BLUESKY CHARTER SCHOOL, INC.
BLOOMINGTON, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2023

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BLUESKY CHARTER SCHOOL, INC.

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INTRODUCTORY SECTION

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BLUESKY CHARTER SCHOOL, INC.

Board and Administration
Year Ended June 30, 2023

BOARD

Jim Stocco	Chair
Matthew Schempp	Vice Chair
Judy Pekarek	Treasurer
Julie Johnson	Secretary
Allen Charles	Director
Heidi Kelbel	Director
Sandra Meinerts	Director

ADMINISTRATION

Amy Larsen	Executive Director
Beth O'Connell	Dean of Students
Catherine Parker	Student Services Director
Daniel Ondich	Assistant Director and Principal
Mandy Kasowicz	Director of Special Education

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FINANCIAL SECTION

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

PRINCIPALS
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board and Management of
BlueSky Charter School, Inc.
Bloomington, Minnesota

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINIONS

We have audited the accompanying financial statements of the governmental activities and the major fund of BlueSky Charter School, Inc. (the School) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

BASIS FOR OPINIONS

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

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

(continued)

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Phone: 952-545-0424 • Fax: 952-545-0569 • www.mmkr.com

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

(continued)

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information 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 RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

SUPPLEMENTARY INFORMATION

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education and is not a required part of the basic financial statements of the School. 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 UFARS Compliance Table is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER INFORMATION

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, but does not include the basic financial statements and our 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.

(continued)

PRIOR YEAR COMPARATIVE INFORMATION

We have previously audited the School's 2022 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities and the major fund in our report dated December 23, 2022. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2023 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
December 29, 2023

This section of BlueSky Charter School, Inc.'s (the School) financial statements presents management's discussion and analysis (MD&A) of the School's financial performance during the fiscal year ended June 30, 2023. Please read it in conjunction with the other components of the School's financial statements.

FINANCIAL HIGHLIGHTS

- The School's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2023 by $826,616 (deficit net position). The School's total net position increased $962,777 during the fiscal year ended June 30, 2023.

- At June 30, 2023, the School's General Fund reported total fund balances of $4,251,503. The unassigned portion of fund balance was $3,695,986, which represents 47.0 percent of the School's annual expenditures based on 2023 levels. The remaining fund balance was nonspendable for prepaid items at $256,532, restricted for safe schools levy at $5,713, restricted for Medical Assistance at $3,143, and assigned for the subsequent year's budget at $290,129.

- The total fund balance of the General Fund increased $20,712 during the year, as compared to a decrease of $69,869 projected in the final budget. General Fund revenues were over budget by $568,288 and expenditures were over budget by $477,707.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Independent Auditor's Report;

- MD&A;

- Basic financial statements, including the entity-wide financial statements, fund financial statements, and the notes to basic financial statements; and

- Required supplementary information.

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

ENTITY-WIDE FINANCIAL STATEMENTS

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

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

In the entity-wide financial statements, the School's activities are all shown in one category titled "governmental activities." These activities, providing regular and special education instruction services to students of the School, are primarily financed with state aids.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the School's *funds,* focusing on its most significant or "major" funds, rather than the School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs. Minnesota charter schools must establish funds within the guidelines of the state's Uniform Financial Accounting and Reporting Standards.

The School maintains the following type of fund:

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

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

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

Table 1
Summary of Net Position
as of June 30, 2023 and 2022

	2023	2022
Assets		
Current and other assets	$ 4,931,980	$ 4,925,570
Capital assets, net of depreciation/amortization	1,337,010	1,680,560
Total assets	$ 6,268,990	$ 6,606,130
Deferred outflow of resources		
Pension plan deferments	$ 2,276,777	$ 2,288,558
Liabilities		
Current and other liabilities	$ 680,477	$ 694,779
Long-term liabilities, including due within one year	7,702,595	5,147,996
Total liabilities	$ 8,383,072	$ 5,842,775
Deferred inflows of resources		
Pension plan deferments	$ 989,311	$ 4,841,306
Net position		
Net investment in capital assets	$ 13,206	$ 95,339
Restricted for safe schools	5,713	5,733
Restricted for Medical Assistance	3,143	4,217
Unrestricted	(848,678)	(1,894,682)
Total net position	$ (826,616)	$ (1,789,393)

The School's financial position is the product of many factors. For example, the determination of the net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation/amortization amounts. Differing estimates for useful lives, as well as capitalization policies, may produce a significant difference in the calculated amounts. Unrestricted net position includes the School's liabilities for compensated absences, severance, and pensions, which are not fully funded.

The School's total net position at June 30, 2023 was $962,977 higher than the prior year. Total assets and deferred outflows of resources decreased $348,921, while total liabilities and deferred inflows of resources decreased $1,311,698. The changes were mainly due to changes in the School's proportionate share of two state-wide pension plans administered by the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA).

Table 2 presents a condensed version of the change in net position of the School:

Table 2
Change in Net Position
for the Years Ended June 30, 2023 and 2022

	2023	2022
Revenues		
Program revenues		
Charges for services	$ 4,725	$ 80,034
Operating grants and contributions	1,652,679	1,521,230
General revenues		
General grants and aids	6,174,454	5,916,789
Other general revenues	90,373	3,542
Forgiveness of PPP loan	–	870,430
Investment earnings	373	18,167
Total revenues	7,922,604	8,410,192
Expenses		
Administration	256,492	210,170
District support services	801,637	706,169
Elementary and secondary regular instruction	2,310,796	2,570,740
Vocational education instruction	11,469	2,630
Special education instruction	1,127,043	1,071,789
Instructional support services	1,149,371	1,139,919
Pupil support services	781,870	917,417
Sites and buildings	387,231	370,705
Fiscal and other fixed cost programs	27,789	8,284
Interest and fiscal charges	106,129	111,333
Total expenses	6,959,827	7,109,156
Change in net position	962,777	1,301,036
Net position – beginning	(1,789,393)	(3,090,429)
Net position – ending	$ (826,616)	$ (1,789,393)

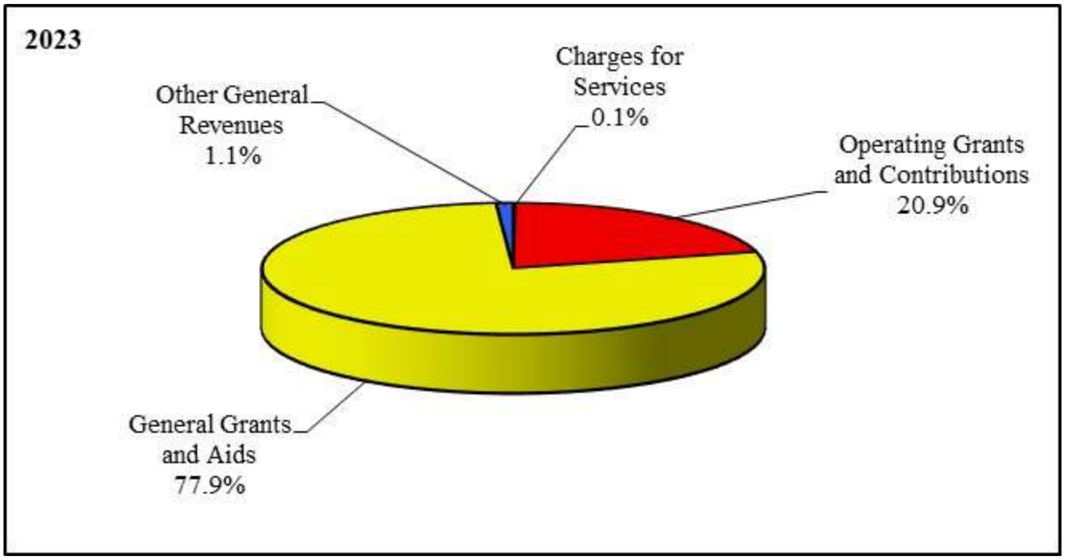
The Statement of Activities is presented on an accrual basis of accounting and includes all of the School's governmental activities. This statement includes depreciation/amortization expense, but excludes capital asset purchase costs, and the proceeds from and repayment of any debt.

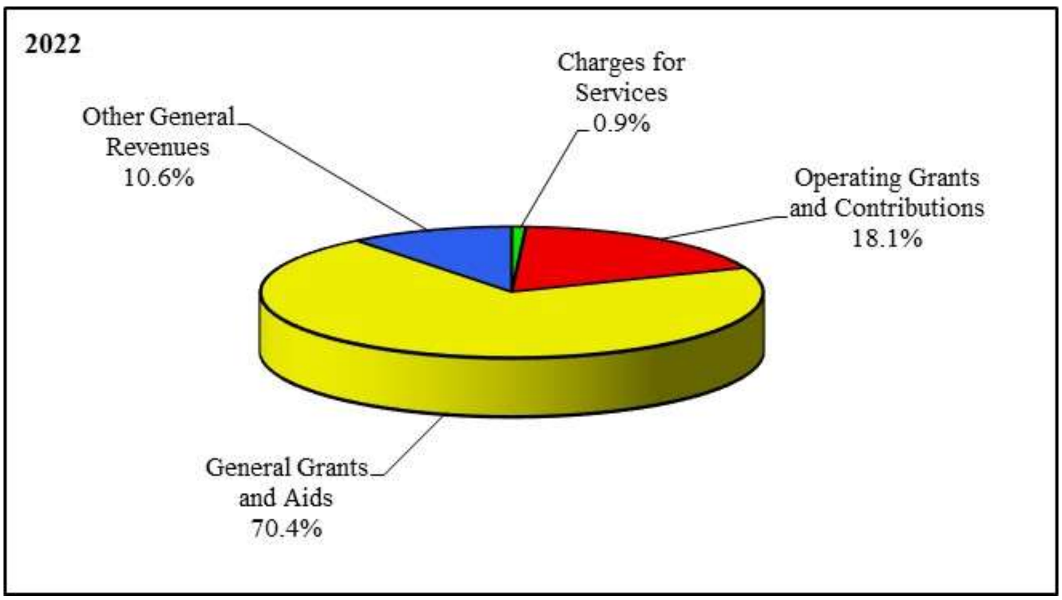
Total revenues decreased $487,588 from the prior year, mainly due to the Paycheck Protection Program (PPP) loan forgiven in the prior year. Total expenses were $149,329 less than the previous year, mainly in elementary and secondary regular instruction and pupil support services due to changes in the TRA state-wide pension obligation.

While being an online provider of education allows the School to attract students from across the state and keeps operating costs controlled; it does create other challenges. These include the geographical demands of complying with state testing requirements, keeping technological systems operating at optimal levels, and maintaining consistent staffing to achieve these goals.

Figures A and B show further analysis of these revenue sources and expense functions:

Figure A – Sources of Revenue for Fiscal Years 2023 and 2022



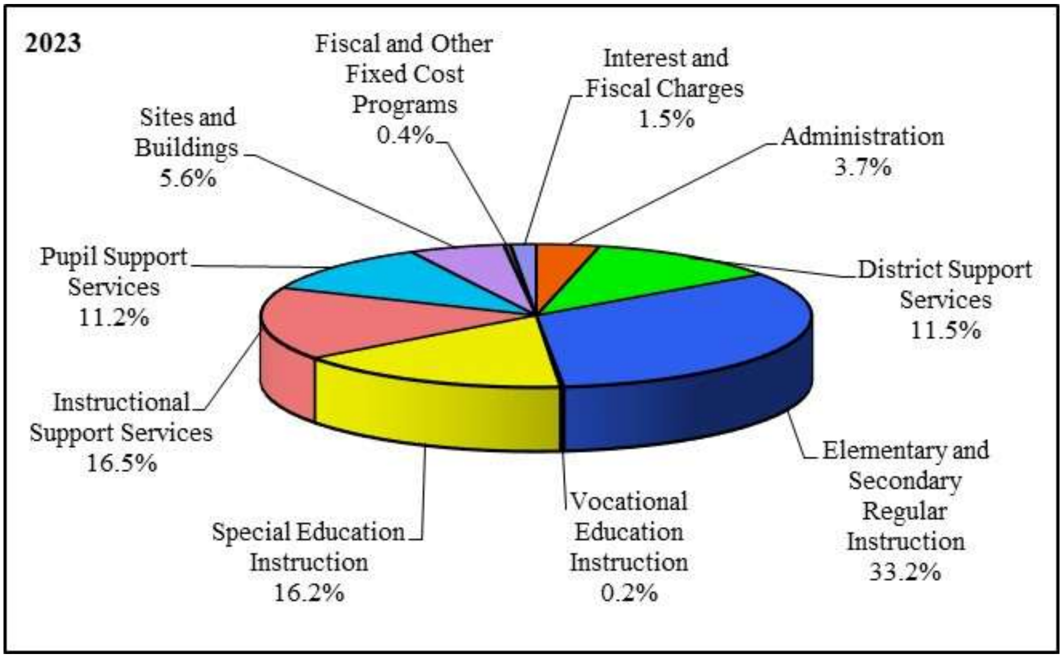


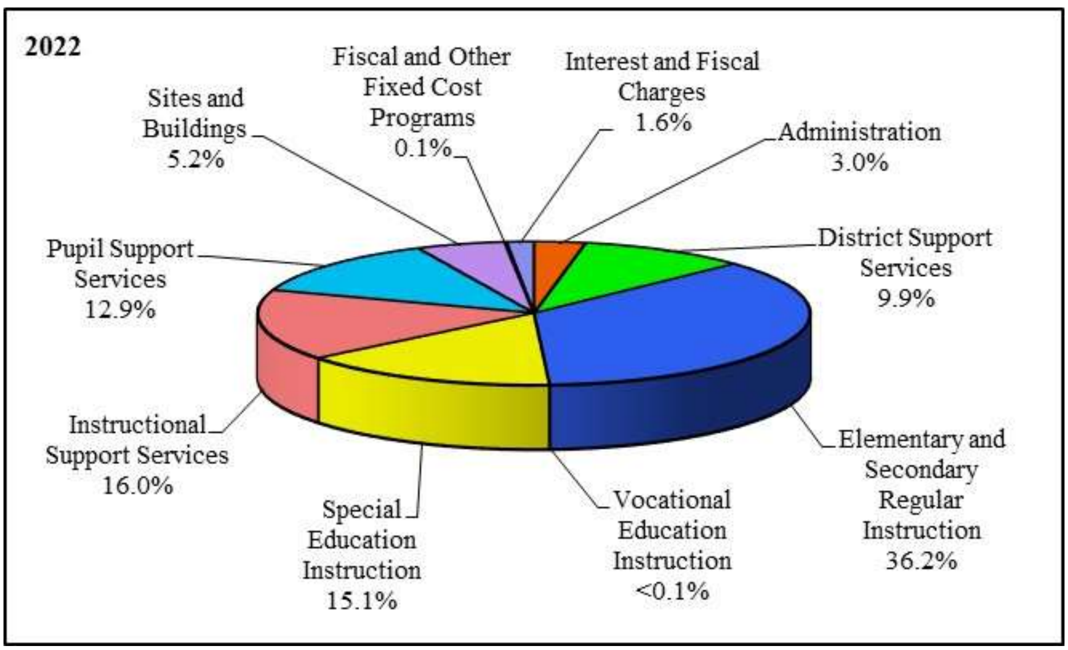
The largest share of the School's revenue is received from the state, including most of the operating and general grants. This significant reliance on the state for funding has placed pressures on charter school budgets as funding increases have generally not kept pace with inflation.

Enrollment continues to be the largest influence on the School's revenue. The School's enrollment, an adjusted average daily membership (ADM) of 594 for the year, reflected an increase of 16 ADM from the prior year.

The School's total governmental activity revenues were $7,922,604 for the year ended June 30, 2023, which is a decrease of $487,588 from the prior year. Other general revenues, as shown above, decreased by $801,393, mainly due to an $870,430 PPP loan being forgiven in the prior year. General grants and aids increased by $257,665, as the School earned more state aid for general education, due to the increase in enrollment and enhanced funding.

Figure B – Expenses for Fiscal Years 2023 and 2022





The School's expenses are predominately related to educating students. Programs (or functions), such as regular instruction, vocational education instruction, special education instruction, and instructional support services are directly related to classroom instruction, while the rest of the programs support instruction and other necessary costs to operate the School.

The total cost of the School's governmental activities for 2023 was $6,959,827, which is a decrease of $149,329 (2.1 percent) from the prior year. The decrease was primarily due to the amount of TRA pension expense recognized compared to the previous year.

FINANCIAL ANALYSIS OF THE GENERAL FUND

Table 3 summarizes the amendments to the General Fund budget:

Table 3
General Fund
Budget

	Original Budget	Final Budget	Increase (Decrease)	Percent Change
Revenue	$ 7,323,409	$ 7,323,409	$ –	0.0%
Expenditures	$ 7,393,278	$ 7,393,278	$ –	0.0%

The School is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. It is the School's practice to amend the General Fund budget during the year for known significant changes in circumstances such as: updated enrollment estimates, legislation changes, new or additional funding, staffing changes, employee contract settlements, adjustments to health insurance premiums, special education tuition changes, or utility rate changes. The School did not amend the budget during the year.

Table 4 summarizes the operating results of the General Fund:

Table 4
General Fund
Operating Results

		Over (Under) Budget		Increase (Decrease) From Prior Year	
	2023 Actual	Amount	Percent	Amount	Percent
Revenue	$ 7,891,697	$ 568,288	7.8%	$ 322,527	4.3%
Expenditures	7,870,985	$ 477,707	6.5%	$ 749,869	10.5%
Net change in fund balances	$ 20,712				

General Fund revenues increased from the prior year, and were over the final budget by 7.8 percent, mainly due to the increases in general education and special education state aids. General Fund expenditures were about 10.5 percent higher than the prior year, as additional staffing, purchased services, and supplies were necessary due to the increase in enrollment. Expenditures were over budget by $477,707, a variance of 6.5 percent, mainly in personnel and supply costs in the regular and special education instruction program areas.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 5 shows the School's capital assets, together with changes from the previous year. The table also shows the total depreciation/amortization expense for fiscal years ended June 30, 2023 and 2022:

Table 5
Capital Assets

	2023	2022	Change
Buildings – leased	$ 1,822,394	$ 1,822,394	$ –
Furniture and equipment	355,786	355,786	–
Less accumulated depreciation/amortization	(841,170)	(497,620)	(343,550)
Total	$ 1,337,010	$ 1,680,560	$ (343,550)
Depreciation/amortization expense	$ 343,550	$ 356,795	$ (13,245)

The School is not heavily dependent on capital assets for providing instructional services to students, due to its delivery of online learning. There were no capital asset additions in the current year.

Long-Term Liabilities

Table 6 shows the components of the School's long-term liabilities, and the change from the prior year:

Table 6
Outstanding Long-Term Liabilities

	2023	2022	Change
Compensated absences payable	$ 78,450	$ 56,431	$ 22,019
Severance benefits payable	355,512	448,862	(93,350)
Net pension liability	5,944,829	3,057,482	2,887,347
Lease liability payable	1,323,804	1,585,221	(261,417)
Total	$ 7,702,595	$ 5,147,996	$ 2,554,599

The increase in the School's long-term liabilities was mainly due to the change in its proportionate share of the pension liabilities from the state-wide PERA and TRA pension plans.

More detailed information on the School's capital assets and long-term liabilities can be found in the notes to basic financial statements.

FACTORS BEARING ON THE SCHOOL'S FUTURE

The general education program is the method by which typical Minnesota charter schools receive the majority of their financial support. This source of funding is primarily state aid and, as such, typical Minnesota charter schools rely heavily on the state of Minnesota for educational resources. The Legislature has added $275, or 4.00 percent, per pupil to the basic general education funding formula for fiscal year 2024, and an additional $143, or 2.00 percent, per pupil to the formula for fiscal year 2025. The Legislature also increased special education cross-subsidy aid from 6.4 percent of the cross-subsidy to 44.0 percent.

The amount of aid a charter school receives is also dependent on the number of students it serves, meaning attracting and retaining students is critical to the School's financial well-being.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our citizens, sponsors, customers, investors, and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact BlueSky Charter School, Inc., 2051 Killebrew Drive, Suite 500, Bloomington, Minnesota 55425.

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BASIC FINANCIAL STATEMENTS

BLUESKY CHARTER SCHOOL, INC.

Statement of Net Position
as of June 30, 2023
(With Partial Comparative Information as of June 30, 2022)

	Governmental Activities	
	2023	2022
Assets		
Cash and temporary investments	$ 3,413,561	$ 3,611,033
Receivables		
Due from other governmental units	1,261,887	1,047,150
Prepaid items	256,532	267,387
Capital assets, net of accumulated depreciation/amortization	1,337,010	1,680,560
Total assets	6,268,990	6,606,130
Deferred outflows of resources		
Pension plan deferments	2,276,777	2,288,558
Total assets and deferred outflows of resources	$ 8,545,767	$ 8,894,688
Liabilities		
Salaries and benefits payable	$ 589,308	$ 571,524
Accounts and contracts payable	91,169	123,255
Long-term liabilities		
Due within one year	480,568	430,835
Due in more than one year	7,222,027	4,717,161
Total long-term liabilities	7,702,595	5,147,996
Total liabilities	8,383,072	5,842,775
Deferred inflows of resources		
Pension plan deferments	989,311	4,841,306
Net position		
Net investment in capital assets	13,206	95,339
Restricted for safe schools levy	5,713	5,733
Restricted for Medical Assistance	3,143	4,217
Unrestricted	(848,678)	(1,894,682)
Total net position	(826,616)	(1,789,393)
Total liabilities, deferred inflows of resources, and net position	$ 8,545,767	$ 8,894,688

BLUESKY CHARTER SCHOOL, INC.

Statement of Activities
Year Ended June 30, 2023
(With Partial Comparative Information for the Year Ended June 30, 2022)

	2023				2022
		Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	$ 256,492	$ –	$ –	$ (256,492)	$ (210,170)
District support services	801,637	–	–	(801,637)	(706,169)
Elementary and secondary regular instruction	2,310,796	3,968	238,876	(2,067,952)	(2,380,571)
Vocational education instruction	11,469	–	–	(11,469)	(2,630)
Special education instruction	1,127,043	757	1,092,719	(33,567)	(54,478)
Instructional support services	1,149,371	–	–	(1,149,371)	(1,139,919)
Pupil support services	781,870	–	–	(781,870)	(917,417)
Sites and buildings	387,231	–	321,084	(66,147)	23,079
Fiscal and other fixed cost programs	27,789	–	–	(27,789)	(8,284)
Interest and fiscal charges	106,129	–	–	(106,129)	(111,333)
Total governmental activities	$ 6,959,827	$ 4,725	$ 1,652,679	(5,302,423)	(5,507,892)
		General revenues			
		General grants and aids		6,174,454	5,916,789
		Other general revenues		90,373	3,542
		Forgiveness of PPP loan		–	870,430
		Investment earnings		373	18,167
		Total general revenues		6,265,200	6,808,928
		Change in net position		962,777	1,301,036
		Net position – beginning		(1,789,393)	(3,090,429)
		Net position – ending		$ (826,616)	$ (1,789,393)

BLUESKY CHARTER SCHOOL, INC.

General Fund
Balance Sheet
as of June 30, 2023
(With Partial Comparative Information as of June 30, 2022)

	2023	2022
Assets		
Cash and temporary investments	$ 3,413,561	$ 3,611,033
Receivables		
Due from other governmental units	1,261,887	1,047,150
Prepaid items	256,532	267,387
Total assets	$ 4,931,980	$ 4,925,570
Liabilities		
Salaries and benefits payable	$ 589,308	$ 571,524
Accounts and contracts payable	91,169	123,255
Total liabilities	680,477	694,779
Fund balances		
Nonspendable for prepaid items	256,532	267,387
Restricted for safe schools levy	5,713	5,733
Restricted for Medical Assistance	3,143	4,217
Assigned for subsequent year’s budget	290,129	69,869
Unassigned	3,695,986	3,883,585
Total fund balances	4,251,503	4,230,791
Total liabilities and fund balances	$ 4,931,980	$ 4,925,570

Amounts recorded for governmental activities in the Statement of Net Position differ because:

	2023	2022
Fund balances as reported above	$ 4,251,503	$ 4,230,791
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	2,178,180	2,178,180
Accumulated depreciation/amortization	(841,170)	(497,620)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
Compensated absences payable	(78,450)	(56,431)
Severance benefits payable	(355,512)	(448,862)
Net pension liability	(5,944,829)	(3,057,482)
Lease liability payable	(1,323,804)	(1,585,221)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	2,276,777	2,288,558
Deferred inflows of resources – pension plan deferments	(989,311)	(4,841,306)
Total net position – governmental activities	$ (826,616)	$ (1,789,393)

BLUESKY CHARTER SCHOOL, INC.

General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2023
(With Partial Comparative Information for the Year Ended June 30, 2022)

	2023				2022
	Original Budget	Final Budget	Actual	Over (Under) Budget	Actual
Revenue					
Federal sources	$ 555,212	$ 555,212	$ 490,784	$ (64,428)	$ 614,417
State sources	6,649,821	6,649,821	7,305,442	655,621	6,853,010
Local sources					
Investment earnings	–	–	373	373	18,167
Other	118,376	118,376	95,098	(23,278)	83,576
Total revenue	7,323,409	7,323,409	7,891,697	568,288	7,569,170
Expenditures					
Current					
Administration					
Salaries	182,000	182,000	236,668	54,668	183,900
Employee benefits	49,500	49,500	53,925	4,425	34,080
Purchased services	1,000	1,000	704	(296)	1,019
Other expenditures	3,000	3,000	3,807	807	1,608
Total administration	235,500	235,500	295,104	59,604	220,607
District support services					
Salaries	255,666	255,666	309,400	53,734	249,871
Employee benefits	94,916	94,916	108,059	13,143	90,637
Purchased services	263,093	263,093	206,106	(56,987)	203,548
Supplies and materials	61,526	61,526	96,684	35,158	93,285
Capital expenditures	17,000	17,000	12,122	(4,878)	9,186
Other expenditures	75,509	75,509	42,235	(33,274)	42,269
Total district support services	767,710	767,710	774,606	6,896	688,796
Elementary and secondary regular instruction					
Salaries	1,925,608	1,925,608	1,935,527	9,919	1,908,590
Employee benefits	485,152	485,152	521,048	35,896	450,586
Purchased services	79,030	79,030	82,578	3,548	53,160
Supplies and materials	129,760	129,760	224,166	94,406	71,766
Capital expenditures	–	–	–	–	83,260
Other expenditures	3,411	3,411	13,153	9,742	17,127
Total elementary and secondary regular instruction	2,622,961	2,622,961	2,776,472	153,511	2,584,489
Vocational education instruction					
Salaries	1,000	1,000	1,000	–	–
Employee benefits	–	–	158	158	–
Purchased services	–	–	1,311	1,311	230
Supplies and materials	–	–	9,000	9,000	2,400
Total vocational education instruction	1,000	1,000	11,469	10,469	2,630

General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2023
(With Partial Comparative Information for the Year Ended June 30, 2022)

	2023				2022
	Original Budget	Final Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)					
Current (continued)					
Special education instruction					
Salaries	781,211	781,211	902,805	121,594	790,037
Employee benefits	194,053	194,053	246,239	52,186	212,674
Purchased services	104,251	104,251	121,897	17,646	78,631
Supplies and materials	12,650	12,650	15,235	2,585	12,223
Other expenditures	–	–	5,307	5,307	4,599
Total special education instruction	1,092,165	1,092,165	1,291,483	199,318	1,098,164
Instructional support services					
Salaries	935,000	935,000	931,502	(3,498)	851,764
Employee benefits	238,000	238,000	276,442	38,442	245,313
Purchased services	66,000	66,000	66,484	484	32,370
Supplies and materials	3,000	3,000	3,722	722	60
Capital expenditures	25,000	25,000	30	(24,970)	17,980
Other expenditures	1,000	1,000	5,677	4,677	4,597
Total instructional support services	1,268,000	1,268,000	1,283,857	15,857	1,152,084
Pupil support services					
Salaries	707,761	707,761	728,106	20,345	733,082
Employee benefits	224,000	224,000	227,185	3,185	206,873
Purchased services	4,000	4,000	3,332	(668)	2,955
Supplies and materials	1,000	1,000	1,032	32	173
Other expenditures	–	–	4,543	4,543	5,248
Total pupil support services	936,761	936,761	964,198	27,437	948,331
Sites and buildings					
Purchased services	68,131	68,131	77,671	9,540	54,174
Supplies and materials	1,000	1,000	790	(210)	587
Capital expenditures	–	–	–	–	14,464
Total sites and buildings	69,131	69,131	78,461	9,330	69,225
Fiscal and other fixed cost programs					
Purchased services	44,574	44,574	27,789	(16,785)	8,284

BLUESKY CHARTER SCHOOL, INC.

General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2023
(With Partial Comparative Information for the Year Ended June 30, 2022)

	2023				2022
	Original Budget	Final Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)					
Debt service					
Principal	261,417	261,417	261,417	–	237,173
Interest and fiscal charges	94,059	94,059	106,129	12,070	111,333
Total debt service	355,476	355,476	367,546	12,070	348,506
Total expenditures	7,393,278	7,393,278	7,870,985	477,707	7,121,116
Net change in fund balance	$ (69,869)	$ (69,869)	20,712	$ 90,581	448,054
Fund balances					
Beginning of year			4,230,791		3,782,737
End of year			$ 4,251,503		$ 4,230,791

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

	2023	2022
Net change in fund balances reported above	$ 20,712	$ 448,054
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation/amortization expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	–	14,464
Depreciation/amortization expense	(343,550)	(356,795)
The amount of debt issued or repaid is reported in the governmental funds as a source of financing or expenditure. Debt obligations are not revenue in the Statement of Activities, but rather constitute long-term liabilities.		
PPP loan payable	–	870,430
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Compensated absences payable	(22,019)	15,128
Severance benefits payable	93,350	(85,157)
Net pension liability	(2,887,347)	1,601,289
Lease liability principal payment	261,417	237,173
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	(11,781)	(94,957)
Deferred inflows of resources – pension plan deferments	3,851,995	(1,348,593)
Change in net position of governmental activities	$ 962,777	$ 1,301,036

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

BlueSky Charter School, Inc. (the School) is an outcome-based charter school established March 9, 2000 in accordance with Minnesota Statutes § 124D.10. The School's financial statements include all funds, departments, agencies, boards, commissions, and other organizations for which the School is considered to be financially accountable.

Component units are legally separate entities for which the School (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the School.

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 (IQS), a nonprofit organization. Aside from its responsibilities as authorizer, IQS has no authority or control over the School, and is not financially accountable for it. Therefore, the School is not considered to be a component unit of IQS.

B. Basis of Statement Presentation

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

C. Entity-Wide Financial Statement Presentation

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation and amortization are included as direct expenses in the functional areas that utilize the related capital assets. Interest is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The existence of the various school funds has been established by the MDE. Each fund is accounted for as an independent entity. The School maintains a single General Fund to account for all of its activity.

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

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar revenues are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Proceeds from long-term debt are reported as other financing sources.

2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

E. Budgeting

The School's Board adopts an annual budget for the General Fund, which is prepared on the same basis of accounting as the financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. Actual expenditures for the current year exceeded budgeted appropriations by $477,707 in the General Fund.

F. Use of Estimates

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

G. Income Taxes

The School is exempt from income taxes under Internal Revenue Code (IRC) § 501(c)(3). The School is subject to tax on income from any unrelated business.

The School follows the recognition requirements for uncertain income tax positions as required by the Financial Accounting Standards Board Accounting Standards Codification 740-10. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The School has analyzed tax positions taken for filing with the Internal Revenue Service and state jurisdiction where it operates. The School believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its respective financial condition, results of operations, or cash flows. Accordingly, the School has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at year-end.

The School is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

H. Receivables

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

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenses/expenditures when consumed.

J. Capital Assets

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

Capital assets are recorded in the entity-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the School, no salvage value is taken into consideration for depreciation purposes. Useful lives for furniture and equipment are 3–10 years. Lease assets are amortized over the term of the lease or over the useful life of the applicable asset class previously described, if future ownership is anticipated.

K. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, a statement of financial position will sometimes report separate sections for deferred outflows/inflows of resources. These separate financial statement elements represent a consumption/acquisition of net position that applies to a future period, which will not be recognized as an outflow of resources (expense/expenditure) or inflow of resources (revenue) until then. The School has one type of item that qualifies for reporting in these categories, deferred outflows/inflows of resources related to pensions, which are reported in the entity-wide Statement of Net Position. These deferred outflows/inflows result from differences between expected and actual experience, changes of assumptions, the difference between projected and actual earnings on pension plan investments, changes in proportion, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension standards.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations

In the entity-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method.

In the fund financial statements, governmental fund types recognize debt proceeds equal to the par amount of debt issued as other financing sources in the year of issue. Premiums or discounts on debt issuances are reported as other financing sources or uses, respectively.

M. Compensated Absences

Substantially all school employees are entitled to personal and sick leave at various rates, portions of which may be carried over to future years. Compensated absences are accrued in the governmental fund financial statements only to the extent they have been used or otherwise matured prior to year-end. Employees are reimbursed for unused personal leave upon termination, which is accrued in the entity-wide financial statements as it is earned.

N. Severance Benefits

After four years of service, certain employees are eligible to be compensated for 50 percent of unused sick leave, up to a maximum of 400 hours, upon termination of employment.

Severance benefits are recorded as a liability in the governmental fund financial statements as they mature due to termination. Severance benefits based on convertible sick leave are recorded as a liability in the entity-wide financial statements as they are earned and it becomes probable they will vest at some point in the future.

O. State-Wide Pension Plans

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

The TRA has a special funding situation created by direct aid contributions made by the state of Minnesota, City of Minneapolis, and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the state of Minnesota for the merger of the Duluth Teachers Retirement Fund Association in 2015.

P. Risk Management

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, inventory, and other long-term assets.

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

- **Committed** – Consists of internally imposed constraints that are established by resolution of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the School for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself.

- **Unassigned –** The residual classification for the General Fund.

When both restricted and unrestricted resources are available for use, the School uses restricted resources first, and then uses unrestricted resources as they are needed.

When committed, assigned, or unassigned resources are available for use, the School uses resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

R. Net Position

In the entity-wide financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in three components:

- **Net Investment in Capital Assets –** Consists of capital assets, net of accumulated depreciation and amortization, reduced by outstanding debt, if any, attributable to acquire capital assets.

- **Restricted Net Position –** Consists of net position restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- **Unrestricted Net Position** – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

The School applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the prior year, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

In accordance with applicable Minnesota Statutes, the School maintains deposits at depository banks authorized by the Board. The following is considered the most significant risk associated with deposits:

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

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

At year-end, the carrying amount of the School's deposits was $3,413,561, while the balance on the bank records was $3,504,024. At year-end, all of the School's deposits were covered by federal deposit insurance or pledged collateral held by the School's agent in the School's name.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year is as follows:

	Balance - Beginning of Year	Additions	Deletions	Balance - End of Year
Capital assets, depreciated/amortized				
Buildings – leased	$ 1,822,394	$ –	$ –	$ 1,822,394
Furniture and equipment	355,786	–	–	355,786
Less accumulated depreciation/amortization				
Buildings – leased	(303,732)	(303,732)	–	(607,464)
Furniture and equipment	(193,888)	(39,818)	–	(233,706)
Total capital assets, net of accumulated depreciation/amortization	$ 1,680,560	$ (343,550)	$ –	$ 1,337,010

Depreciation/amortization expense was charged to the following governmental functions:

District support services	$ 23,920
Instructional support services	10,860
Sites and buildings	308,770
Total depreciation/amortization expense	$ 343,550

NOTE 4 – LONG-TERM LIABILITIES

A. Employee Benefits Liabilities

The School's long-term liabilities include compensated absences payable, severance benefits payable, and its share of two state-wide, cost-sharing, multiple-employer plans administered by the PERA and the TRA. Further details of these benefits are provided elsewhere in these notes. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for the PERA and TRA pension plans as of and for the year ended June 30, 2023:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	$ 427,681	$ 166,502	$ 12,710	$ 82,729
TRA	5,517,148	2,110,275	976,601	(561,668)
Total	$ 5,944,829	$ 2,276,777	$ 989,311	$ (478,939)

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

B. Lease Liability Payable

The School has obtained the use of certain building space through a lease financing agreement. The total amount of the underlying lease asset and the related accumulated amortization is presented in Note 3 to the basic financial statements. Annual principal and interest on this agreement will be paid from the General Fund. The agreement is secured by the original property. The lessor may repossess the property and seek full recovery of the losses upon default. The School currently has the following lease liability payable outstanding:

Lease Description	Interest Rate	Lease Date	Final Maturity	Principal Outstanding
School building lease	6.50%	12/09/2020	06/30/2027	$ 1,323,804

C. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for the lease liability payable are as follows:

Year Ending	Lease Liability Payable	
June 30,	Principal	Interest
2024	$ 287,429	$ 77,585
2025	315,184	58,084
2026	344,797	36,726
2027	376,394	13,383
Total	$ 1,323,804	$ 185,778

D. Changes in Long-Term Liabilities

Changes in the long-term liabilities for the year are as follows:

	Balance – Beginning of Year	Additions	Retirements	Balance – End of Year	Due Within One Year
Compensated absences payable	$ 56,431	$ 45,227	$ 23,208	$ 78,450	$ 78,450
Severance benefits payable	448,862	51,454	144,804	355,512	114,689
Net pension liability	3,057,482	3,281,702	394,355	5,944,829	–
Lease liability payable	1,585,221	–	261,417	1,323,804	287,429
	$ 5,147,996	$ 3,378,383	$ 823,784	$ 7,702,595	$ 480,568

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

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

B. Benefits Provided

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

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

1. GERF Benefits

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

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

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

(b) Three percent per year early retirement reduction factor for all years under normal retirement age.

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

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Tier II Benefits

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

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2023 and the School was required to contribute 7.5 percent for Coordinated Plan members. The School's contributions to the GERF for the year ended June 30, 2023, were $40,384. The School's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

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

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

The School's contributions to the TRA for the plan's fiscal year ended June 30, 2023, were $372,571. The School's contributions were equal to the required contributions for each year as set by state statutes.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

	in thousands
Employer contributions reported in the TRA's Annual Comprehensive Financial Report Statement of Changes in Fiduciary Net Position	$ 482,679
Add employer contributions not related to future contribution efforts	(2,178)
Deduct the TRA's contributions not included in allocation	(572)
Total employer contributions	479,929
Total nonemployer contributions	35,590
Total contributions reported in the Schedule of Employer and Nonemployer Allocations	$ 515,519

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2023, the School reported a liability of $427,681 for its proportionate share of the General Employees Fund's net pension liability. The School's net pension liability reflected a reduction due to the state of Minnesota's contribution of $16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the School totaled $12,407. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportionate share of the net pension liability was based on the School's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of the PERA's participating employers. The School's proportionate share was 0.0054 percent at the end of the measurement period and 0.0056 percent for the beginning of the period.

School's proportionate share of the net pension liability	$ 427,681
State's proportionate share of the net pension liability associated with the School	$ 12,407

For the year ended June 30, 2023, the School recognized pension expense of $80,841 for its proportionate share of the GERF's pension expense. In addition, the School recognized an additional $1,888 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of $16 million to the GERF.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 3,572	$ 4,692
Changes in actuarial assumptions	100,268	1,612
Net collective difference between projected and actual investment earnings	145	–
Changes in proportion	22,133	6,406
School's contributions to the GERF subsequent to the measurement date	40,384	–
Total	$ 166,502	$ 12,710

The $40,384 reported as deferred outflows of resources related to pensions resulting from school contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2024	$ 47,546
2025	$ 44,969
2026	$ (17,782)
2027	$ 38,675

2. TRA Pension Costs

At June 30, 2023, the School reported a liability of $5,517,148 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Minneapolis School District. The School's proportionate share was 0.0689 percent at the end of the measurement period and 0.0644 percent for the beginning of the period.

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

School's proportionate share of the net pension liability	$ 5,517,148
State's proportionate share of the net pension liability associated with the School	$ 409,093

For the year ended June 30, 2023, the School recognized negative pension expense of $617,919. It also recognized $56,251 as an increase to pension expense for the support provided by direct aid.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 71,899	$ 42,907
Changes in actuarial assumptions	825,929	933,694
Net collective difference between projected and actual investment earnings on pension plan investments	258,836	–
Changes in proportion	581,040	–
School's contributions to the TRA subsequent to the measurement date	372,571	–
Total	$ 2,110,275	$ 976,601

A total of $372,571 reported as deferred outflows of resources related to pensions resulting from school contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2024	$ (598,744)
2025	$ 300,090
2026	$ 216,586
2027	$ 806,460
2028	$ 36,711

E. Long-Term Expected Return on Investment

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.50 %	5.10 %
International equity	16.50	5.30 %
Private markets	25.00	5.90 %
Fixed income	25.00	0.75 %
Total	100.00 %	

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.25%	2.50%
Wage growth rate		2.85% before July 1, 2028, and 3.25% thereafter
Projected salary increase	3.00%	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter
Investment rate of return	6.50%	7.00%

1. GERF

The long-term rate of return on pension plan investments used in the determination of the total liability is 6.50 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.50 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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

Actuarial assumptions for the GERF Plan are reviewed every four years. The most recent four-year experience study for the GERF Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

2. TRA

Salary increases were based on a service-related table.

Mortality Assumptions Used in Valuation of Total Pension Liability	
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 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.

Cost of living benefit increases after retirement for retirees are assumed to be 1.00 percent for January 2019 through January 2023, then increasing by 0.10 percent each year, up to 1.50 percent annually.

Actuarial assumptions for the TRA Plan were based on the results of actuarial experience studies. The most recent experience study in the TRA Plan was completed in 2019, with economic assumptions updated in 2019.

The following changes in actuarial assumptions occurred in 2022:

1. GERF

CHANGES IN ACTUARIAL ASSUMPTIONS

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

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

- None.

G. Discount Rate

1. GERF

The discount rate used to measure the total pension liability in 2022 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

2. TRA

The discount rate used to measure the total pension liability was 7.00 percent. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2022 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
GERF discount rate	5.50%	6.50%	7.50%
School's proportionate share of the GERF net pension liability	$ 675,546	$ 427,681	$ 224,395
TRA discount rate	6.00%	7.00%	8.00%
School's proportionate share of the TRA net pension liability	$ 8,697,483	$ 5,517,148	$ 2,910,264

I. Pension Plan Fiduciary Net Position

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

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

NOTE 6 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Revenues

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.

B. Legal Claims

The School has the usual and customary types of legal claims pending at year-end, mostly of a minor nature and typically covered by insurance carried for that purpose. Management believes the School will not incur any material liabilities relating to these claims.

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REQUIRED SUPPLEMENTARY INFORMATION

BLUESKY CHARTER SCHOOL, INC.

Public Employees Retirement Association Pension Benefits Plan
Schedule of School's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2023

School Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	School's Proportion of the Net Pension Liability	School's Proportionate Share of the Net Pension Liability	School's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the School's Share of the State of Minnesota's Share of the Net Pension Liability	School's Covered Payroll	School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.0044%	$ 206,690	$ –	$ 206,690	$ 229,326	90.13%	78.70%
06/30/2016	06/30/2015	0.0041%	$ 212,483	$ –	$ 212,483	$ 242,854	87.49%	78.20%
06/30/2017	06/30/2016	0.0040%	$ 324,780	$ 4,187	$ 328,967	$ 246,641	131.68%	68.90%
06/30/2018	06/30/2017	0.0046%	$ 293,660	$ 3,722	$ 297,382	$ 298,686	98.32%	75.90%
06/30/2019	06/30/2018	0.0038%	$ 210,810	$ 7,048	$ 217,858	$ 257,899	81.74%	79.50%
06/30/2020	06/30/2019	0.0047%	$ 259,852	$ 8,166	$ 268,018	$ 334,569	77.67%	80.20%
06/30/2021	06/30/2020	0.0050%	$ 299,772	$ 9,147	$ 308,919	$ 353,342	84.84%	79.10%
06/30/2022	06/30/2021	0.0056%	$ 239,145	$ 7,340	$ 246,485	$ 401,927	59.50%	87.00%
06/30/2023	06/30/2022	0.0054%	$ 427,681	$ 12,407	$ 440,088	$ 402,236	106.33%	76.70%

Public Employees Retirement Association Pension Benefits Plan
Schedule of School Contributions
Year Ended June 30, 2023

School Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 17,918	$ 17,918	$ –	$ 242,854	7.38%
06/30/2016	$ 18,498	$ 18,498	$ –	$ 246,641	7.50%
06/30/2017	$ 22,401	$ 22,401	$ –	$ 298,686	7.50%
06/30/2018	$ 19,343	$ 19,343	$ –	$ 257,899	7.50%
06/30/2019	$ 25,093	$ 25,093	$ –	$ 334,569	7.50%
06/30/2020	$ 26,500	$ 26,500	$ –	$ 353,342	7.50%
06/30/2021	$ 30,144	$ 30,144	$ –	$ 401,927	7.50%
06/30/2022	$ 30,167	$ 30,167	$ –	$ 402,236	7.50%
06/30/2023	$ 40,384	$ 40,384	$ –	$ 538,452	7.50%

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

BLUESKY CHARTER SCHOOL, INC.

Teachers Retirement Association Pension Benefits Plan
Schedule of School's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2023

School Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	School's Proportion of the Net Pension Liability	School's Proportionate Share of the Net Pension Liability	School's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the School's Share of the State of Minnesota's Share of the Net Pension Liability	School's Covered Payroll	School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.0519%	$ 2,391,515	$ 168,388	$ 2,559,903	$ 2,369,021	100.95%	81.50%
06/30/2016	06/30/2015	0.0514%	$ 3,179,598	$ 389,976	$ 3,569,574	$ 2,608,085	121.91%	76.80%
06/30/2017	06/30/2016	0.0529%	$ 12,617,912	$ 1,266,296	$ 13,884,208	$ 2,752,008	458.50%	44.88%
06/30/2018	06/30/2017	0.0542%	$ 10,819,303	$ 1,045,175	$ 11,864,478	$ 2,919,482	370.59%	51.57%
06/30/2019	06/30/2018	0.0551%	$ 3,460,796	$ 325,277	$ 3,786,073	$ 3,041,843	113.77%	78.07%
06/30/2020	06/30/2019	0.0554%	$ 3,531,208	$ 312,487	$ 3,843,695	$ 3,146,539	112.23%	78.21%
06/30/2021	06/30/2020	0.0590%	$ 4,358,999	$ 365,043	$ 4,724,042	$ 3,430,634	127.06%	75.48%
06/30/2022	06/30/2021	0.0644%	$ 2,818,337	$ 237,588	$ 3,055,925	$ 3,855,120	73.11%	86.63%
06/30/2023	06/30/2022	0.0689%	$ 5,517,148	$ 409,093	$ 5,926,241	$ 4,247,189	129.90%	76.17%

Teachers Retirement Association Pension Benefits Plan
Schedule of School Contributions
Year Ended June 30, 2023

School Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 195,607	$ 195,607	$ –	$ 2,608,085	7.50%
06/30/2016	$ 206,223	$ 206,223	$ –	$ 2,752,008	7.49%
06/30/2017	$ 219,243	$ 219,243	$ –	$ 2,919,482	7.51%
06/30/2018	$ 228,139	$ 228,139	$ –	$ 3,041,843	7.50%
06/30/2019	$ 242,598	$ 242,598	$ –	$ 3,146,539	7.71%
06/30/2020	$ 271,708	$ 271,708	$ –	$ 3,430,634	7.92%
06/30/2021	$ 313,422	$ 313,422	$ –	$ 3,855,120	8.13%
06/30/2022	$ 354,450	$ 354,450	$ –	$ 4,247,189	8.35%
06/30/2023	$ 372,571	$ 372,571	$ –	$ 4,355,691	8.55%

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

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PERA – GENERAL EMPLOYEES RETIREMENT FUND

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN PLAN PROVISIONS

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

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2019 CHANGES IN PLAN PROVISIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN PLAN PROVISIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892.0 million. Upon consolidation, state and employer contributions were revised; the state's contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

TEACHERS RETIREMENT ASSOCIATION (TRA)

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption was changed from 8.50 percent to 7.50 percent.
- The single discount rate changed from 5.12 percent to 7.50 percent.

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The COLA was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

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OTHER REQUIRED REPORTS

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

PRINCIPALS
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

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

To the Board and Management of
BlueSky Charter School, Inc.
Bloomington, 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 the major fund of BlueSky Charter School (the School) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 29, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified one deficiency in internal control, described in the accompanying Schedule of Findings and Recommendations as finding 2023-001, that we consider to be a material weakness.

(continued)

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
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REPORT ON COMPLIANCE AND OTHER MATTERS

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

SCHOOL'S RESPONSE TO FINDING

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Recommendations. The School'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 the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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

Minneapolis, Minnesota
December 29, 2023

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board and Management of
BlueSky Charter School, Inc.
Bloomington, 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 the major fund of BlueSky Charter School (the School) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 29, 2023.

MINNESOTA LEGAL COMPLIANCE

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
December 29, 2023

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Schedule of Findings and Recommendations
Year Ended June 30, 2023

A. FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING

2023-001 Material Audit Adjustment

Criteria – Management is responsible for establishing and maintaining effective internal controls. These controls include the responsibility for preparation, or oversight of the preparation, of the financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition – During our audit, we proposed an audit adjustment necessary to keep the estimated general education aid and related year-end receivable reported in BlueSky Charter School's (the School) fiscal 2023 financial statements from being materially misstated. This adjustment, which is considered material to the financial statements, had not been recorded properly in accordance with accounting principles generally accepted in the United States of America prior to our audit. Auditing standards consider the identification by the auditor of a potentially material misstatement in the financial statements to be a material weakness in the related internal controls.

Questioned Costs – Not applicable.

Context – Our audit testing identified a proposed audit adjustment to reduce estimated general education aid and the related receivable by $462,603, affecting both the governmental activities and General Fund opinion units.

Repeat Finding – This is a current year finding.

Cause – This condition was caused by the School using the incorrect Minnesota Department of Education interactive "What If" general education aid projection model to calculate its estimated general education aid entitlement for fiscal 2023.

Effect – This condition could have resulted in material misstatements to the School's financial statements for the 2023 fiscal year.

Recommendation – We recommend that the School review its internal controls over calculating state aid estimates to ensure reasonable estimates of revenue and year-end receivables are recorded.

View of Responsible Official and Planned Corrective Actions – There is no disagreement with the audit finding. The School's management will review its internal control procedures to ensure that state aid estimates are appropriately calculated and recorded in its internal accounting records, and accurately reported in its external financial statements going forward.

B. MINNESOTA LEGAL COMPLIANCE FINDINGS

None.

BLUESKY CHARTER SCHOOL, INC.

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2023

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		$ 7,891,697	$ 7,891,697	$ –
Total expenditures		$ 7,870,985	$ 7,870,984	$ 1
Nonspendable				
460	Nonspendable fund balance	$ 256,532	$ 256,532	$ –
Restricted				
401	Student activities	$ –	$ –	$ –
402	Scholarships	$ –	$ –	$ –
403	Staff development	$ –	$ –	$ –
407	Capital projects levy	$ –	$ –	$ –
408	Cooperative revenue	$ –	$ –	$ –
413	Projects funded by COP	$ –	$ –	$ –
414	Operating debt	$ –	$ –	$ –
416	Levy reduction	$ –	$ –	$ –
417	Taconite building maintenance	$ –	$ –	$ –
424	Operating capital	$ –	$ –	$ –
426	$25 taconite	$ –	$ –	$ –
427	Disabled accessibility	$ –	$ –	$ –
428	Learning and development	$ –	$ –	$ –
434	Area learning center	$ –	$ –	$ –
435	Contracted alternative programs	$ –	$ –	$ –
436	State approved alternative program	$ –	$ –	$ –
438	Gifted and talented	$ –	$ –	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
441	Basic skills programs	$ –	$ –	$ –
448	Achievement and integration	$ –	$ –	$ –
449	Safe schools levy	$ 5,713	$ 5,713	$ –
451	QZAB payments	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
453	Unfunded severance and retirement levy	$ –	$ –	$ –
459	Basic skills extended time	$ –	$ –	$ –
467	Long-term facilities maintenance	$ –	$ –	$ –
472	Medical Assistance	$ 3,143	$ 3,143	$ –
464	Restricted fund balance	$ –	$ –	$ –
475	Title VII – Impact Aid	$ –	$ –	$ –
476	PILT	$ –	$ –	$ –
Committed				
418	Committed for separation	$ –	$ –	$ –
461	Committed fund balance	$ –	$ –	$ –
Assigned				
462	Assigned fund balance	$ 290,129	$ 290,129	$ –
Unassigned				
422	Unassigned fund balance	$ 3,695,986	$ 3,695,986	$ –
Food Service				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
452	OPEB liability not in trust	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Community Service				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
426	$25 taconite	$ –	$ –	$ –
431	Community education	$ –	$ –	$ –
432	ECFE	$ –	$ –	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
444	School readiness	$ –	$ –	$ –
447	Adult basic education	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

BLUESKY CHARTER SCHOOL, INC.

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2023

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

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

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