

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2022**



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CHARTER SCHOOL NO. 4160  
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## **INTRODUCTORY SECTION**

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 41604160  
SCHOOL BOARD, BUILDING COMPANY BOARD, AND ADMINISTRATION  
JUNE 30, 2022**

**SCHOOL BOARD**

<b><u>NAME</u></b>	<b><u>TERM EXPIRES</u></b>	<b><u>BOARD POSITION</u></b>
Dave Lucas	June 30, 2025	Chair
Tom Sagstetter	June 30, 2024	Vice Chair
Tony Brunt	June 30, 2022	Secretary
Nancy Moe	June 30, 2023	Director
Joe Thomas	June 30, 2024	Treasurer
Joshua Zehoski	June 30, 2023	Director
Cory Taylor	June 30, 2023	Director

**BUILDING COMPANY BOARD**

Dave Lucas	Chair
Tony Brunt	Secretary
Tom Sagstetter	Treasurer
Rick Peterson	Director

**ADMINISTRATION**

Dan DeBruyn	Executive Director
Mark Leland	High School Principal
Greg Heinecke	Middle School Principal

## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Board of Education  
Charter School No. 4160  
Spectrum High School  
Elk River, Minnesota

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Spectrum High School (the School), as of and for the year ended June 30, 2022, 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 each major fund of the School, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.



***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, TRA Schedule of the School's Proportionate Share of the Net Pension Liability, TRA Schedule of School Contributions, GERS Schedule of the School's Proportionate Share of the Net Pension Liability, GERS Schedule of School Contributions and the notes to the required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

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

***Other Information***

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

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

Board of Education  
Charter School No. 4160  
Spectrum High School

**Report on Summarized Comparative Information**

We have previously audited the School's 2021 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund in our report dated November 17, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 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 5, 2022, 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 School's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
December 5, 2022

## **REQUIRED SUPPLEMENTARY INFORMATION**

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

This section of Spectrum High School – Charter School No. 4160's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the School's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

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

- General Fund revenues were \$10,057,814 as compared to expenditures of \$9,650,158. After a transfer to the Food Service Fund of \$49,648, this resulted in a General Fund surplus of \$358,008 for fiscal year 2022.
- The fund balance of the General Fund increased from \$2,337,381 to \$2,695,389.
- The School grew to a total of 812.27 ADMs (students), an increase of 48.04 ADMs from the prior year.
- Building Company revenues were \$1,379,520 as compared to expenditures of \$1,344,661. The net result was a surplus of \$34,859 for the year and an ending fund balance in the Building Company Fund of \$2,305,880 on June 30, 2022.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- The financial statements also include notes that explain some of the information in the statements and provide more detailed data.
- *Fiduciary funds statements* provide information about the financial relationships in which the School acts solely as a trustee or agent for the benefit of others to whom the resources belong.

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

**Government-Wide Statements**

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

The two government-wide statements report the School's net position and how they have 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 is an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the School's creditworthiness and the condition of school buildings and other facilities.

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

- *Governmental Activities* – Basic services are included here, such as regular and special education and administration. State aids finance most of these activities.

**Fund Financial Statements**

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

- Some funds are required by State law and by debt covenants.
- The School may establish other funds to control and manage money for specific purposes.

The School has the following fund type:

- *Governmental Funds* – Basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information in separate reconciliations to explain the relationship (or differences) between them.
- *Fiduciary Funds* – The School is the trustee, or fiduciary, for assets that belong to others. The School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the School's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the government-wide financial and governmental fund statements because the School cannot use these assets to finance its operations.

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

**Net Position**

The School's combined net position was a deficit of \$5,773,750 on June 30, 2022 compared to combined net deficit of \$6,249,089 on June 30, 2021 (see Table A-1).

	Governmental Activities as of June 30,		Percentage Change
	2022	2021	
Current and Other Assets	\$ 5,764,316	\$ 5,250,099	9.79 %
Capital Assets	16,663,626	17,062,131	(2.34)
Total Assets	<u>22,427,942</u>	<u>22,312,230</u>	0.52
Deferred Outflows of Resources	3,328,851	3,585,246	(7.15)
Current Liabilities	1,222,450	1,107,225	10.41
Net Pension Liability	3,145,434	4,983,871	(36.89)
Long-Term Liabilities	22,237,326	22,609,506	(1.65)
Total Liabilities	<u>26,605,210</u>	<u>28,700,602</u>	(7.30)
Deferred Inflows of Resources	<u>4,925,333</u>	<u>3,445,963</u>	42.93
Net Position (Deficit):			
Net Investment in Capital Assets	(2,512,366)	(1,487,425)	68.91
Restricted	2,700	-	N/A
Unrestricted	(3,264,084)	(4,761,664)	(31.45)
Total Net Position (Deficit)	<u>\$ (5,773,750)</u>	<u>\$ (6,249,089)</u>	(7.61)

The negative unrestricted net position occurred due to the School's net pension liability. This is the School's proportionate share of the net pension liabilities of the state pension plans administered by PERA and TRA.

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

**Changes in Net Position**

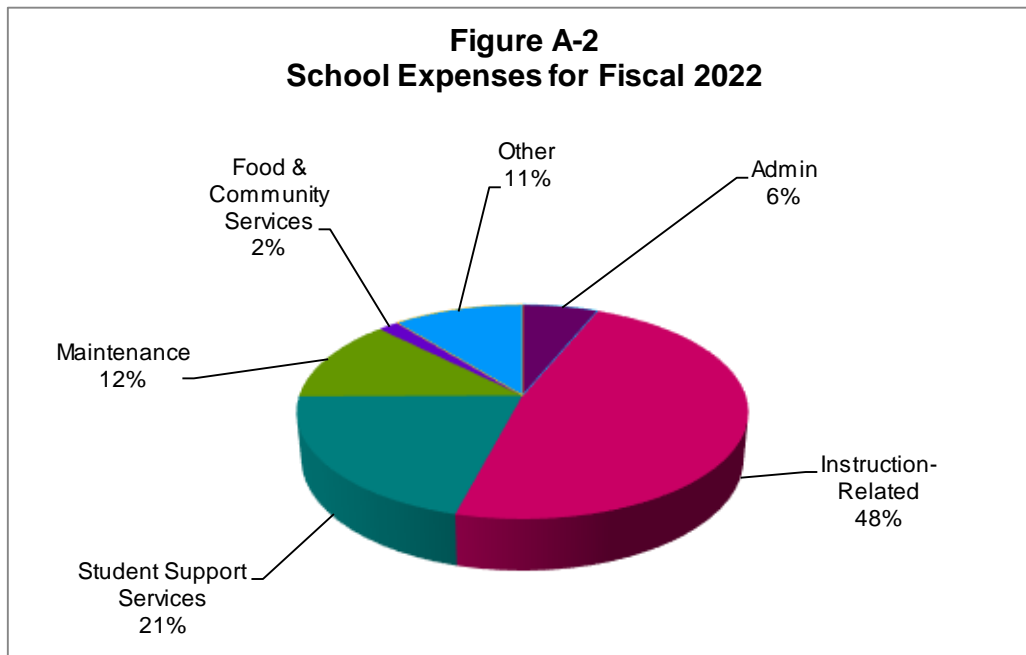
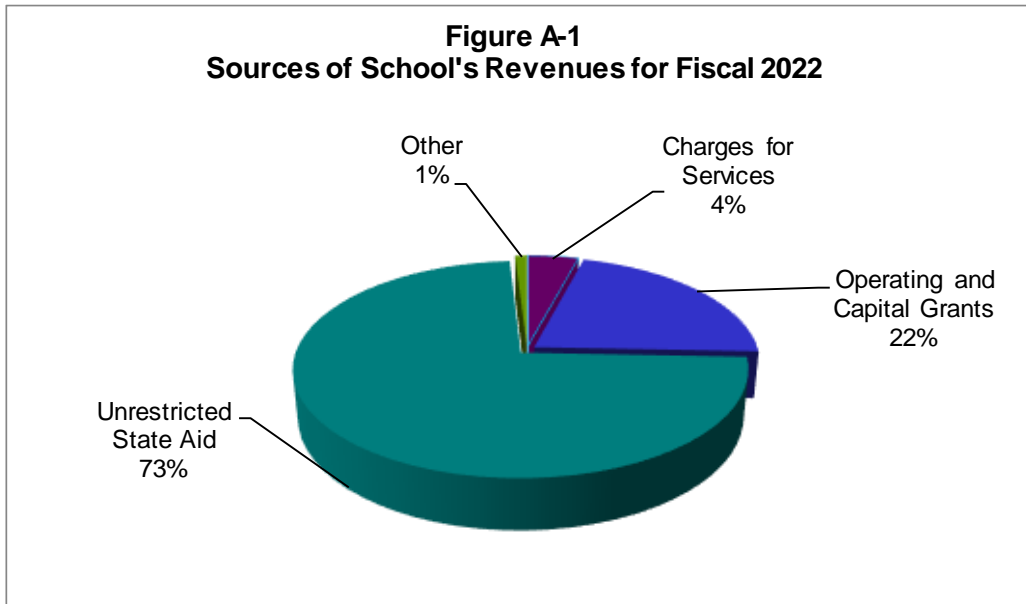
The School's total revenues were \$10,137,148 for the year ended June 30, 2022. State formula aid accounted for 73% of total revenues for the year (see Figure A-1). Another 21% came from operating grants. The remaining 6% came from charges for services and other general revenues.

	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2022	2021	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 423,732	\$ 215,168	96.93 %
Operating Grants and Contributions	2,173,091	2,202,509	(1.34)
<u>General Revenues</u>			
Unrestricted State Aid	7,442,391	6,875,394	8.25
Investment Earnings	(3,709)	4,021	(192.24)
Other	101,643	75,780	34.13
Total Revenues	<u>10,137,148</u>	<u>9,372,872</u>	8.15
<b>Expenses</b>			
Administration	604,997	638,193	(5.20)
District Support Services	945,883	871,470	8.54
Regular Instruction	3,822,662	4,644,354	(17.69)
Vocational Education	(763)	9,894	N/A
Special Education Instruction	803,029	802,887	0.02
Instructional Support Services	328,377	397,364	(17.36)
Pupil Support Services	729,496	690,600	5.63
Sites and Buildings	1,213,805	688,115	76.40
Fiscal and Other Fixed Cost Programs	87,664	68,677	27.65
Food Service	167,075	69,525	140.31
Interest and Fiscal Charges on Long-Term Liabilities	959,584	975,257	(1.61)
Total Expenses	<u>9,661,809</u>	<u>9,856,336</u>	(1.97)
<b>Change in Net Position</b>	475,339	(483,464)	
Beginning Net Position	(6,249,089)	(5,765,625)	
Ending Net Position	<u>\$ (5,773,750)</u>	<u>\$ (6,249,089)</u>	

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

The total cost of all programs and services was \$9,661,809. Total revenues surpassed expenses, increasing net position by \$475,339 from last year.

- Some of the cost was paid by the users of the School's programs (\$423,732).
- The federal and state governments subsidized certain programs with grants and contributions (\$2,173,091).
- The unrestricted portion of the governmental activities was paid for with \$7,442,391 of state aid based on the statewide education aid formula, and the remainder with other general revenues.





**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

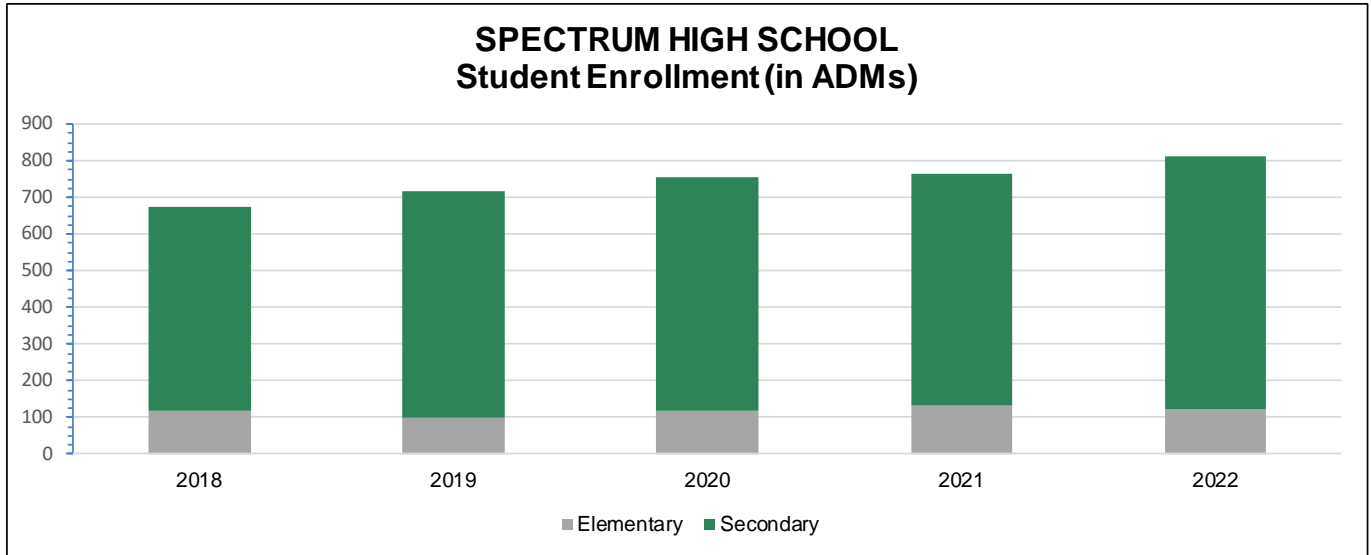
All governmental funds include only funds received for the general operation of the School. Funding for the general operation of the School is controlled by the state.

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2022	2021		2022	2021	
Administration	\$ 604,997	\$ 638,193	(5.20)%	\$ 604,997	\$ 638,193	(5.20)%
District Support Services	945,883	871,470	8.54	945,883	871,470	8.54
Regular Instruction	3,822,662	4,644,354	(17.69)	3,218,170	4,095,174	(21.42)
Vocational Education	(763)	9,894	(107.71)	-	9,335	(100.00)
Special Education Instruction	803,029	802,887	0.02	172,118	161,145	6.81
Instructional Support Services	328,377	397,364	(17.36)	328,377	397,364	(17.36)
Pupil Support Services	729,496	690,600	5.63	729,496	690,600	5.63
Sites and Buildings	1,213,805	688,115	76.40	(30,957)	459,475	(106.74)
Fiscal and Other Fixed Cost Programs	87,664	68,677	27.65	87,664	68,677	27.65
Food Service	167,075	69,525	140.31	49,654	43,803	13.36
Interest and Fiscal Charges on Long-Term Liabilities	959,584	975,257	(1.61)	959,584	3,423	27933.42
<b>Total</b>	<b>\$ 9,661,809</b>	<b>\$ 9,856,336</b>	<b>(1.97)</b>	<b>\$ 7,064,986</b>	<b>\$ 7,438,659</b>	<b>(5.02)</b>

**ENROLLMENT**

Enrollment is a critical factor in determining revenue with a high percentage of General Fund revenue being determined by enrollment. The following charts show that the average number of ADMs increased by 6.29% from the prior year.

**Table A-4  
Average Daily Membership (ADM)**



	2018	2019	2020	2021	2022
Elementary	115.83	100.9	116.87	130.49	123.98
Secondary	558.05	615.31	636.98	633.74	688.29
<b>Total served</b>	<b>673.88</b>	<b>716.21</b>	<b>753.85</b>	<b>764.23</b>	<b>812.27</b>
	35.97%	6.28%	5.26%	1.38%	6.29%

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

The financial performance of the School as a whole is reflected in its governmental funds. As the School completed the year, its governmental funds reported a combined fund balance of \$5,001,269.

**GENERAL FUND**

The General Fund includes the primary operations of the School in providing educational services to students in grades 6 through 12. In 2021-2022, the School served an average of 812.27 ADMs.

The following schedule presents a summary of General Fund revenues.

**Table A-5  
General Fund Revenues**

	Year Ended		Change	
	June 30, 2022	June 30, 2021	Increase (Decrease)	Percent Change
Local Sources:				
Earnings on Investments	\$ (4,423)	\$ 3,898	\$ (8,321)	(213.47)%
Other	434,832	288,132	146,700	50.91
State Sources	9,356,108	8,707,254	648,854	7.45
Federal Sources	271,297	336,828	(65,531)	(19.46)
Total General Fund Revenue	<u>\$ 10,057,814</u>	<u>\$ 9,336,112</u>	<u>\$ 721,702</u>	7.73

Total General Fund revenues increased by \$721,702 (or 7.73%) from the prior year.

The increase in State Sources revenue was primarily due to an increase in general education revenues due to an increase in students as well as a 2.5% increase in the General Education Revenue formula.

The following schedule presents a summary of General Fund expenditures.

**Table A-6  
General Fund Expenditures**

	Year Ended		Change	
	June 30, 2022	June 30, 2021	Increase (Decrease)	Percent Change
Salaries	\$ 4,827,616	\$ 4,595,031	\$ 232,585	5.06 %
Employee Benefits	1,315,836	1,213,185	102,651	8.46
Purchased Services	1,379,143	2,604,841	(1,225,698)	(47.05)
Supplies and Materials	386,710	309,180	77,530	25.08
Capital Expenditures	1,652,778	187,451	1,465,327	781.71
Debt Service Expenditures	-	95,067	(95,067)	(100.00)
Other Expenditures	88,075	114,748	(26,673)	(23.24)
Total General Fund Expenditures	<u>\$ 9,650,158</u>	<u>\$ 9,119,503</u>	<u>\$ 530,655</u>	5.82

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

Total General Fund Expenditures increased \$530,655 (or 5.82%) from the previous year.

Salaries and Benefits increased by a combined amount of \$335,236 due to pay increases, increased staffing for special education needs and an increase in the benefits package.

Purchased Services decreased due to the building rent expenditures which were included with Capital Expenditures for 2022.

**General Fund Budgetary Highlights**

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

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

The School revised their budget during fiscal 2022. The amendment was approved at the February board meeting.

Both General Fund revenues and expenditures net results were very close to budget this year with revenues being within 0.3% of budget while expenditures were within 3.0% of the final amended budget. After other financing sources and uses, the net results were within \$5,945 of the board-approved budget.

**OTHER MAJOR FUNDS**

In the Food Service Fund, expenditures exceeded revenues by \$49,648 for the year and the fund ended with a fund balance of \$-0- as of June 30, 2022, after a transfer from the General Fund.

In the Building Company Fund, revenues exceeded expenditures and other financing uses by \$34,859, thereby resulting in an ending fund balance of \$2,305,880.

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of fiscal year 2022, Spectrum High School had invested \$21.7 million in capital assets (see Table A-7). Current year depreciation on these assets was \$697,675.

**Table A-7  
The School's Capital Assets**

	<u>2022</u>	<u>2021</u>	Percentage Change
<b>Building Company</b>			
Land	\$ 1,090,967	\$ 1,090,967	- %
Buildings and Improvements	17,978,885	17,877,595	0.6
Furniture and Equipment	762,108	787,837	(3.3)
<b>Charter School</b>			
Construction in Progress	-	51,653	(100.0)
Buildings and Improvements	399,192	387,022	3.1
Furniture and Equipment	1,487,883	1,285,818	15.7
Less: Accumulated Depreciation	<u>(5,055,409)</u>	<u>(4,418,761)</u>	14.4
Total District Capital Assets	<u>\$ 16,663,626</u>	<u>\$ 17,062,131</u>	(2.3)

**Long-Term Liabilities**

At year-end, Spectrum Building Company, a blended component unit of the School, had \$22.2 million in charter school lease revenue bonds. The School also recorded a net pension liability in the amount of \$3.15 million related to the implementation of GASB Statement No. 68, representing the school proportionate share of the unfunded liabilities for the two statewide pension plans in which it participates (TRA and PERA). More detailed information about long-term liabilities can be found in Note 5 and Note 6 to the financial statements.

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

	<u>2022</u>	<u>2021</u>	Percentage Change
General Obligation Bonds	\$ 22,220,000	\$ 22,570,000	(1.6)%
Net Bond Premium and Discount	17,326	17,915	(3.3)
Financed Purchase Agreements	-	21,591	(100.0)
Net Pension Liability	<u>3,145,434</u>	<u>4,983,871</u>	(36.9)
Total Long-Term Liabilities	<u>\$ 25,382,760</u>	<u>\$ 27,593,377</u>	(8.0)
Long-Term Liabilities:			
Due Within One Year	\$ 380,000	\$ 359,948	
Due in More Than One Year	<u>25,002,760</u>	<u>27,233,429</u>	
Total	<u>\$ 25,382,760</u>	<u>\$ 27,593,377</u>	

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

**FACTORS BEARING ON THE SCHOOL'S FUTURE**

The School is dependent on the state of Minnesota for its revenue authority. The 2020 Legislative session ended with schools receiving a 2.45% increase in the general education formula for FY 2022 and a 2.0% increase for FY 2023. The holdback will continue at its current level of 10%. The 2020 Legislative session did not change these planned outcomes.

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

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our constituents, state oversight agencies, lenders, customers, legislative leaders, and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Spectrum High School, 17796 Industrial Circle NW, Elk River, Minnesota 55330.

## **BASIC FINANCIAL STATEMENTS**

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
STATEMENT OF NET POSITION  
JUNE 30, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)**

	Governmental Activities	
	2022	2021
<b>ASSETS</b>		
Cash and Investments	\$ 2,222,556	\$ 2,059,615
Cash with Fiscal Agent	2,522,885	2,418,296
Receivables:		
Other Governments	908,097	758,787
Other	3,832	984
Prepaid Items	106,946	12,417
Capital Assets:		
Land and Construction in Progress	1,090,967	1,090,967
Other Capital Assets, Net of Depreciation	15,572,659	15,971,164
Total Assets	22,427,942	22,312,230
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows - Pensions	2,297,260	2,512,288
Deferred Outflows - Loss on Refunding of Debt	1,031,591	1,072,958
Total Deferred Outflows of Resources	3,328,851	3,585,246
<b>LIABILITIES</b>		
Salaries and Benefits Payable	565,013	557,661
Accounts and Contracts Payable	189,444	74,427
Accrued Interest Payable	459,403	465,528
Unearned Revenue	8,590	9,609
Long-Term Liabilities:		
Net Pension Liability	3,145,434	4,983,871
Other Long-Term Liabilities Due Within One Year	380,000	359,948
Other Long-Term Liabilities Due in More Than One Year	21,857,326	22,249,558
Total Liabilities	26,605,210	28,700,602
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows - Pensions	4,925,333	3,445,963
<b>NET POSITION (DEFICIT)</b>		
Net Investment in Capital Assets	(2,512,366)	(1,487,425)
Restricted for:		
Other	2,700	-
Unrestricted	(3,264,084)	(4,761,664)
Total Net Position (Deficit)	\$ (5,773,750)	\$ (6,249,089)

See accompanying Notes to Basic Financial Statements.

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)**

Functions	2022			2021	
	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position	Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities	Total Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>					
Administration	\$ 604,997	\$ -	\$ -	\$ (604,997)	\$ (638,193)
District Support Services	945,883	-	-	(945,883)	(871,470)
Regular Instruction	3,822,662	333,195	271,297	(3,218,170)	(4,095,174)
Vocational Education	(763)	-	(763)	-	(9,335)
Special Education Instruction	803,029	-	630,911	(172,118)	(161,145)
Instructional Support Services	328,377	-	-	(328,377)	(397,364)
Pupil Support Services	729,496	-	-	(729,496)	(690,600)
Sites and Buildings	1,213,805	-	1,244,762	30,957	(459,475)
Fiscal and Other Fixed Cost Programs	87,664	-	-	(87,664)	(68,677)
Food Service	167,075	90,537	26,884	(49,654)	(43,803)
Interest and Fiscal Charges on Long-Term Liabilities	959,584	-	-	(959,584)	(3,423)
Total School District	<u>\$ 9,661,809</u>	<u>\$ 423,732</u>	<u>\$ 2,173,091</u>	(7,064,986)	(7,438,659)
<b>GENERAL REVENUES</b>					
State Aid Not Restricted to Specific Purposes				7,442,391	6,875,394
Earnings on Investments				(3,709)	4,021
Miscellaneous				101,643	75,780
Total General Revenues				<u>7,540,325</u>	<u>6,955,195</u>
<b>CHANGE IN NET POSITION</b>				475,339	(483,464)
Net Position - Beginning of Year				<u>(6,249,089)</u>	<u>(5,765,625)</u>
<b>NET POSITION - END OF YEAR</b>				<u>\$ (5,773,750)</u>	<u>\$ (6,249,089)</u>

See accompanying Notes to Basic Financial Statements.



**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)**

	Major Funds			Total Governmental Funds	
	General	Food Service	Building Company	2022	2021
<b>ASSETS</b>					
Cash and Investments	\$ 2,166,697	\$ 7,166	\$ 48,693	\$ 2,222,556	\$ 2,059,615
Cash with Fiscal Agent	-	-	2,522,885	2,522,885	2,418,296
Receivables:					
Due from Minnesota Department of Education	692,674	-	-	692,674	640,033
Due from Federal through Minnesota Department of Education	215,423	-	-	215,423	118,754
Due from Other Funds	265,698	-	-	265,698	209,849
Other Receivables	3,832	-	-	3,832	984
Prepaid Items	106,946	-	-	106,946	12,417
<b>Total Assets</b>	<b>\$ 3,451,270</b>	<b>\$ 7,166</b>	<b>\$ 2,571,578</b>	<b>\$ 6,030,014</b>	<b>\$ 5,459,948</b>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Salaries Payable	\$ 434,507	\$ 40	\$ -	\$ 434,547	\$ 439,062
Payroll Deductions and Employer Contributions Payable	130,466	-	-	130,466	118,599
Accounts and Contracts Payable	189,444	-	-	189,444	74,427
Due to Other Funds	-	-	265,698	265,698	209,849
Unearned Revenue	1,464	7,126	-	8,590	9,609
<b>Total Liabilities</b>	<b>755,881</b>	<b>7,166</b>	<b>265,698</b>	<b>1,028,745</b>	<b>851,546</b>
Fund Balance:					
Nonspendable:					
Prepaid Items	106,946	-	-	106,946	12,417
Restricted for:					
Scholarships	2,700	-	-	2,700	5,621
Building Company Debt Service	-	-	2,305,880	2,305,880	2,271,021
Unassigned	2,585,743	-	-	2,585,743	2,319,343
<b>Total Fund Balance</b>	<b>2,695,389</b>	<b>-</b>	<b>2,305,880</b>	<b>5,001,269</b>	<b>4,608,402</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 3,451,270</b>	<b>\$ 7,166</b>	<b>\$ 2,571,578</b>	<b>\$ 6,030,014</b>	<b>\$ 5,459,948</b>

See accompanying Notes to Basic Financial Statements.

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)**

	2022	2021
<b>Total Fund Balance for Governmental Funds</b>	<b>\$ 5,001,269</b>	<b>\$ 4,608,402</b>
<p>Total net position reported for governmental activities in the statement of net position is different because:</p> <p>Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:</p>		
Land	1,090,967	1,090,967
Construction in Progress	-	51,653
Buildings and Improvements, Net of Accumulated Depreciation	14,395,094	14,786,440
Equipment, Net of Accumulated Depreciation	1,177,565	1,133,071
<p>Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.</p>		
	(459,403)	(465,528)
<p>The School's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:</p>		
Net Pension Liability	(3,145,434)	(4,983,871)
Deferred Inflows of Resources - Pensions	(4,925,333)	(3,445,963)
Deferred Outflows of Resources - Pensions	2,297,260	2,512,288
<p>Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:</p>		
Bonds Payable	(22,220,000)	(22,570,000)
Unamortized Premiums	(17,326)	(17,915)
Deferred Loss on Refunding	1,031,591	1,072,958
Obligations Under Financed Purchases	-	(21,591)
<b>Total Net Position of Governmental Activities</b>	<b>\$ (5,773,750)</b>	<b>\$ (6,249,089)</b>

See accompanying Notes to Basic Financial Statements.

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)**

	Major Funds			Total Governmental Funds	
	General	Food Service	Building Company	2022	2021
<b>REVENUES</b>					
Local Sources:					
Earnings and Investments	\$ (4,423)	\$ -	\$ 714	\$ (3,709)	\$ 4,021
Other	434,832	90,543	1,378,806	1,904,181	1,711,157
State Sources	9,356,108	935	-	9,357,043	8,708,400
Federal Sources	271,297	25,949	-	297,246	359,394
Total Revenues	<u>10,057,814</u>	<u>117,427</u>	<u>1,379,520</u>	<u>11,554,761</u>	<u>10,782,972</u>
<b>EXPENDITURES</b>					
Current:					
Administration	621,735	-	-	621,735	579,200
District Support Services	952,790	-	18,862	971,652	882,416
Elementary and Secondary Regular Instruction	3,822,768	-	-	3,822,768	3,641,871
Special Education Instruction	827,671	-	-	827,671	760,608
Instructional Support Services	317,238	-	-	317,238	276,703
Pupil Support Services	726,720	-	-	726,720	648,209
Sites and Buildings	640,794	-	-	640,794	1,993,910
Fiscal and Other Fixed Cost Programs	87,664	-	-	87,664	68,677
Food Service	-	167,075	-	167,075	69,525
Capital Outlay	1,652,778	-	50,868	1,703,646	311,414
Debt Service:					
Principal	-	-	350,000	350,000	359,948
Interest and Fiscal Charges	-	-	924,931	924,931	939,736
Total Expenditures	<u>9,650,158</u>	<u>167,075</u>	<u>1,344,661</u>	<u>11,161,894</u>	<u>10,532,217</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	407,656	(49,648)	34,859	392,867	250,755
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	49,648	-	49,648	43,803
Transfers Out	(49,648)	-	-	(49,648)	(43,803)
Total Other Financing Sources (Uses)	<u>(49,648)</u>	<u>49,648</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	358,008	-	34,859	392,867	250,755
<b>FUND BALANCES</b>					
Beginning of Year	<u>2,337,381</u>	<u>-</u>	<u>2,271,021</u>	<u>4,608,402</u>	<u>4,357,647</u>
End of Year	<u>\$ 2,695,389</u>	<u>\$ -</u>	<u>\$ 2,305,880</u>	<u>\$ 5,001,269</u>	<u>\$ 4,608,402</u>

See accompanying Notes to Basic Financial Statements.

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)**

	2022	2021
<b>Net Change in Fund Balance - Total Governmental Funds</b>	<b>\$ 392,867</b>	<b>\$ 250,755</b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation exceeded capital outlays in the current period is:</p>		
Capital Outlays	299,170	141,343
Depreciation Expense	(697,675)	(718,000)
<p>Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.</p>		
	144,039	(481,989)
<p>Some capital asset additions are financed through financed purchases. In governmental funds, a financed purchase arrangement is considered a source of financing, but in the statement of net position, the obligation is reported as a liability. Repayment of financed purchase principal is an expenditure in the governmental funds, but repayment reduces the obligation in the statement of net position.</p>		
Principal Payments - Financed Purchases	21,591	19,948
<p>The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of lease revenue bonds and related items is as follows:</p>		
Repayment of Bond Principal	350,000	340,000
Deferred Charges on Refunding Bonds	(41,367)	(41,367)
Change in Accrued Interest - General Obligation Bonds	6,125	5,257
Amortization of Bond Premium	589	589
Total	\$ 475,339	\$ (483,464)

See accompanying Notes to Basic Financial Statements.

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)**

	2022			2021	
	Budgeted Amounts		Actual	Over (Under)	Actual
	Original	Final	Amounts	Final Budget	Amounts
<b>REVENUES</b>					
Local Sources:					
Earnings and Investments	\$ -	\$ -	\$ (4,423)	\$ (4,423)	\$ 3,898
Other	462,900	520,993	434,832	(86,161)	288,132
State Sources	9,123,656	9,281,372	9,356,108	74,736	8,707,254
Federal Sources	244,715	290,497	271,297	(19,200)	336,828
Total Revenues	<u>9,831,271</u>	<u>10,092,862</u>	<u>10,057,814</u>	<u>(35,048)</u>	<u>9,336,112</u>
<b>EXPENDITURES</b>					
Current:					
Administration	705,462	687,235	621,735	(65,500)	579,200
District Support Services	1,155,671	1,081,389	952,790	(128,599)	868,510
Elementary and Secondary Regular Instruction	3,648,897	3,619,792	3,822,768	202,976	3,641,871
Special Education Instruction	850,789	922,036	827,671	(94,365)	760,608
Instructional Support Services	386,856	374,304	317,238	(57,066)	276,703
Pupil Support Services	765,108	775,146	726,720	(48,426)	648,209
Sites and Buildings	694,927	717,423	640,794	(76,629)	1,993,910
Fiscal and Other Fixed Cost Programs	69,900	88,140	87,664	(476)	67,974
Capital Outlay	1,508,577	1,661,009	1,652,778	(8,231)	187,451
Debt Service:					
Principal	-	22,685	-	(22,685)	95,067
Total Expenditures	<u>9,786,187</u>	<u>9,949,159</u>	<u>9,650,158</u>	<u>(299,001)</u>	<u>9,119,503</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	45,084	143,703	407,656	263,953	216,609
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers Out	-	(43,703)	(49,648)	(5,945)	(43,803)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 45,084</u>	<u>\$ 100,000</u>	358,008	<u>\$ 258,008</u>	172,806
<b>FUND BALANCE</b>					
Beginning of Year			2,337,381		2,164,575
End of Year			<u>\$ 2,695,389</u>		<u>\$ 2,337,381</u>

See accompanying Notes to Basic Financial Statements.

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
SPECIAL REVENUE FOOD SERVICE FUND  
YEAR ENDED JUNE 30, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)**

	2022				2021
	Budgeted Amounts		Actual	Over (Under)	Actual
	Original	Final	Amounts	Final Budget	Amounts
<b>REVENUES</b>					
Local Sources:					
Other - Primarily Meal Sales	\$ 134,806	\$ 119,000	\$ 90,543	\$ (28,457)	\$ 2,010
State Sources	5,032	5,032	935	(4,097)	1,146
Federal Sources	46,850	49,963	25,949	(24,014)	22,566
Total Revenues	<u>186,688</u>	<u>173,995</u>	<u>117,427</u>	<u>(56,568)</u>	<u>25,722</u>
<b>EXPENDITURES</b>					
Current:					
Food Service	216,674	217,698	167,075	(50,623)	69,525
Total Expenditures	<u>216,674</u>	<u>217,698</u>	<u>167,075</u>	<u>(50,623)</u>	<u>69,525</u>
<b>DEFICIENCY OF REVENUE UNDER EXPENDITURES</b>	(29,986)	(43,703)	(49,648)	(5,945)	(43,803)
<b>OTHER FINANCING SOURCES</b>					
Transfers In	<u>29,986</u>	<u>43,703</u>	<u>49,648</u>	<u>5,945</u>	<u>43,803</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	-
<b>FUND BALANCE</b>					
Beginning of Year			-		-
End of Year			<u>\$ -</u>		<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of Charter School No. 4160, also known as Spectrum High School (the School), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

**B. Financial Reporting Entity**

Spectrum High School is a nonprofit corporation that was formed, and began operating, on October 20, 2005 in accordance with Minnesota Statutes. The School is authorized by Volunteers of America - Minnesota and operates under an authorizer agreement extending through June 30, 2024. The governing body consists of a board of directors composed of a Chairperson and such other officers as the board of directors shall determine from time to time.

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

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

Based on these criteria, there is one organization that is considered to be a component unit of the School. Spectrum Building Company (the Building Company) is a Minnesota nonprofit corporation holding IRS classification as a 501(c)(3) tax-exempt organization. The Building Company is governed by a separate board appointed by the board of the School. Although it is legally separate from the School, the Building Company is reported as if it were part of the School (as a blended component unit) because it is organized as a nonprofit corporation with the School as its sole corporate member. No separate financial statements of the Building Company are issued.

Aside from its sponsorship, Volunteers of America - Minnesota has no authority, control, power, or administrative responsibilities over Spectrum High School. Therefore, the School is not considered a component unit of Volunteers of America - Minnesota.



**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Basic Financial Statement Presentation

The government-wide financial statements (i.e. the statement of net position and the 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 items not properly included among program revenues are reported instead as general revenues.

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

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

D. Measurement Focus and Basis of Accounting

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

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Measurement Focus and Basis of Accounting (Continued)

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. State revenue is recognized in the year to which it applies according to Minnesota Statutes and GAAP. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales and other miscellaneous revenue are recorded as revenues when received because they are generally not measurable until then. A six-month availability period is generally used for other fund revenue.

**2. Recording of Expenditures**

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

Description of Funds

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

Descriptions of the funds included in this report are as follows:

*Major Governmental Funds*

General Fund

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

Food Service Special Revenue Fund

The Food Service Fund is used to account for food service revenues and expenditures. Primary sources of revenue in the Food Service Fund are from meal sales and state and federal aids.

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Measurement Focus and Basis of Accounting (Continued)

Building Company Special Revenue Fund

This Special Revenue Fund accounts for all activities of the Spectrum Building Company; that is the proceeds and uses of resources received to own an educational site for the School. Primary sources of revenue in the Building Company are from rent received and investment earnings.

E. Income Taxes

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

F. Use of Estimates

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

G. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with GAAP. Each January, the School Board adopts an annual budget for the following fiscal year for the General Fund and the Food Service Special Revenue Fund. A budget for Spectrum Building Company was not adopted for fiscal year 2022. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

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

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

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

G. Budgeting (Continued)

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

	<u>Original Budget</u>	<u>Amendments</u>	<u>Amended Budget</u>
<u>Revenues</u>			
General Fund	\$ 9,831,271	\$ 261,591	\$ 10,092,862
Special Revenue Fund:			
Food Service Fund	186,688	(12,693)	173,995
<u>Expenditures</u>			
General Fund	\$ 9,786,187	\$ 162,972	\$ 9,949,159
Special Revenue Fund:			
Food Service Fund	216,674	1,024	217,698

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

H. Cash and Investments

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

I. Accounts Receivable

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

J. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. The expenditures are allocated over the appropriate period of service.

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School has two items that qualify for reporting in this category. The first is related to pensions and the second item that qualifies for reporting in this category relates to deferred amounts from the refunding of bonds.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has one item that qualifies for reporting in this category related to pensions.

**L. Capital Assets**

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The School maintains a threshold level of \$5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statement but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the School, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 5 to 20 years for equipment and 20 to 40 years for buildings and building improvements. Capital assets not being depreciated include land and construction in progress.

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

**M. Long-Term Obligations**

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

**SPECTRUM HIGH SCHOOL  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

M. Long-Term Obligations (Continued)

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

N. Pensions

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

O. Unpaid Sick and Personal Leave

Unpaid sick and personal leave has not been accrued in any funds as these benefits do not vest to employees.

P. Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The Board of Education chose to delegate to the school director and chief operating officer the authority to assign fund balances for specific purposes. Unassigned fund balances are considered the remaining amounts.

Although the School Board has not adopted a spending prioritization policy for restricted fund balance, the School applies restricted resources first when an expenditure is incurred for purpose for which both restricted and unrestricted fund balance is available. The default spending priority per GASB Statement No. 54 for unrestricted fund balance is when an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

**SPECTRUM HIGH SCHOOL  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Q. Risk Management

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

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

R. Net Position

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

S. Comparative Data

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

**NOTE 2 STEWARDSHIP AND ACCOUNTABILITY**

A. Interfund Receivables and Payables

	Due from Other Fund	Due to Other Fund
General Fund	\$ 265,698	\$ -
Special Revenue Funds:		
Building Company	-	265,698
Total	\$ 265,698	\$ 265,698

The General Fund had interfund activity with the Building Company related to the bond issuance and other transactions which resulted in amounts being owed between the two funds at year-end. Such amounts are expected to be repaid during the next fiscal year.

B. Interfund Transfers

The General Fund transferred \$49,648 to the Food Service Fund to eliminate the deficit food service fund balance.

**SPECTRUM HIGH SCHOOL  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 3 DEPOSITS AND INVESTMENTS**

A. Deposits

The School maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as "Cash and Investments." In accordance with Minnesota Statutes, the School maintains deposits at financial institutions which are authorized by the School's Board.

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

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110.0% of the deposits not covered by 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 deposits in banks at June 30, 2022 \$1,421,546. The Spectrum Building Company deposits in banks at June 30, 2022 were \$48,693. In accordance with Minnesota Statutes, all balances were entirely covered by federal depository insurance or by surety bonds and collateral.

B. Investments

The School may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less
- General obligations rated "A" or better; revenue obligations rated "AA" or better
- General obligations of the Minnesota Housing Finance Agency rate "A" or better
- Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System



**SPECTRUM HIGH SCHOOL  
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JUNE 30, 2022**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

B. Investments (Continued)

- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers

At June 30, 2022, the Building Company’s investment balances were as follows:

**Investments Held by Trustee**

<u>Type</u>	<u>Total</u>	<u>Maturity Duration in Years Less Than 1</u>	<u>Rating</u>
Federated Government Obligations Fund # 703	<u>\$ 2,522,885</u>	<u>\$ 2,522,885</u>	Aaa-mf

The investments noted as Federated Government Obligations Fund #703 are investments that are held by an escrow agent in accordance with escrow agreements established with the sale of the Lease Revenue Bonds Series 2017. The investments noted as U.S. Treasury Notes are managed with Charles Schwab Corporation.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School and the Building Company do not have formal investment policies.

Concentration of Credit Risk – The School and the Building Company place no limits on the amount that the School and Building Company may invest in any one issuer. At June 30, 2022 there were no investments with one issuer which constituted more than 5% of total investments.

The deposits and investments are presented in the financial statements as follows:

Cash and Investments - Statement of Net Position	\$ 2,222,556
Cash and Investments Held by Trustee - Statement of Net Position	<u>2,522,885</u>
Total Cash and Investments	<u>\$ 4,745,441</u>

**SPECTRUM HIGH SCHOOL  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

C. Fair Value Measurements

The School uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The School follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the School has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

*Level 2* – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

*Level 3* – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

The School did not hold any investments measured at fair value as of June 30, 2022. The money market fund investments held by the Building Company's escrow agent are valued at cost. The U.S. Treasury Notes investments held by the entity are valued as amortized cost due to being purchased while the investments are within one year or less of maturity.

**SPECTRUM HIGH SCHOOL  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
<b>Building Company</b>				
Land	\$ 1,090,967	\$ -	\$ -	\$ 1,090,967
<b>Charter School</b>				
Construction in Progress	51,653		(51,653)	-
Total Capital Assets, Not Being Depreciated	<u>1,142,620</u>	<u>-</u>	<u>(51,653)</u>	<u>1,090,967</u>
Capital Assets, Being Depreciated:				
<b>Building Company</b>				
Buildings and Improvements	17,877,595	101,290		17,978,885
Furniture and Equipment	787,837		(25,729)	762,108
<b>Charter School</b>				
Building and Improvements	387,022	12,170	-	399,192
Furniture and Equipment	1,285,818	237,363	(35,298)	1,487,883
Total Capital Assets, Being Depreciated	<u>20,338,272</u>	<u>350,823</u>	<u>(61,027)</u>	<u>20,628,068</u>
Accumulated Depreciation for:				
<b>Building Company</b>				
Buildings and Improvements	(3,202,983)	(473,954)	-	(3,676,937)
Furniture and Equipment	(318,644)	(44,486)	25,729	(337,401)
<b>Charter School</b>				
Building and Improvements	(275,194)	(30,852)	-	(306,046)
Furniture and Equipment	(621,940)	(148,383)	35,298	(735,025)
Total Accumulated Depreciation	<u>(4,418,761)</u>	<u>(697,675)</u>	<u>61,027</u>	<u>(5,055,409)</u>
Total Capital Assets, Being Depreciated, Net	<u>15,919,511</u>	<u>(346,852)</u>	<u>-</u>	<u>15,572,659</u>
Governmental Activities Capital Assets, Net	<u>\$ 17,062,131</u>	<u>\$ (346,852)</u>	<u>\$ (51,653)</u>	<u>\$ 16,663,626</u>

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

<b>Governmental Activities</b>	
Administration	\$ 528
District Support Services	3,702
Regular Instruction	73,196
Instructional Support Services	39,819
Pupil Support Services	16,213
Sites and Buildings	564,217
Total Depreciation Expense, Governmental Activities	<u>\$ 697,675</u>

**SPECTRUM HIGH SCHOOL  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 5 LONG-TERM DEBT**

A. Long-Term Debt

Bonds Payable

Issue Date	Net Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
				Due Within One Year	Total
11/20/2017	2.375%	\$ 23,200,000	7/1/2052	\$ 380,000	\$ 22,220,000
Premium on Bonds Payable				-	17,326
Total				<u>\$ 380,000</u>	<u>\$ 22,237,326</u>

Charter School Lease Revenue Bonds Series 2017 – In November of 2017, the School issued Charter School Lease Revenue Bonds, Series 2017A and 2017B in the amount of \$23,200,000. The Bonds were issued to finance construction on their building and to advance refund the Charter School Lease Revenue Bonds, series 2012A, 2014A and 2014B. An escrow account was established with the proceeds of the 2017 bonds, which will pay the principal and interest payments due on the 2017 bonds through July 1, 2052, the call date.

The resulting payable in semi-annual installments of principal and interest beginning July 1, 2018 through July 1, 2052. The note is based on annual interest rates that will increase from 3.5% to 4.375% (the rates of the related lease revenue bonds) and is secured by a mortgage agreement covering the related land, school building, and building contents as well as the assignment of all lease revenue.

Changes in long-term debt are as follows:

	June 30, 2021	Additions	Retirements	June 30, 2022	Principal Due Within One Year
Lease Revenue Bonds Payable	\$ 22,570,000	\$ -	\$ 350,000	\$ 22,220,000	\$ 380,000
Premium on Bonds Payable	17,915	-	589	17,326	-
Financed Purchase Agreement	21,591	-	21,591	-	-
Total	<u>\$ 22,609,506</u>	<u>\$ -</u>	<u>\$ 372,180</u>	<u>\$ 22,237,326</u>	<u>\$ 380,000</u>

**SPECTRUM HIGH SCHOOL  
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JUNE 30, 2022**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

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

<u>Year Ending June 30,</u>	<u>Revenue Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 380,000	\$ 918,806
2024	395,000	905,506
2025	410,000	891,681
2026	420,000	877,331
2027	435,000	862,631
2028-2032	2,435,000	4,058,630
2033-2037	2,960,000	3,533,880
2038-2042	3,610,000	2,881,830
2043-2047	4,445,000	2,048,581
2048-2052	5,485,000	1,011,337
2053	1,245,000	54,469
Total	<u>\$ 22,220,000</u>	<u>\$ 18,044,682</u>

**NOTE 6 DEFINED BENEFIT PENSION PLANS**

A. Plan Description

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

**1. General Employees Retirement Plan (GERF)**

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

**SPECTRUM HIGH SCHOOL  
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**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

A. Plan Description (Continued)

**2. Teachers Retirement Fund (TRA)**

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

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or Minnesota State Colleges and Universities).

B. Benefits Provided

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

**1. General Employees Plan Benefits**

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

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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

B. Benefits Provided (Continued)

**1. General Employees Plan Benefits (Continued)**

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

**2. TRA Benefits**

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

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

*Tier 1 Benefits*

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

With these provisions:

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

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

B. Benefits Provided (Continued)

**2. TRA Benefits (Continued)**

or

*Tier II Benefits*

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

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

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

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

C. Contributions

**1. General Employees Fund Contributions**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2021 and the School was required to contribute 7.50% for Coordinated Plan members. The School's contributions to the General Employees Fund for the year ended June 30, 2022 were \$110,099. The School's contributions were equal to the required contributions as set by state statute.



**SPECTRUM HIGH SCHOOL  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

C. Contributions (Continued)

**2. TRA Contributions**

Per Minnesota Statutes, Chapter 354 rates for the fiscal year 2021 for coordinated were 7.5% for the employee and 8.34% for the employer. Basic rates were 11.00% for the employee and 12.34% for the employer. The School's contributions to TRA for the Plan's fiscal year ended June 30, 2022, were \$295,605. The School's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

**1. General Employees Fund Pension Costs**

At June 30, 2022, the School reported a liability of \$751,599 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 non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the School totaled \$22,905.

The net pension liability was measured as of June 30, 2021, 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 PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The School's proportionate share was .0176% at the end of the measurement period and .0172% for the beginning of the period.

Description	Amount
School's Proportionate Share of the PERA Net Pension Liability	\$ 751,599
State's Proportionate Share of PERA's Net Pension Liability Associated with the School	22,905
Total	\$ 774,504

For the year ended June 30, 2022, the School recognized pension expense of \$24,375 for its proportionate share of the General Employees Plan's pension expense. In addition, the School recognized an additional \$1,848 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million contribution.

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

**1. General Employees Fund Pension Costs (Continued)**

At June 30, 2022, the School reported its proportionate share of General Employees Fund's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 4,618	\$ 23,001
Changes in Actuarial Assumptions	458,911	16,626
Net Difference Between Projected and Actual		
Earnings on Plan Investments	-	650,916
Changes in Proportion and Differences Between		
District Contributions and Proportionate		
Share of Contributions	71,730	-
District Contributions Subsequent to the		
Measurement Date	110,099	-
Total	<u>\$ 645,358</u>	<u>\$ 690,543</u>

Of the resources related to pensions resulting from School contributions to the General Employees Fund subsequent to the measurement date, \$110,099 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to General Employees Fund pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2023	\$ 14,491
2024	7,537
2025	228
2026	(177,540)

**2. TRA Pension Costs**

At June 30, 2022, the School reported a liability of \$2,393,835 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2021, 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 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 .0547% at the end of the measurement period and .0535% for the beginning of the period.

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

**2. TRA Pension Costs (Continued)**

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

Description	Amount
School's Proportionate Share of the TRA Net Pension Liability	\$ 2,393,835
State's Proportionate Share of the Net Pension Liability Associated with the School	201,848
Total Liability Associated with the School	<u>\$ 2,595,683</u>

For the year ended June 30, 2022, the School recognized pension expense of \$236,484. It also recognized \$19,340 as a decrease to pension expense for the support provided by direct aid.

At June 30, 2022, the School reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 64,835	\$ 67,807
Changes in Actuarial Assumptions	877,252	2,159,764
Net Difference Between Projected and Actual Earnings on Plan Investments	-	2,007,219
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	414,210	-
District Contributions Subsequent to the Measurement Date	295,605	-
Total	<u>\$ 1,651,902</u>	<u>\$ 4,234,790</u>

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

**2. TRA Pension Costs (Continued)**

Of the resources related to pensions resulting from School contributions to TRA subsequent to the measurement date, \$295,605 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2023	\$ (1,452,253)
2024	(1,102,404)
2025	(186,376)
2026	(328,017)
2027	190,557

The School's total pension expense for all plans for the year ended June 30, 2022 was \$243,367. This includes the amounts recognized for the support provided by direct aid.

E. Long-Term Expected Rate on Investment

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	<u>100.0 %</u>	

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

E. Long-Term Expected Rate on Investment (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5 %	5.10 %
International Equity	17.5	5.30
Fixed Income	20.0	0.75
Private Markets	25.0	5.90
Cash	2.0	-
Total	100.00 %	

F. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5% for PERA and 7.0% for TRA. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% for PERA and 7.0% for TRA was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter.

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

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

F. Actuarial Assumptions (Continued)

TRA pre-retirement mortality rates were based on the RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale. Post-retirement mortality rates were based on the RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment.

Inflation is assumed to be 2.5% for TRA. Benefit increases after retirement are assumed to be 1.0% for January 2020 through January 2023 then increasing by 0.10% each year up to 1.5% annually.

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

The following changes in actuarial assumptions occurred in 2021 for PERA:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes in plan provisions since the prior valuation.

The following changes in actuarial assumptions for TRA occurred in 2021:

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund, the Police and Fire Fund, and the Correctional Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

G. Discount Rate (Continued)

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

H. Pension Liability Sensitivity

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

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
<u>GERF Discount Rate</u>	5.50%	6.50%	7.50%
School's Proportionate Share of the GERF Net Pension Liability	\$ 1,532,878	\$ 751,599	\$ 110,512
<u>TRA Discount Rate</u>	6.00%	7.00%	8.00%
School's Proportionate Share of the TRA Net Pension Liability	\$ 4,835,664	\$ 2,393,835	\$ 391,341

I. Pension Plan Fiduciary Net Position

Detailed information about the General Employees Fund fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

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

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 7 COMMITMENTS AND CONTINGENCIES**

**A. Federal and State Programs**

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

**B. State Revenues Pledged**

The School has pledged all funds, monies, grants, or other distributions received by the School from the state of Minnesota with respect to general student funding, state building lease aid payments, state distributions of Federal Title I funds, or any other funding sources, net of operating expenses of the School required under state or Federal laws to provide required educational program expenditures, to repay the lease revenue bonds issued by the Building Company. Proceeds from the bonds provided financing for the acquiring, construction, and equipping of the education facility located at 17796 Industrial Circle NW, Elk River, Minnesota. The bonds are payable solely from lease revenues paid by the School to the Building Company revenues and are payable through 2052.

**C. Lease Commitments and Terms**

The School leases its main educational site at 17796 Industrial Circle NW, Elk River, Minnesota from the Spectrum Building Company (a blended component unit). Under the terms of the revised lease agreement, the lease term is for the period beginning December 5, 2017, and ending June 5, 2052. The School has 10 options to extend the lease term for five years each option.

The net annual base rent for the term of the lease agreement is directly tied to the debt service requirements of the Spectrum Building Company, including amounts held in escrow as part of the respective loan agreements. In addition, the School is responsible for all interior and exterior repair and maintenance costs as well as all utility costs.

The total cost of all educational-related space for fiscal 2021-2022 which qualified for state lease aid was \$1,378,806. The School qualified for state charter school lease aid based on a statutory cap of \$1,314 per pupil unit served, or \$1,240,925. This entitlement is subject to proration by the Minnesota Department of Education to the extent the overall funding that has been provided is insufficient to meet all amounts owed to Minnesota charter schools. Future amounts to be requested for state lease aid from the Minnesota Department of Education may vary due to financing arrangements, which are subject to change.



**SPECTRUM HIGH SCHOOL  
 CHARTER SCHOOL NO. 4160  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2022**

**NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

C. Lease Commitments and Terms (Continued)

Below is the schedule of future base rents payable in accordance with the lease agreements summarized above:

<u>Year Ending June 30,</u>	<u>Scheduled Lease Payments</u>
2023	\$ 1,380,506
2024	1,381,681
2025	1,377,331
2026	1,377,631
2027	1,377,406
2028-2032	6,893,480
2033-2037	6,895,480
2038-2042	6,890,068
2043-2047	6,894,668
2048-2052	6,897,625
Total	<u>\$ 41,365,876</u>

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
TRA SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
LAST EIGHT MEASUREMENT PERIODS \***

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

	Measurement Date June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0547%	0.0535%	0.0527%	0.0484%	0.0481%	0.0456%	0.0416%	0.0375%
School's Proportionate Share of the Net Pension Liability	\$ 2,393,835	\$ 3,952,625	\$ 3,359,109	\$ 3,040,871	\$ 9,601,633	\$ 10,876,688	\$ 2,573,371	\$ 1,727,973
State's Proportionate Share of the Net Pension Liability Associated with School	201,848	331,338	297,459	285,359	927,285	1,092,235	315,631	121,445
Total	<u>\$ 2,595,683</u>	<u>\$ 4,283,963</u>	<u>\$ 3,656,568</u>	<u>\$ 3,326,230</u>	<u>\$ 10,528,918</u>	<u>\$ 11,968,923</u>	<u>\$ 2,889,002</u>	<u>\$ 1,849,418</u>
School's Covered Payroll	\$ 3,288,081	\$ 3,382,563	\$ 3,340,693	\$ 2,943,160	\$ 2,575,373	\$ 2,410,880	\$ 2,097,307	\$ 1,760,032
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	72.80%	116.85%	103.32%	372.82%	451.15%	122.70%	98.18%	98.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.63%	75.48%	78.21%	78.07%	51.57%	44.88%	76.80%	81.50%

\*The School implemented GASB Statement No. 68 in fiscal 2015, and the above table will be expanded to 10 years as information is available.

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
TRA SCHEDULE OF SCHOOL CONTRIBUTIONS  
LAST EIGHT FISCAL YEARS \***

**TRA Schedule of School Contributions**

	Fiscal Year Ended June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 295,605	\$ 267,321	\$ 267,899	\$ 250,552	\$ 220,737	\$ 193,153	\$ 180,816	\$ 157,298
Contributions in Relation to the Statutorily Required Contribution	(295,605)	(267,321)	(267,899)	(250,552)	(220,737)	(193,153)	(180,816)	(157,298)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 3,544,424	\$ 3,288,081	\$ 3,382,563	\$ 3,340,693	\$ 2,943,160	\$ 2,575,373	\$ 2,410,880	\$ 2,097,307
Contributions as a Percentage of Covered Payroll	8.34%	8.13%	7.92%	7.50%	7.50%	7.50%	7.50%	7.50%

\*The School implemented GASB Statement No. 68 in fiscal 2015, and the above table will be expanded to 10 years as information is available.

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
GERF SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
LAST EIGHT MEASUREMENT PERIODS \***

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

	Measurement Date June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0176%	0.0172%	0.0164%	0.0146%	0.0162%	0.0153%	0.0148%	0.0144%
School's Proportionate Share of the Net Pension Liability	\$ 751,599	\$ 1,031,219	\$ 906,719	\$ 809,948	\$ 1,034,197	\$ 1,242,284	\$ 767,013	\$ 676,440
State's Proportionate Share of the Net Pension Liability Associated with School	22,905	31,745	28,165	26,429	13,043	16,225	-	-
Total	<u>\$ 774,504</u>	<u>\$ 1,062,964</u>	<u>\$ 934,884</u>	<u>\$ 836,377</u>	<u>\$ 1,047,240</u>	<u>\$ 1,258,509</u>	<u>\$ 767,013</u>	<u>\$ 676,440</u>
School's Covered Payroll	\$ 1,264,720	\$ 1,208,573	\$ 1,154,133	\$ 980,747	\$ 1,044,440	\$ 879,580	\$ 879,580	\$ 877,823
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	59.43%	85.33%	78.56%	82.58%	99.02%	141.24%	87.20%	77.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.00%	79.10%	80.23%	79.53%	75.90%	68.90%	78.20%	78.70%

\*The School implemented GASB Statement No. 68 in fiscal 2015, and the above table will be expanded to 10 years as information is available.

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
GERF SCHEDULE OF SCHOOL CONTRIBUTIONS  
LAST EIGHT FISCAL YEARS \***

**GERF Schedule of School Contributions**

	Fiscal Year Ended June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 110,099	\$ 94,854	\$ 90,643	\$ 86,560	\$ 73,556	\$ 78,333	\$ 70,681	\$ 64,869
Contributions in Relation to the Statutorily Required Contribution	(110,099)	(94,854)	(90,643)	(86,560)	(73,556)	(78,333)	(70,681)	(64,869)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 1,467,987	\$ 1,264,720	\$ 1,208,573	\$ 1,154,133	\$ 980,747	\$ 1,044,440	\$ 942,413	\$ 879,580
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.38%

\*The School implemented GASB Statement No. 68 in fiscal 2015, and the above table will be expanded to 10 years as information is available.

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS**

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the years ended June 30:

A. General Employees Fund

2021

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

2020

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

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

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS  
(CONTINUED)**

A. General Employees Fund (Continued)

2018

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

2017

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

2016

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



**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS  
(CONTINUED)**

The following changes were reflected in the valuation performed on behalf of the Teachers Retirement Association for the years ended June 30:

A. Coordinated Plan

2021

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

2020

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back five years and female rates set back seven years.
- Generational projection uses the MP-2015 scale. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.
- There have been no changes since the prior valuation.

2019

- No changes.

2018

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 4 years, (7.92% in 2019, 8.13% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.
- The single discount rate was changed from 5.12% to 7.5%

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS  
(CONTINUED)**

A. Coordinated Plan (Continued)

2017

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for 10 years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate was changed from 4.66% to 5.12%

2016

- There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date.
- Postretirement benefit adjustments are now assumed to stay level at 2.0% annually.
- The single discount rate was changed from 8.0% to 4.66%.

## **SUPPLEMENTARY INFORMATION**

**SPECTRUM HIGH SCHOOL  
CHARTER SCHOOL NO. 4160  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
JUNE 30, 2022**

	AUDIT	UFARS	DIFFERENCE		AUDIT	UFARS	DIFFERENCE
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenue	\$ 10,057,814	\$ 10,057,812	\$ 2	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	\$ 9,650,158	\$ 9,650,157	\$ 1	Total Expenditures	-	-	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	\$ 106,946	\$ 106,946	\$ -	460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>				<i>Restricted:</i>			
401 Student Activities	\$ -	\$ -	\$ -	407 Capital Projects Levy	-	-	-
402 Scholarships	\$ 2,700	\$ 2,700	\$ -	409 Alternative Facility Program	-	-	-
406 Health and Safety	\$ -	\$ -	\$ -	413 Projects Funded by COP	-	-	-
407 Capital Project Levy	\$ -	\$ -	\$ -	464 Restricted Fund Balance	-	-	-
408 Cooperative Programs	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
413 Projects Funded by COP	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	-	-	-
414 Operating Debt	\$ -	\$ -	\$ -				
416 Levy Reduction	\$ -	\$ -	\$ -	<b>07 DEBT SERVICE</b>			
417 Taconite Building Maintenance	\$ -	\$ -	\$ -	Total Revenue	-	-	-
424 Operating Capital	\$ -	\$ -	\$ -	Total Expenditures	-	-	-
426 \$25 Taconite	\$ -	\$ -	\$ -	<i>Nonspendable:</i>			
427 Disabled Accessibility	\$ -	\$ -	\$ -	460 Nonspendable Fund Balance	-	-	-
428 Learning and Development	\$ -	\$ -	\$ -	<i>Restricted:</i>			
434 Area Learning Center	\$ -	\$ -	\$ -	425 Bond Refunding	-	-	-
435 Contracted Alternative Programs	\$ -	\$ -	\$ -	451 QZAB and QSCB Payments	-	-	-
436 State-Approved Alternative Programs	\$ -	\$ -	\$ -	464 Restricted Fund Balance	-	-	-
438 Gifted and Talented	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
440 Teacher Development and Evaluations	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	-	-	-
441 Basic Skills Programs	\$ -	\$ -	\$ -				
445 Career and Technical Programs	\$ -	\$ -	\$ -	<b>08 TRUST</b>			
448 Achievement and Integration	\$ -	\$ -	\$ -	Total Revenue	\$ -	\$ -	\$ -
449 Sage Schools Crime Levy	\$ -	\$ -	\$ -	Total Expenditures	-	-	-
451 QZAB Payments	\$ -	\$ -	\$ -	<i>Net Position:</i>			
452 OPEB Liability Not Held in Trust	\$ -	\$ -	\$ -	422 Net Position	-	-	-
453 Unfunded Severance & Retirement Levy	\$ -	\$ -	\$ -				
464 Restricted Fund Balance	\$ -	\$ -	\$ -	<b>20 INTERNAL SERVICE</b>			
<i>Committed:</i>				Total Revenue	-	-	-
418 Committed for Separation	\$ -	\$ -	\$ -	Total Expenditures	-	-	-
461 Committed Fund Balance	\$ -	\$ -	\$ -	<i>Net Position:</i>			
<i>Assigned:</i>				422 Net Position	-	-	-
462 Assigned Fund Balance	\$ -	\$ -	\$ -				
<i>Unassigned:</i>				<b>25 OPEB REVOCABLE TRUST</b>			
422 Unassigned Fund Balance	\$ 2,585,743	\$ 2,585,741	\$ 2	Total Revenue	-	-	-
				Total Expenditures	-	-	-
<b>02 FOOD SERVICE</b>				<i>Net Position:</i>			
Total Revenue	\$ 117,427	\$ 117,429	\$ (2)	422 Net Position	-	-	-
Total Expenditures	\$ 167,075	\$ 167,076	\$ (1)				
<i>Nonspendable:</i>				<b>45 OPEB IRREVOCABLE TRUST</b>			
460 Nonspendable Fund Balance	\$ -	\$ -	\$ -	Total Revenue	-	-	-
<i>Restricted:</i>				Total Expenditures	-	-	-
452 OPEB Liability Not Held in Trust	\$ -	\$ -	\$ -	<i>Net Position:</i>			
464 Restricted Fund Balance	\$ -	\$ -	\$ -	422 Net Position	-	-	-
<i>Unassigned:</i>							
463 Unassigned Fund Balance	\$ -	\$ -	\$ -	<b>47 OPEB DEBT SERVICE</b>			
				Total Revenue	-	-	-
<b>04 COMMUNITY SERVICE</b>				Total Expenditures	-	-	-
Total Revenue	\$ -	\$ -	\$ -	<i>Nonspendable:</i>			
Total Expenditures	\$ -	\$ -	\$ -	460 Nonspendable Fund Balance	-	-	-
<i>Nonspendable:</i>				<i>Restricted:</i>			
460 Nonspendable Fund Balance	\$ -	\$ -	\$ -	425 Bond Refunding	-	-	-
<i>Restricted:</i>				464 Restricted Fund Balance	-	-	-
426 \$25 Taconite	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
431 Community Education	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	-	-	-
432 E.C.F.E.	\$ -	\$ -	\$ -				
440 Teacher Development and Evaluations	\$ -	\$ -	\$ -				
444 School Readiness	\$ -	\$ -	\$ -				
447 Adult Basic Education	\$ -	\$ -	\$ -				
452 OPEB Liability Not Held in Trust	\$ -	\$ -	\$ -				
464 Restricted Fund Balance	\$ -	\$ -	\$ -				
<i>Unassigned:</i>							
463 Unassigned Fund Balance	\$ -	\$ -	\$ -				

## **OTHER REQUIRED REPORTS**



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

Board of Education  
Charter School No. 4160  
Spectrum High School  
Elk River, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Spectrum High School (the School), as of and for the year ended June 30, 2022, 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 5, 2022.

***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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***Report on Compliance and Other Matters***

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

***Purpose of This Report***

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



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
December 5, 2022



## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education  
Charter School No. 4160  
Spectrum High School  
Elk River, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Spectrum High School as of and for the year ended June 30, 2022, 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 5, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that Spectrum High 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 Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the charter school's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Charter Schools* and the results of that testing, and not to provide an opinion on the effectiveness of Spectrum High School's compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
December 5, 2022





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