Community Service Fund - decrease in expenditures of $10,688, or 74.2%, was due to Preschool summer programming funded in the previous year.

Tischer Creek Fund - decrease in expenditures of $635,860, or 32.2%, was due to a decrease in capital outlay. During 2022, approximately $526,000 was spent to complete a Green Space Project.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund adopted an original revenue budget of $17,321,793, which was revised to a final revenue budget of $17,129,474.

The General Fund adopted an original expenditure budget of $17,371,793, which was revised to a final expenditure budget of $17,303,796.

While the School's final budget for the General Fund anticipated that expenditures would exceed revenues by $174,322 the actual results for the year showed expenditures exceeded revenues by $560,258.

- Actual revenues were $757,230 less than anticipated, due to pupil counts and planned special education funding.

- Actual expenditures were $371,294 less than anticipated, due to planned spending decreases based on lower enrollment.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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:

	2023	2022	Increase (Decrease)
Land	$2,773,948	$2,773,948	$ -
Construction in progress	-	5,596	(5,596)
Buildings	16,546,064	16,546,064	-
Furniture and fixtures	223,128	217,137	5,991
Equipment	175,479	130,479	45,000
Total capital assets	19,718,619	19,673,224	45,395
Accumulated depreciation	(5,055,364)	(4,551,679)	(503,685)
Net capital assets	$14,663,255	$15,121,545	($458,290)

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. $17.8M remains outstanding as of June 30, 2023.

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 2023-2024 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 FY24. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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 2023-2024 school year and October 1 updated enrollment, we see negative impacts on general revenue, operating, basic skills and referendum sources compared to 2022-2023. 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 Head of Schools, 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, 2023

Assets:	
Cash	$3,479,122
Cash and investments held by trustee	1,869,103
Accounts receivable net of allowance for uncollectible	76,734
Due from other governments	1,226,262
Prepaid items	53,101
Capital assets - nondepreciable	2,773,948
Capital assets - net of accumulated depreciation	11,889,307
Total assets	21,367,577
Deferred outflows of resources:	
Related to pensions	3,380,959
Related to OPEB	18,321
Related to debt refunding	634,189
Total deferred outflows of resources	4,033,469
Total assets and deferred outflows of resources	$25,401,046
Liabilities:	
Accounts payable	$219,051
Salaries and taxes payable	686,036
Claims payable	375,869
Due to EdisonLearning, Inc.	187,000
Accrued interest payable	146,122
Special assessments payable to the City of Duluth:	
Due in less than one year	2,428
Due in more than one year	33,889
Compensated absences:	
Due in less than one year	9,780
Due in more than one year	39,121
Bonds payable:	
Due in less than one year	355,000
Due in more than one year	17,680,081
Other postemployment benefits:	
Due in more than one year	221,952
Net pension liability:	
Due in more than one year	12,162,764
Total liabilities	32,119,093
Deferred inflows of resources:	
Related to pensions	4,054,304
Related to OPEB	525,570
Total deferred inflows of resources	4,579,874
Net position:	
Net investment in capital assets	(1,543,580)
Restricted for medical assistance	195,920
Restricted for community service	36,287
Restricted for capital and debt service	528,924
Unrestricted	(10,515,472)
Total net position	(11,297,921)
Total liabilities, deferred inflows of resources and net position	$25,401,046

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, 2023

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	$1,704,010	$ -	$73,997	($1,630,013)
Regular instruction	3,602,140	36,257	775,738	(2,790,145)
Special education	4,808,620	58,095	5,671,095	920,570
Community education and services	2,918	-	817	(2,101)
Instructional support services	230,443	-	30,356	(200,087)
Pupil support services	2,917,319	86,116	716,814	(2,114,389)
Site, building and equipment	1,593,250	-	1,346,906	(246,344)
Fiscal and other fixed costs	166,747	-	-	(166,747)
Interest and fiscal charges on long-term debt	910,404	-	-	(910,404)
Total governmental activities	$15,935,851	$180,468	$8,615,723	(7,139,660)
General revenues:				
Local sources				86,870
State sources				8,118,841
Investment income				51,697
Total general revenues				8,257,408
Change in net position				1,117,748
Net position - beginning				(12,415,669)
Net position - ending				($11,297,921)

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, 2023

	General Fund	Food Service	Community Service	Tischer Creek	Totals
Assets:					
Cash	$3,380,492	$30,546	$37,557	$30,527	$3,479,122
Cash and investments held by trustee	-	-	-	1,869,103	1,869,103
Accounts receivable	76,734	-	-	-	76,734
Due from Minnesota Department of Education	1,085,731	3,444	-	-	1,089,175
Due from Federal Government through Minnesota Department of Education	92,515	44,572	-	-	137,087
Due from other funds	23,373	-	-	-	23,373
Prepaid items	53,101	-	-	-	53,101
Total assets	$4,711,946	$78,562	$37,557	$1,899,630	$6,727,695
Liabilities:					
Accounts payable	$150,868	$66,913	$1,270	$ -	$219,051
Salaries and taxes payable	674,387	11,649	-	-	686,036
Claims payable	375,869	-	-	-	375,869
Due to EdisonLearning, Inc.	187,000	-	-	-	187,000
Due to other funds	-	-	-	23,373	23,373
Total liabilities	1,388,124	78,562	1,270	23,373	1,491,329
Fund balance:					
Nonspendable - prepaid items	53,101	-	-	-	53,101
Restricted for medical assistance	195,920	-	-	-	195,920
Restricted for community service	-	-	36,287	-	36,287
Restricted for capital and debt service	-	-	-	1,869,103	1,869,103
Assigned	-	-	-	7,154	7,154
Unassigned	3,074,801	-	-	-	3,074,801
Total fund balance	3,323,822	0	36,287	1,876,257	5,236,366
Total liabilities and fund balance	$4,711,946	$78,562	$37,557	$1,899,630	$6,727,695

Amounts reported for governmental activities in the statement of net position are different because:	
Fund balance reported above	$5,236,366
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	14,663,255
Deferred outflows of resources	4,033,469
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	(18,035,081)
Accrued interest payable	(146,122)
Special assessments payable to the City of Duluth	(36,317)
Net pension liability	(12,162,764)
Compensated absences	(48,901)
Other postemployment benefits	(221,952)
Deferred inflows of resources	(4,579,874)
Net position of governmental activities (Statement 1)	($11,297,921)

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, 2023

	General Fund	Food Service	Community Service	Tischer Creek	Totals
Revenues:					
Local sources	$232,191	$86,116	$4	$1,421,181	$1,739,492
State sources	14,774,977	25,499	813	-	14,801,289
Federal sources	1,363,752	406,933	-	-	1,770,685
Investment income	1,324	-	-	50,373	51,697
Total revenues	16,372,244	518,548	817	1,471,554	18,363,163
Expenditures:					
Current:					
District support services	1,764,615	-	-	-	1,764,615
Regular instruction	4,447,952	-	-	-	4,447,952
Special education	5,587,637	-	-	-	5,587,637
Community education and services	-	-	3,712	-	3,712
Instructional support services	285,946	-	-	-	285,946
Pupil support services	2,201,930	760,398	-	-	2,962,328
Site, building and equipment	2,436,859	-	-	81,566	2,518,425
Fiscal and other fixed costs	166,747	-	-	-	166,747
Capital outlay	40,816	-	-	30,000	70,816
Debt service:					
Principal	-	-	-	346,251	346,251
Interest and fees	-	-	-	882,880	882,880
Total expenditures	16,932,502	760,398	3,712	1,340,697	19,037,309
Revenues over (under) expenditures	(560,258)	(241,850)	(2,895)	130,857	(674,146)
Other financing sources (uses):					
Transfers in	78,371	103,055	-	-	181,426
Transfers out	(103,055)	-	-	(78,371)	(181,426)
Total other financing sources (uses)	(24,684)	103,055	0	(78,371)	0
Net change in fund balance	(584,942)	(138,795)	(2,895)	52,486	(674,146)
Fund balance - beginning	3,908,764	138,795	39,182	1,823,771	5,910,512
Fund balance - ending	$3,323,822	$0	$36,287	$1,876,257	$5,236,366

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

Net change in fund balance reported above	($674,146)
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	45,395
Depreciation	(503,685)
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	345,000
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	376
Change in special assessments payable to the City of Duluth	1,251
Change in compensated absences	11,998
Change in other post employment benefits payable and related deferred outflows/inflows of resources	(11,009)
Governmental funds report pension contributions as expenditures, however, pension expense is reported in the statement of activities	1,930,468
Change in net position of governmental activities (Statement 2)	$1,117,748

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

- This page intentionally left blank -

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, Food Service Special Revenue Fund and 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.

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, 2023, there were no revenue or expenditures recognized relating to student activities.

G. CASH AND INVESTMENTS

Cash balances of the General Fund, Food Service Special Revenue Fund, and Community Service Special Revenue Fund 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 pay. All vested vacation pay is accrued in the school-wide financial statements. A liability is reported in governmental funds only if it has matured, for example, as a result of employee resignations and retirements.

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 assets 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 assets 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, 2023, the targeted minimum unassigned fund balance for the General Fund was $3,460,759. Actual unassigned fund balance in the General Fund was $3,074,801.

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 investment 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, 2023.

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, 2023, the bank balance of the School's deposits, excluding amounts held by the Building Company, was $3,474,668, 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, 2023, 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	$3,479,122	$ -	$3,479,122
Cash and investments held by trustee	-	1,869,103	1,869,103
Total	$3,479,122	$1,869,103	$5,348,225

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, 2023, the School's due to/from other funds consisted of $23,373 due to the General Fund from the Tischer Creek Fund for the reimbursement of general operating costs. During fiscal year 2023, there was a transfer from the Tischer Creek Fund to the General Fund in the amount of $78,371 to help fund certain operating costs and from the General Fund to the Food Service Fund in the amount of $103,055 to eliminate a deficit in the Food Service Fund.

Note 4 CAPITAL ASSETS

Most capital asset activity relates to the Building Company. Capital asset activity for the year ended June 30, 2023 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	5,596	395	(5,991)	-
Total capital assets, not being depreciated	2,779,544	395	(5,991)	2,773,948
Capital assets, being depreciated:				
Buildings	16,546,064	-	-	16,546,064
Furniture and fixtures	217,137	5,991	-	223,128
Equipment	130,479	45,000	-	175,479
Total capital assets, being depreciated	16,893,680	50,991	0	16,944,671
Less accumulated depreciation for:				
Buildings	4,318,463	487,719	-	4,806,182
Furniture and fixtures	193,928	2,879	-	196,807
Equipment	39,288	13,087	-	52,375
Total accumulated depreciation	4,551,679	503,685	0	5,055,364
Total capital assets being depreciated - net	12,342,001	(452,694)	-	11,889,307
Governmental activities capital assets - net	$15,121,545	($452,299)	($5,991)	$14,663,255

Depreciation expense was charged to functions/programs as follows:

Site, building and equipment	$491,666
District support services	3,551
Special education instruction	3,859
Pupil support services	4,609
Total depreciation expense - governmental activities	$503,685

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% 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 2023 and the School was required to contribute 8.55%. The School's contributions to the plan for the year ended June 30, 2023 were $556,181.

PERA
Employees were required to contribute 6.5% of their annual covered salary in fiscal year 2023 and the School was required to contribute 7.5%. The School's contributions to the plan for the year ended June 30, 2023 were $201,128.

D. NET PENSION LIABILITY AND PENSION EXPENSE

The net pension liability reported as of June 30, 2023 was measured as of June 30, 2022. 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, 2021 through June 30, 2022, 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, 2023 are as follows:

	TRA	PERA	Total
Net pension liability	$9,208,592	$2,954,172	$12,162,764
Proportionate share of net pension liability:			
Measurement date	0.1150%	0.0373%	
Prior measurement date	0.1203%	0.0417%	
Pension expense	($1,258,739)	$192,422	($1,066,317)

The pension expense related to TRA includes recognition of $93,899 as an increase to pension expense (and grant revenue) for the support provided by direct aid. The pension expense related to PERA includes recognition of $12,943 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 from the State of Minnesota, the City of Minneapolis, and Minneapolis School District in the amount of $35,590,699 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 $9,208,592, $682,742 and $9,891,334, respectively.

The net pension liability related to PERA reflected a reduction due to direct aid from the State of Minnesota 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 $2,954,172, $86,622, and $3,040,794 respectively.

E. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience:		
TRA	$133,517	$79,078
PERA	24,675	31,391
Difference between projected and actual investment earnings:		
TRA	251,042	-
PERA	46,553	-
Changes in actuarial assumptions:		
TRA	1,475,149	1,692,847
PERA	668,583	11,307
Changes in proportion:		
TRA	24,131	2,001,196
PERA	-	238,485
Contributions paid subsequent to the measurement date:		
TRA	556,181	-
PERA	201,128	-
Total	$3,380,959	$4,054,304

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, 2024. 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
2024	($2,215,126)	$161,316	($2,053,810)
2025	(556,047)	188,244	(367,803)
2026	(112,021)	(158,092)	(270,113)
2027	1,047,890	267,160	1,315,050
2028	(53,978)	-	(53,978)
Thereafter	-	-	-

F. ACTUARIAL ASSUMPTIONS

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

Actuarial Information	
Valuation date	July 1, 2022
Measurement date	June 30, 2022
Experience studies	June 28, 2019 (demographic and 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 2023 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 2021 valuation:

- None.

PERA
The total pension liability in the June 30, 2022 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.

Benefit increases after retirement are assumed to be 1.25%.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.00% after 27 years of service.

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

Actuarial assumptions 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 2022:

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

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	33.5%	5.10%
International equity	16.5%	5.30%
Private markets	25%	5.90%
Fixed income	25%	0.75%
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 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.

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	$14,516,843	$9,208,592	$4,857,480
PERA	$4,666,270	$2,954,172	$1,549,988

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, 2022 actuarial valuation date, participants of the plan consisted of:

Active employees electing coverage	97
Retirees electing coverage	1
Total participants	98

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, 2022
Measurement date (assets and liabilities)	June 30, 2022
Measurement period	July 1, 2021 to June 30, 2022
Reporting date (fiscal year-end)	June 30, 2023

The School's total OPEB liability was $221,952 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	$531,359
Changes for the year:	
Service cost	69,356
Interest	11,471
Changes of benefit terms	-
Differences between expected and actual experience	(172,281)
Changes in assumptions	(211,386)
Benefit payments	(6,567)
Net changes	(309,407)
Balance - end of year	$221,952

Changes in assumptions reflect a change in the discount rate from 1.92% as of June 30, 2021 to 3.69% as of June 30, 2022.

E. ACTUARIAL ASSUMPTIONS AND OTHER INPUTS

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Payroll growth rate	3.00%
Discount rate	3.69%
Investment rate of return	3.69%
Healthcare cost trend rates	6.8% for 2023; gradually decreasing over several decades to an ultimate rate of 3.9% 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-2021, 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. 30% 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 (2.69%) or 1% higher (4.69%) than the current discount rate:

	1% Decrease (2.69%)	Discount Rate (3.69%)	1% Increase (4.69%)
Total OPEB liability	$239,901	$221,952	$204,862

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 (5.8% decreasing to 2.9%) or 1% higher (7.8% decreasing to 4.9%) than the current healthcare cost trend rates:

	1% Decrease (5.8% decreasing to 2.9%)	Healthcare Cost Trend Rates (6.8% decreasing to 3.9%)	1% Increase (7.8% decreasing to 4.9%)
Total OPEB liability	$193,045	$221,952	$256,581

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

For the year ended June 30, 2023, the School recognized $17,576 of OPEB expense.

At June 30, 2023, 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	$ -	($253,122)
Change of assumptions	18,321	(272,448)
	$18,321	($525,570)

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
2024	($63,251)
2025	(63,251)
2026	(63,251)
2027	(63,251)
2028	(63,251)
Thereafter	(190,994)
	($507,249)

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.

The agreements include certain restrictive debt covenants, including *minimum days cash on hand* and *net income available for debt service* (debt service coverage ratio) requirements. As of June 30, 2023, the School was not compliant with the *net income available for debt service* covenant (see Note 8).

A summary of long-term liabilities as of June 30, 2023 is as follows:

	Balance June 30, 2023
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.	$17,815,000
Unamortized bond premium	220,081
$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%	36,317
Total	$18,071,398

Changes in long-term liabilities are as follows:

	June 30, 2022	Additions	Deductions	June 30, 2023	Due in One Year
Bonds payable	$18,160,000	$ -	($345,000)	$17,815,000	$355,000
Unamortized bond premium	228,769	-	(8,688)	220,081	-
Special assessments payable	37,568	-	(1,251)	36,317	2,428
Compensated absences payable*	60,899	-	(11,998)	48,901	9,780
Total	$18,487,236	$0	($366,937)	$18,120,299	$367,208

* The change in compensated absences payable is presented as a net change.

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	Bonds Payable	
Year	Principal	Interest
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	$17,815,000	$13,930,291

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

Note 8 LIQUIDITY AND COVERAGE COVENANTS

The Pledge and Covenant Agreement between the School and the Trustee requires the School to meet certain covenants, including *minimum days cash on hand* and *net income available for debt service* (debt service coverage ratio) requirements. As of June 30, 2023, Management determined the School met the *minimum days cash on hand* covenant but did not meet the *net income available for debt service* covenant.

Due to not meeting the *net income available for debt* service covenant, the Majority Bondholder has the option to take certain actions, including directing the Trustee to declare an Event of Default.

Management is monitoring (and amending as necessary) its fiscal year 2024 budget and projected cash flows with the goal of meeting its covenants as of June 30, 2024.

As of June 30, 2023, $1,206,871 of Building Company funds were held in a bond reserve account with the Trustee and can be used if lease payments are insufficient to meet debt service obligations.

Note 9 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, 2023 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 $1,357,853 for the year ended June 30, 2023. 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, 2024. Rent expense under the lease was $58,344 for the year ended June 30, 2023. 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
2024	$1,416,198
2025	1,357,853
2026	1,357,853
2027	1,357,853
2028	1,357,853
2029-2033	6,789,267
2034-2038	6,789,267
2039-2043	6,789,267
2044-2048	6,789,267
2049	1,357,853
Total	$35,362,531

Note 10 LINE OF CREDIT

The School has a line of credit for short-term cash flow needs and self-insurance costs. The line of credit has a maximum available amount of $1,000,000, contains a variable interest rate equal to the prime rate plus 1% with a 6% minimum and has a maturity date of December 31, 2023. The interest rate at June 30, 2023 was 9.25%. The line of credit is 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 no activity on any lines of credit during the year ended June 30, 2023.

Note 11 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's line of credit (see Note 10) can be used to fund unexpected self-insurance related costs.

The claims liability reported at June 30, 2023 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, 2023 and June 30, 2022, is as follows:

	2023	2022
Beginning balance, claims payable	$581,527	$192,472
Payments on prior year claims	(581,527)	(192,472)
Incurred claims, premiums and admin fees	2,159,600	3,062,266
Payments on current year claims	(1,783,731)	(2,480,739)
Claims payable	$375,869	$581,527
Total reimbursable claims	$2,159,600	$3,062,266
Less School's out-of-pocket portion	(1,968,910)	(1,996,182)
Insurance claims liability	190,690	1,066,084
Less insurance paid	(190,690)	(25,730)
Reimbursement receivable (included in accounts receivable)	$0	$1,040,354

The School's maximum out-of-pocket claims liability was $2,560,598 and $1,962,029 for the years ended June 30, 2023 and June 30, 2022. 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.

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, 2023
With Comparative Actual Amounts For The Year Ended June 30, 2022

	2023				2022
	Budgeted Amounts		Actual	Variance with Final Budget -	Actual
	Original	Final	Amounts	Over (Under)	Amounts
Revenues:					
Local sources	$231,343	$316,200	$232,191	($84,009)	$386,529
State sources	15,875,232	15,342,589	14,774,977	(567,612)	16,166,173
Federal sources	1,214,218	1,469,485	1,363,752	(105,733)	1,926,199
Investment income	1,000	1,200	1,324	124	383
Total revenues	17,321,793	17,129,474	16,372,244	(757,230)	18,479,284
Expenditures:					
District support services	1,979,991	1,786,507	1,764,615	(21,892)	2,048,241
Regular instruction	4,790,266	4,681,774	4,447,952	(233,822)	4,985,176
Special education	5,959,579	5,645,287	5,587,637	(57,650)	6,380,978
Instructional support services	163,793	280,565	285,946	5,381	181,707
Pupil support services	1,924,576	2,252,014	2,201,930	(50,084)	2,151,630
Site, building and equipment	2,354,838	2,449,649	2,436,859	(12,790)	2,578,013
Fiscal and other fixed costs	168,000	167,000	166,747	(253)	156,795
Capital outlay	30,750	41,000	40,816	(184)	103,793
Total expenditures	17,371,793	17,303,796	16,932,502	(371,294)	18,586,333
Revenues over (under) expenditures	(50,000)	(174,322)	(560,258)	(385,936)	(107,049)
Other financing sources (uses):					
Transfers in	-	-	78,371	78,371	52,910
Transfers out	-	-	(103,055)	(103,055)	-
Total other financing sources (uses)	0	0	(24,684)	(24,684)	52,910
Net change in fund balance	($50,000)	($174,322)	(584,942)	($410,620)	(54,139)
Fund balance - beginning			3,908,764		3,962,903
Fund balance - ending			$3,323,822		$3,908,764

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, 2023
With Comparative Actual Amounts For The Year Ended June 30, 2022

	2023				
	Budgeted Amounts		Actual	Variance with Final Budget -	2022 Actual
	Original	Final	Amounts	Over (Under)	Amounts
Revenues:					
Local sources	$118,300	$82,800	$86,116	$3,316	$8,622
State sources	32,606	37,647	25,499	(12,148)	25,346
Federal sources	351,038	555,249	406,933	(148,316)	712,611
Total revenues	501,944	675,696	518,548	(157,148)	746,579
Expenditures:					
Pupil support services	548,966	831,502	760,398	(71,104)	702,649
Capital outlay	7,500	-	-	-	5,118
Total expenditures	556,466	831,502	760,398	(71,104)	707,767
Revenues over (under) expenditures	(54,522)	(155,806)	(241,850)	(86,044)	38,812
Other financing sources (uses)					
Transfers in	-	-	103,055	103,055	-
Total other financing sources (uses)	0	0	103,055	103,055	0
Net change in fund balance	($54,522)	($155,806)	(138,795)	$17,011	38,812
Fund balance - beginning			138,795		99,983
Fund balance - ending			$0		$138,795

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, 2023
With Comparative Actual Amounts For The Year Ended June 30, 2022

	2023				
	Budgeted Amounts			Variance with Final Budget -	2022 Actual
	Original	Final	Actual Amounts	Over (Under)	Amounts
Revenues:					
Local sources	$ -	$ -	$4	$4	$ -
State sources	774	774	813	39	774
Federal sources	14,400	14,400	-	(14,400)	14,400
Total revenues	15,174	15,174	817	(14,361)	15,174
Expenditures:					
Community education and services	15,513	14,400	3,712	(10,688)	14,400
	15,513	14,400	3,712	(10,688)	14,400
Revenues over (under) expenditures	($339)	$774	(2,895)	($3,673)	774
Fund balance - beginning			39,182		38,408
Fund balance - ending			$36,287		$39,182

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

	2023	2022	2021	2020	2019
Total OPEB liability:					
Service cost	$69,356	$62,447	$79,434	$73,524	$69,658
Interest	11,471	12,263	21,023	20,644	17,172
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(172,281)	(3,456)	(137,699)	-	-
Changes in assumptions	(211,386)	22,016	(116,883)	1,305	(2,789)
Benefit payments	(6,567)	-	-	-	-
Net change in total OPEB liability	(309,407)	93,270	(154,125)	95,473	84,041
Total OPEB liability - beginning	531,359	438,089	592,214	496,741	412,700
Total OPEB liability - ending	$221,952	$531,359	$438,089	$592,214	$496,741
Covered-employee payroll	$8,080,138	$8,739,693	$8,956,790	$9,516,384	$9,133,822
Total OPEB liability as a percentage of covered-employee payroll	2.7%	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%
2022	2023	0.1150%	9,208,592	682,742	9,891,334	7,140,504	138.5%	76.2%
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%
2022	2023	0.0373%	2,954,172	86,622	3,040,794	2,838,886	107.1%	76.7%

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.

DULUTH PUBLIC SCHOOLS ACADEMY
CHARTER SCHOOL NO. 4020 **Statement 10**
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%
June 30, 2023	556,181	556,181	-	6,505,041	8.55%
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	-	2,838,886	7.50%
June 30, 2023	201,128	201,128	-	2,681,707	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.

- This page intentionally left blank -

DULUTH PUBLIC SCHOOLS ACADEMY
CHARTER SCHOOL NO. 4020
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
June 30, 2023

Note A BUDGETARY INFORMATION

The General Fund, Food Service Special Revenue Fund, and Community Service Special Revenue 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

2022 Changes – None.

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

2022 Changes
Changes in actuarial assumptions:
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

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.

- This page intentionally left blank -

SUPPLEMENTAL INFORMATION

DULUTH PUBLIC SCHOOLS ACADEMY
CHARTER SCHOOL NO. 4020 **Schedule 1**
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
June 30, 2023

	Audit *	UFARS	Variance
01 GENERAL FUND			
Total Revenue *	$16,450,615	$16,450,615	$ -
Total Expenditures	16,932,502	16,932,498	4
Non-Spendable:			
4.60 Non Spendable Fund Balance	53,101	53,101	-
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 Schools 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	195,920	195,920	-
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	3,074,801	3,074,801	-
02 FOOD SERVICE			
Total Revenue	$518,548	$518,546	$2
Total Expenditures	760,398	760,397	1
Non-Spendable:			
4.60 Non Spendable Fund Balance	-	-	-
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	-	-	-
Restricted:			
4.64 Restricted Fund Balance	-	-	-
Unassigned:			
4.63 Unassigned Fund Balance	-	-	-
04 COMMUNITY SERVICE			
Total Revenue	$817	$817	$ -
Total Expenditures	3,712	3,712	-
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	-	-	-
Restricted:			
4.64 Restricted Fund Balance	36,287	36,287	-
Unassigned:			
4.63 Unassigned Fund Balance	-	-	-

	Audit	UFARS	Variance
06 BUILDING CONSTRUCTION			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Non-Spendable:			
4.60 Non Spendable Fund Balance	-	-	-
Restricted / Reserved:			
4.07 Capital Projects Levy	-	-	-
4.13 Funded by COP/FP	-	-	-
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 $78,371 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

- This page intentionally left blank -

REDPATH AND COMPANY

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, 2023, 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 date January 3, 2024.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

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*.

Duluth Public Schools Academy's Response to the Finding

Government Auditing Standards require the auditor to perform limited procedures on Duluth Public Schools Academy's response to the finding identified in our audit and described in the accompanying schedule of finding and questioned costs. Duluth Public Schools Academy's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

January 3, 2024

REDPATH AND COMPANY

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, 2023, 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 January 3, 2024.

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, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

January 3, 2024

- This page intentionally left blank -

REDPATH AND COMPANY

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, 2023. 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, 2023.

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, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

January 3, 2024

DULUTH PUBLIC SCHOOLS ACADEMY
CHARTER SCHOOL NO. 4020
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

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	$10,775
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	174,514
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	None noted	25,307
Student Support and Academic Enrichment Program	84.424	None noted	13,131
Special Education Cluster (IDEA):			
Special Education - Grants to States (IDEA, Part B)	84.027	None noted	233,925
COVID-19 - Special Education - Grants to States (IDEA, Part B)	84.027	None noted	2,929
Special Education - Preschool Grants (IDEA Preschool)	84.173	None noted	482
COVID-19 - Special Education - Preschool Grants (IDEA Preschool)	84.173	None noted	528
Total Special Education Cluster (IDEA)			237,864
Education Stabilization Fund:			
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	None noted	19,241
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	None noted	646,353
Total Education Stabilization Fund			665,594
Total U.S. Department of Education			1,127,185
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	107,606
Total U.S. Department of Treasury			107,606

DULUTH PUBLIC SCHOOLS ACADEMY
CHARTER SCHOOL NO. 4020
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

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	139,992
Total U.S. Department of Health and Human Services (HHS)			139,992
U.S. Department of Agriculture:			
Passed through the Minnesota Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program (NSLP)	10.555	None noted	287,478
COVID-19 - National School Lunch Program (NSLP)	10.555	None noted	36,349
School Breakfast Program (SBP)	10.553	None noted	75,454
Summer Food Service Program for Children (SFSP)	10.559	None noted	10,544
Total Child Nutrition Cluster			409,825
Child and Adult Care Food Program (CACFP)	10.558	None noted	7,652
Total U.S. Department of Agriculture			417,477
Total Federal Expenditures			$1,792,260

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 $47,957 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, 2023

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

A. Type of auditor's report issued:	Unmodified			
B. Internal control over financial reporting:				
• Material weakness(es) identified?	X	Yes		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 auditor's report issued on compliance for major programs:	Unmodified			
F. Any audit 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 Programs	Assistance Listing Number
COVID-19 – Education Stabilization Fund	84.425D/84.425U
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027

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, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-001 Financial Statement Corrections

Criteria: A School'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: Audit procedures detected two material misstatements in the Food Service Special Revenue Fund. Prior to these corrections, assets of the Food Service Special Revenue Fund were overstated by $30,169, liabilities were overstated by $8,686, revenues were understated by $47,957, and expenditures were understated by $69,441. Adjustments were posted to the School's accounts to correct for these items.

In addition, the liability for claims payable was understated by $317,837 prior to correction.

Cause: Staffing changes.

Effect: Inadequate controls over the year-end closing process results in an increased risk that financial statement misstatements may occur and not be detected on a timely basis.

Recommendation: We recommend the School continue their efforts to appropriately account for transactions and account balances.

Views of Responsible Officials and Planned Corrective Action: The School agrees with this finding. The Head of Schools and 3rd party accountant will work closely to review internal financials prior to audit fieldwork in order to minimize the potential for audit adjustments. Activity will be reviewed thoroughly and reconciled to supporting documentation to ensure all activity is properly reflected in the financial statements.

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, 2023

FOLLOW-UP ON PRIOR YEAR FINDINGS

FINANCIAL STATEMENT FINDINGS

None.

FEDERAL AWARD FINDINGS

None.

MINNESOTA LEGAL COMPLIANCE FINDINGS

None.