bergankDV

Star of the North Academy
Charter School No. 4224
East Bethel, Minnesota

Basic Financial Statements

June 30, 2021

Star of the North Academy
Charter School No. 4224
Table of Contents

Star of the North Academy
Charter School No. 4224
Board of Directors and Administration
June 30, 2021

Board of Directors	Position
Javed Mohammad	Board Chairperson
Ahmad Abuatieh	Member
Abdul Khadeer	Member
Mohamed Omar	Member
Keely Dutcher	Member
Administration	
Dawn Madland	Principal

Independent Auditor's Report

To the Board of Directors
Star of the North Academy
East Bethel, Minnesota

Report on the Basic Financial Statements
We have audited the accompanying basic financial statements of the governmental activities, and each major fund of Star of the North Academy, East Bethel, Minnesota, as of and for the year ended June 30, 2021, and the related notes to basic financial statements, which collectively comprise the Academy's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Basic Financial Statements
The management of Star of the North Academy is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility
Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Academy's preparation and fair presentation of the basic financial statements 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 Academy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of Star of the North Academy, East Bethel, Minnesota, as of June 30, 2021, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund and Food Service Fund for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Academy's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information identified in the Table of Contents 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2021, on our consideration of the Academy's internal control over financial reporting and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

BerganKDV, Ltd.

Minneapolis, Minnesota
December 9, 2021

Star of the North Academy
Charter School No. 4224
Management's Discussion and Analysis

This section of the Academy's annual financial report presents a discussion and analysis of the Academy's financial performance during the fiscal year ended on June 30, 2021. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Financial Highlights

Key financial highlights for the 2020-2021 fiscal year include the following:

- Fiscal year 2021 was the seventh full year of operation for the Academy.
- The Academy's ending consolidated General Fund balance at June 30, 2021 was $439,127, an increase of $182,758from June 30, 2020.
- Total Net Position of the Academy decreased by $114,716.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements. The Academy's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

Present the financial picture of the Academy from the economic resources measurement focus using the accrual basis of accounting similar to a private-sector business.

The government-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The *Statement of Net Position* includes all of the Academy's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The *Statement of Activities* presents information showing how the Academy's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows.*

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Academy uses fund accounting to ensure and demonstrate compliance with finance- related legal requirements.

Overview of the Financial Statements (Continued)

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the Academy's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Academy maintains two government funds and information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and food service funds.

The Academy adopted an annual appropriated budget for both funds. Budgetary comparison statements have been provided to demonstrate compliance with this budget.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Figure A-1
Major Features of the Academy's Government-Wide and Fund Financial Statements
Fund Statements

Type of Statements	Government-Wide	Governmental Funds
Scope	All Academy Activities	All Academy Activities
Required financial statements	* Statement of Net Position	* Balance Sheet
	* Statement of Activities	* Statement of Revenues, Expenditures and Changes in Fund Balance
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Only assets expected to be earned and liabilities owed during the year or soon thereafter
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Star of the North Academy
Charter School No. 4224
Management's Discussion and Analysis

Overview of the Financial Statements (Continued)

Net Position

Net position, over time, serves as a useful indicator of the Academy's financial position. In fiscal year 2021, liabilities and deferred inflow of resources exceeded assets and deferred outflows of resources creating a negative net position. Net Position components include investment in capital assets (equipment less accumulated depreciation) and unrestricted balance.

Table A-1
Net Position

	June 30, 2021	June 30, 2020	Change
Assets			
Current and other assets	$ 806,692	$ 381,378	$ 425,314
Net capital assets	31,579	40,438	(8,859)
Total assets	838,271	421,816	416,455
Deferred Outflows of Resources	647,346	988,302	(340,956)
Liabilities			
Current liabilities	529,621	125,009	404,612
Noncurrent liabilities	961,732	824,008	137,724
Total liabilities	1,491,353	949,017	542,336
Deferred Inflows of Resources	771,192	1,123,313	(352,121)
Net Position			
Net investment in capital assets	$ (158,792)	$ 40,438	$ (199,230)
Restricted	31,977	3,302	28,675
Unrestricted	(650,113)	(705,952)	55,839
Total net position	$ (776,928)	$ (662,212)	$ (114,716)

Current and other assets increased by $425,314 including increases in cash and receivables from the prior year. Current liabilities increased by $404,612. Noncurrent liabilities for the Academy's pension liability of $961,732 were included on the June 30, 2021 Statement of Net Position.

Statement of Activities

The cost of all Governmental activities for fiscal year 2021 was $1,980,076, with the majority of these costs supported by federal and state grants. Operating grants and contributions decreased by $41,717 due to a decrease in enrollment. State sources decreased by $131,353 also related to a decrease in enrollment. Total expenses increased by $188,915 due primarily to adjustments made relating to pension activity.

Overview of the Financial Statements (Continued)

Table A-2
Changes in Net Position

	June 30, 2021	2020	Change
Revenues			
Program revenues			
Charges for services	$ 54,809	$ 15,842	$ 38,967
Operating grants and contributions	525,873	567,590	(41,717)
General revenues			
Local sources	50	155	(105)
State sources	1,284,628	1,415,981	(131,353)
Total revenue	1,865,360	1,999,568	(134,208)
Expenses			
Administration	132,678	151,240	(18,562)
School support services	206,389	136,855	69,534
Regular instruction	874,722	829,681	45,041
Special education instruction	123,202	236,619	(113,417)
Instructional support services	14,546	12,077	2,469
Pupil support services	175,217	307,184	(131,967)
Sites, building and equipment	371,868	395,441	(23,573)
Fiscal and other fixed costs	8,414	7,829	585
Food service	73,040	92,065	(19,025)
Total expenses	1,980,076	2,168,991	(188,915)
Change in Net Position	(114,716)	(169,423)	54,707
Net Position			
Beginning	662,212	(492,789)	1,155,001
Ending	$ 547,496	$ (662,212)	$ 1,209,708

Financial Analysis of the Academy's Funds

The financial performance of the Academy as a whole is reflected in its governmental funds as well. As the Academy completed the year, its governmental funds reported a combined fund balance of $467,442. The General Fund balance is comprised of unassigned funds of $430,909 and restricted funds of $3,662. Food Service Fund balance is $28,315 at the end of the year.

General Fund

The General Fund includes the primary operations of the Academy in providing educational services to students.

Financial Analysis of the Academy's Funds (Continued)

General Fund (Continued)

In fiscal year 2021, state aids make up the majority of revenue sources. State sources decreased by $275,766 due to a decrease in enrollment from 2020. The Academy received federal funds, federal sources increased by $79,407 due to additional funding sources.

Table A-3
General Fund Revenues

	Year Ended June 30, 2021	Year Ended June 30, 2020	Change Increase (Decrease)
Other local revenue	$ 54,859	$ 14,154	$ 40,705
State sources	1,558,996	1,834,762	(275,766)
Federal sources	149,406	69,999	79,407
Total general fund revenue	$ 1,763,261	$ 1,918,915	$ (155,654)

Of the total expenditures, 56% were personnel salaries and benefits. Another 38% of total expenditures were purchased services to continue developing the educational program, facility lease, transportation, administrative services, and direct services to students. Overall salaries and benefits increased slightly from the prior year due to changes in staffing. Purchased services decreased due to less consulting services. Supplies and material increased and capital expenditures decreased over the prior year.

Table A-4
General Fund Expenditures

	Year Ended June 30, 2021	Year Ended June 30, 2020	Change Increase (Decrease)
Salaries	$ 801,207	$ 786,283	$ 14,924
Employee benefits	190,440	173,548	16,892
Purchased services	672,910	833,838	(160,928)
Supplies and materials	81,031	48,634	32,397
Capital expenditures	4,968	4,651	317
Other expenditures	20,318	20,136	182
Total expenditures	$ 1,770,874	$ 1,867,090	$ (96,216)

In 2021, General Fund expenditures exceeded revenue and other financing sources by $182,758, which resulted in an increase to fund balance in the General Fund from $256,369 at June 30, 2020, to $439,127 at June 30, 2021. Ending fund balance represents 25% of fiscal year 2021 expenditures.

Financial Analysis of the Academy's Funds (Continued)

Special Revenue Funds
The Academy has one special revenue fund; Food Service. The Food Service Fund tracks the costs of meals and the federal and state revenue that support those meals. For fiscal year 2021, food service revenues exceeded expenditures by $28,315, increasing the fund balance from $0 at June 30, 2020, to $28,315 at June 30, 2021.

Budgetary Highlights
Over the course of the year, the Academy's operating budget was amended due to changes in grant and enrollment activity.

Highlights of the operating funds budgets include:
- General Fund revenues were $86 under budget.
- General Fund expenditures were $77,911 under budget, mostly in sites and buildings.
- The net amended General Fund budget projected a fund balance increase of $104,933 as compared to an actual fund balance increase of $182,758.

Capital Assets
The Academy's capital assets are used to assist students in their educational experience. In fiscal year 2021, the Academy did not capitalize any purchased.

Factors Bearing on the Academy's Future
- The Academy is dependent on the State of Minnesota for its revenue authority.
- Fiscal Year 2021 enrollment increased from the prior year.
- The Academy signed a five year building lease agreement for the period of July 1, 2016 through June 30, 2021.
- The Academy will strive to meet its commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

Contacting the Academy'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 Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Star of the North Academy, 1562 Northeast Viking Boulevard, East Bethel, Minnesota 55011.

BASIC FINANCIAL STATEMENTS

Star of the North Academy
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash and investments	$ 741,980
Due from Department of Education	380
Due from Federal Government through Department of Education	58,957
Prepaid items	5,375
Capital assets	
Equipment	95,382
Less accumulated depreciation	(63,803)
Total assets	838,271
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	647,346
Total assets and deferred outflows of resources	$ 1,485,617
Liabilities	
Accounts payable	$ 196,010
Salaries and benefits payable	86,335
Due to Other Governmental Units	54,745
Unearned revenue	2,160
Note from direct borrowing, due in less than one year	28,971
Note from direct borrowing, due in more than one year	161,400
Net pension liability, due in more than one year	961,732
Total liabilities	1,491,353
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	771,192
Net Position	
Net investment in capital assets	(158,792)
Restricted for	
Food service	28,315
Medical assistance	1,630
Safe school crime	2,032
Unrestricted	(650,113)
Total net position	(776,928)
Total liabilities, deferred inflows of resources, and net position	$ 1,485,617

See notes to basic financial statements.

Star of the North Academy
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 132,678	$ -	$ -	$ -	$ (132,678)
District support services	206,389	-	-	-	(206,389)
Elementary and secondary regular instruction	874,722	54,809	318,336	-	(501,577)
Special education instruction	123,202	-	107,580	-	(15,622)
Instructional support services	14,546	-	-	-	(14,546)
Pupil support services	175,217	-	-	-	(175,217)
Sites and buildings	371,868	-	-	-	(371,868)
Fiscal and other fixed cost programs	8,414	-	-	-	(8,414)
Food service	73,040	-	99,957	-	26,917
Total governmental activities	$ 1,980,076	$ 54,809	$ 525,873	$ -	(1,399,394)
General revenues					
State aid-formula grants					1,284,628
Investment income					50
Total general revenues					1,284,678
Change in net position					(114,716)
Net position - beginning					(662,212)
Net position - ending					$ (776,928)

See notes to basic financial statements.

Star of the North Academy
Balance Sheet - Governmental Funds
June 30, 2021

	General	Food Service	Total Governmental Funds
Assets			
Cash and investments	$ 738,332	$ 3,648	$ 741,980
Due from Federal Government through Department of Education	31,348	27,609	58,957
Prepaid items	5,375	-	5,375
Total assets	$ 775,055	$ 31,637	$ 806,692
Liabilities			
Accounts payable	$ 192,688	$ 3,322	$ 196,010
Salaries and benefits payable	86,335	-	86,335
Due to Other Governmental Units	54,745	-	54,745
Unearned revenue	2,160	-	2,160
Total liabilities	335,928	3,322	339,250
Fund Balances			
Nonspendable	5,375	-	5,375
Restricted	3,662	28,315	31,977
Unassigned	430,090	-	430,090
Total fund balances	439,127	28,315	467,442
Total liabilities and fund balances	$ 775,055	$ 31,637	$ 806,692

See notes to basic financial statements.

Star of the North Academy
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2021

Total fund balances - governmental funds	$	467,442
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets ingovernmental funds.		
Cost of capital assets		95,382
Less accumulated depreciation		(63,803)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of:		
Net pension liability		(961,732)
Note from direct borrowing		(190,371)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.		
Deferred outflows of resources related to pensions		647,346
Deferred inflows of resources related to pensions		(771,192)
Total net position - governmental activities	$	(776,928)

See notes to basic financial statements.

Star of the North Academy
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2021

	General	Food Service	Total Governmental Funds
Revenues			
Other local and county revenues	$ 54,859	$ -	$ 54,859
Revenue from state sources	1,558,996	2,840	1,561,836
Revenue from federal sources	149,406	97,117	246,523
Total revenues	1,763,261	99,957	1,863,218
Expenditures			
Current			
Administration	118,976	-	118,976
District support services	200,738	-	200,738
Regular instruction	769,158	-	769,158
Special education instruction	115,111	-	115,111
Instructional support services	14,546	-	14,546
Pupil support services	175,217	-	175,217
Sites and buildings	360,717	-	360,717
Fiscal and other fixed cost programs	8,414	-	8,414
Food service	-	71,642	71,642
Capital outlay			
Regular instruction	2,217	-	2,217
Sites and buildings	5,780	-	5,780
Total expenditures	1,770,874	71,642	1,842,516
Excess of revenues over (under) expenditures	(7,613)	28,315	20,702
Other financing source			
Loan Proceeds	190,371	-	190,371
Net change in fund balances	182,758	28,315	211,073
Fund Balances			
Beginning of year	256,369	-	256,369
End of year	$ 439,127	$ 28,315	$ 467,442

See notes to basic financial statements.

Star of the North Academy
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
Year Ended June 30, 2021

Net change in fund balances - total governmental funds	$ 211,073
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlay is reported in governmental funds as an expenditure. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Depreciation expense	(8,859)
Governmental funds recognize pension contributions as expenditures at the time of payment in the funds whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	
Pension expense	(126,559)
Proceeds from the issuance of long-term debt are recognized as other financing sources in the governmental funds increasing fund balance but having no effect on net position in the statement of activities.	
Notes from direct borrowings	(190,371)
Change in net position - governmental activities	$ (114,716)

Star of the North Academy
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues				
Other local and county revenues	$ 7,798	$ 56,798	$ 54,859	$ (1,939)
Revenue from state sources	1,818,484	1,517,540	1,558,996	41,456
Revenue from federal sources	91,750	189,009	149,406	(39,603)
Total revenues	1,918,032	1,763,347	1,763,261	(86)
Expenditures				
Current				
Administration	97,577	122,289	118,976	(3,313)
District support services	173,626	194,400	200,738	6,338
Elementary and secondary regular instruction	790,130	817,799	769,158	(48,641)
Special education instruction	132,562	119,067	115,111	(3,956)
Instructional support services	-	10,000	14,546	4,546
Pupil support services	317,987	148,025	175,217	27,192
Sites and buildings	382,058	401,705	360,717	(40,988)
Fiscal and other fixed cost programs	7,416	12,500	8,414	(4,086)
Capital outlay				
Elementary and secondary regular instruction	7,500	20,000	2,217	(17,783)
Sites and buildings	4,635	3,000	5,780	2,780
Total expenditures	1,913,491	1,848,785	1,770,874	(77,911)
Excess of revenues over (under) expenditures	4,541	(85,438)	(7,613)	77,825
Other Financing Sources (Uses)				
Loan Proceeds	-	190,371	190,371	-
Net change in fund balance	$ 4,541	$ 104,933	182,758	$ 77,825
Fund Balance				
Beginning of year			256,369	
Ending of year			$ 439,127	

See notes to basic financial statements.

Star of the North Academy
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Food Service Special Revenue Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues				
Revenue from state sources	$ 2,460	$ 2,460	$ 2,840	$ 380
Revenue from federal sources	112,871	78,409	97,117	18,708
Total revenues	115,331	80,869	99,957	19,088
Expenditures				
Current				
Food service	118,758	70,695	71,642	947
Total expenditures	118,758	70,695	71,642	947
Net change in fund balances	$ (3,427)	$ 10,174	28,315	$ 18,141
Fund Balance				
Beginning of year			-	
Ending of year			$ 28,315	

See notes to basic financial statements.

(THIS PAGE LEFT BLANK INTENTIONALLY)

Star of the North Academy
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Star of the North Academy ("the Academy") is a nonprofit corporation that was formed in accordance with *Minnesota Statutes* 317A and opened in September 2014. The Academy is authorized by the Novation Education Opportunities. The Academy is a public school which served grades K-8 in the 2020-2021 school year. The Academy's mission is to provide a caring, structured, nurturing environment; collaborative instruction from educators skilled in best teaching practices, maintains high expectations of students and staff, and motivates and engages students and staff in a safe environment of continuous learning and celebration of success. The Academy's vision is to provide a highly effective learning environment for the world's future leaders where all students learn, achieve, and graduate being able to communicate and work successfully in pluralistic American society and abroad.

The governing body consists of a Board of Directors composed of a Chairperson, Treasurer, Secretary, and other members.

The accounting policies of the Academy conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The financial statements present the Academy and its component units. The Academy includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the appointed officials of the Academy are financially accountable and are included within the financial statements of the Academy because of the significance of their operational or financial relationships with the Academy.

The Academy is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the Academy.

As a result of applying the component unit definition criteria above, it has been determined the Academy has no component units.

Aside from its role as authorizer, Novation Education Opportunities has no authority, control, power, or administrative responsibilities over the Academy. Therefore, the Academy is not considered a component unit of Novation Education Opportunities.

The Academy does not maintain any student activity accounts.

B. Basic Financial Statement Information

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 Academy.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

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.

Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities.

C. 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. 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 accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

2. **Recording of Expenditures**
   Expenditures are generally recorded when a liability is incurred. The exception to this general rule is that interest and principal expenditures are recognized when payment is due. However, expenditures are recorded as prepaids for approved disbursements or liabilities incurred in advance of the period in which the item is to be used.

The Academy applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the Academy applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned, and unassigned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds:

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

Major Funds:

General Fund – This fund is the basic operating fund of the Academy and is used to account for all financial resources except those required to be accounted for in another fund.

Food Service Special Revenue Fund – This fund is used to account for food service revenues and expenditures.

D. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Cash and investments at June 30, 2021, were comprised of deposits.

Minnesota Statutes requires all deposits be protected by federal deposit insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

F. Capital Assets

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

The Academy establishes the following minimum capitalization thresholds for capitalizing capital assets: land and improvements - $3,000; buildings and improvements - $3,000; machinery, equipment, and vehicles - $2,500.

Such 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 its acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets (Continued)

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 Academy, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from five to ten years for equipment.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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 that time. The Academy has one item that qualifies for reporting in this category. Deferred outflow relating to pension activity is reported in the government-wide Statement of Net Position. A deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 Academy has one item which qualifies for reporting in this category. A deferred inflow of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

H. Pensions

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Fund Equity

1. Classification

In the fund financial statements, the governmental fund report fund classifications that comprise a hierarchy based primarily on the extent to which the Academy is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. Nonspendable fund balances include amounts that cannot be spent because they are not in spendable form. Amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through enabling legislation are classified as restricted fund balances. Amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of Directors (highest level of decision making authority) through resolution are classified as committed fund balances. Amounts that are constrained by the Academy's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose in the General Fund.

2. Minimum Fund Balance

The Academy's fund balance policy calls for a desired fund balance of no less than 20% of expenditures.

J. Net Position

Net position represents the difference between assets deferred outflows of resources; and liabilities and deferred inflows in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

K. Use of Estimates

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

L. Tax Status

The Academy is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) as an organization. The Academy is also exempt from Minnesota franchise or income tax.

The Academy is required to assess whether an uncertain tax position exists and if there should be recognition of a related benefit or liability in the financial statements. The Academy has determined there are not amounts to record as assets or liabilities related to uncertain tax positions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Budgetary Information

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the Director of the Academy submits to the Academy's Board of Directors a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Formal budgetary integration is employed as a management control device during the year for the General and Food Service Funds.
3. Budgets for the General and Food Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
4. Budgets are as originally adopted or as amended by the Academy's Board of Directors. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk – Deposits: This is the risk that in the event of the failure of a depository financial institution, the Academy will not be able to recover deposits or collateral securities that are in possession of an outside party. *Minnesota Statutes* 118A requires all deposits be protected by federal deposit insurance, corporate security bonds, or collateral. The Academy does not have formal policies for custodial credit risk. As of June 30, 2021, the Academy's bank balance of $748,872 was exposed to custodial credit risk because it was not covered by collateral or FDIC insurance.

Deposits are presented in the Statement of Net Position at June 30, 2021 as follows:

Cash	$ 741,980

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being depreciated				
Equipment	$ 95,382	$ -	$ -	$ 95,382
Less accumulated depreciation for				
Equipment	54,944	8,859	-	63,803
Total capital assets being depreciated, net	$ 40,438	$ (8,859)	$ -	$ 31,579

Depreciation expense for the period for the year ended June 30, 2021, was charged to the regular instruction, food service, and sites and building functions in the amounts of $6,067, $450, and $2,342, respectively.

NOTE 4 – LONG TERM DEBT

On February 3, 2021, the Academy obtained a Paycheck Protection Program (PPP) loan totaling $190,371. The loan has an interest rate of 1.0% and matures February 3, 2026. Monthly principal and interest payments of $3,771 are due beginning ten months from the date of issuance. The loan will be fully forgiven if used on eligible expenditures and all terms and condition are met.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
PPP Loan	$ -	$ 190,371	$ -	$ 190,371	$ 28,971

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The Academy participates in various pension plans, total pension expense for the year ended June 30, 2021, was $198,812. The components of pension expense are noted in the following plan summaries.

The General Fund typically liquidates the Liability related to the pensions.

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

Teachers' Retirement Association

A. Plan Description

The Teachers 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 teachers employed by St. Paul Schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Define Contribution Plan (DCR) administered by Minnesota State.

B. Benefits Provided

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 10 years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First 10 years if service years are up to July 1, 2006	1.2% per year
	First 10 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:

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

- 3% per year early retirement reduction factor for all years under normal retirement age.

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier I Benefits (Continued)

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

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006, and after, a level formula of 1.9% per year for Coordinated members and 2.7% 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. Contribution Rate

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2019, June 30, 2020, and June 30, 2021, were:

	June 30, 2019		June 30, 2020		June 30, 2021	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.0%	11.71%	11.0%	11.92%	11.0%	12.13%
Coordinated	7.5%	7.71%	7.5%	7.92%	7.5%	8.13%

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

Teachers' Retirement Association (Continued)

C. Contribution Rate (Continued)

The following is a reconciliation of employer contributions in TRA's CAFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations. Amounts are reported in thousands.

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	$ 425,223
Deduct employer contributions not related to future contribution efforts	(56)
Deduct TRA's contributions not included in allocation	(508)
Total employer contributions	424,659
Total non-employer contributions	35,587
Total contributions reported in schedule of employer and non-employer pension allocations	$ 460,246

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

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation date	July 1, 2020
Experience study	June 5, 2015 November 6, 2017, (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% thereafter
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter
Cost of living adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumption	
Pre-retirement	RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.5 %	5.10 %
International equity	17.5	5.30
Private markets	25.0	5.90
Fixed income	20.0	0.75
Unallocated cash	2.0	0.00
Total	100 %	

The TRA actuary has determined the average of the expected remaining services lives of all members for fiscal year 2016 is six years. The "Difference Between Expected and Actual Experience", "Changes of Assumptions", and "Changes in Proportion" use the amortization period of six years in the schedule presented. The amortization period for "Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments" is over a period of five years as required by GASB 68.

Changes in actuarial assumptions and methods for the July 1, 2020, valuation:

- 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.

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

Teachers' Retirement Association (Continued)

E. Discount Rate

The discount rate used to measure the total pension liability was 7.5%. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2020 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).

F. Net Pension Liability

On June 30, 2021, the Academy reported a liability of $871,800 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy'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. Academy proportionate share was 0.0118% at the end of the measurement period and 0.0118% for the beginning of the year.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the Academy 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 Academy were as follows:

Academy's proportionate share of net pension liablity	$	871,800
State's proportionate share of the net pension liablity associated with the Academy		73,123

For the year ended June 30, 2021, the Academy recognized pension expense of $177,852. Included in this amount, the Academy recognized $6,699 as pension expense for the support provided by direct aid.

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

On June 30, 2021, the Academy had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 17,483	$ 12,517
Changes in proportion	292,327	16,749
Changes of assumptions	241,379	735,664
Net difference between projected and actual investments earnings	16,112	-
Academy's contributions to TRA subsequent to the measurement date	56,534	-
Total	$ 623,835	$ 764,930

The $56,534 reported as deferred outflows of resources related to pension resulting from Academy contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2022	$ 70,126
2023	(153,758)
2024	(133,050)
2025	15,426
2026	3,627
Total	$ (197,629)

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

Teachers' Retirement Association (Continued)

G. Pension Liability Sensitivity
The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.5%) and 1 percent higher (8.5%) than the current rate.

Academy proportionate share of NPL		
1% Decrease in Discount Rate (6.5%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
$ 1,334,716	$ 871,800	$ 490,380

The Academy's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis, and Minneapolis School District.

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

Public Employees' Retirement Association

A. Plan Description
The Academy participates in the following cost-sharing multiple-employer defined benefit pension plans administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

The General Employees Retirement Plan covers certain full time and part time employees of the District. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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

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

Public Employees' Retirement Association

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 annuity accrual rate for a Coordinated Plan member is 1.2% for each of the first 10 years of service 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.

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 1.0% 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.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2021 and the Academy was required to contribute 7.5%. The Academy's contributions to the General Employees Fund for the year ended June 30, 2021, were $8,770. The Academy's contributions were equal to the required contributions as set by state statute.

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

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2021, the Academy reported a liability of $89,932 for its proportionate share of the General Employees Fund's net pension liability. The Academy's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16. 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 Academy totaled $2,870. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportionate share of the net pension liability was based on the Academy's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The Academy's proportionate share was 0.0015% at the end of the measurement period and 0.0013% for the beginning of the period.

Academy's proportionate share of net pension liability	$	89,932
State of Minnesota's proportionate share of the net pension liability associated with the Academy		2,870
Total	$	92,802

For the year ended June 30, 2021, the Academy recognized pension expense of $20,960 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the Academy recognized an additional $250 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At June 30, 2021, the Academy reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 712	$ 340
Changes in proportion	11,484	2,774
Changes in actuarial assumptions	-	3,148
Net difference between projected and actual investments earnings	2,545	-
Academy's contributions to GERF subsequent to the measurement date	8,770	-
Total	$ 23,511	$ 6,262

The $8,770 reported as deferred outflows of resources related to pensions resulting from Academy contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2022	$ 453
2023	1,400
2024	4,454
2025	2,172
Total	$ 8,479

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

Public Employees' Retirement Association (Continued)

General Employees Fund Pension Costs (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 %	Per year
Active member payroll growth	3.00 %	Per year
Investment rate of return	7.50 %	

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year.

Actuarial assumptions used in the June 30, 2020, valuation was based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

Changes in Actuarial Assumptions

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

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

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

Changes in Actuarial Assumptions (Continued)

- The assumed spouse age difference was change from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	35.5 %	5.10 %
International stocks	17.5	5.30
Bonds (fixed income)	20.0	0.75
Alternative assets (private markets)	25.0	5.90
Cash	2.0	0.00
Total	100 %	

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

Public Employees' Retirement Association (Continued)

F. Discount Rates
The discount rate used to measure the total pension liability in 2020 was 7.5%. 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 position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity
The following table presents the Academy'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 Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate.

	1% Decrease in Discount Rate 6.5%	Current Discount Rate 7.5%	1% Increase in Discount Rate 8.5%
Academy's proportionate share of the PERA net pension liability	$ 144,130	$ 89,932	$ 45,223

H. Pension Plan Fiduciary Net Position
Detailed information about the General Employees Fund's fiduciary net position is available in a separately-issued PERA financial report that includes the financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 6 – LEASE COMMITMENT

For the year ended June 30, 2021, the Academy paid $269,514 in lease payments for the building. For purposes of state lease aid, $265,000 of the building lease payments were recognized as lease expenditures and $4,514 was recognized as utility expenditures.

For the year ended June 30, 2021, the Academy qualified for state charter school lease aid which equaled the lesser of 90% of the approved lease cost or $1,314 per pupil units served, or $169,086.

The Academy renewed the lease for a five year period from July 1, 2016, to June 30, 2021, with annual base rent ranging from $255,012 to $342,804 and utility costs at $96,000 per year. The utility costs will increase by 3% per year.

NOTE 7 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending June 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

Star of the North Academy
Schedule of Academy's and Non-Employer
Proportionate Share of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	Academy's Proportion of the Net Pension Liability (Asset)	Academy's Proportionate Share of the Net Pension Liability (Asset)	Academy's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	Academy's Proportionate Share of the Net Pension Liability and School's Share of the State of Minnesota's Share of the Net Pension of Liability	Academy's Covered-Payroll	Academy's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0000%	$ -	$ -	$ -	$ -	0.0%	78.7%
2015	0.0005%	25,913	-	25,913	28,027	92.5%	78.2%
2016	0.0005%	40,598	523	41,121	32,000	126.9%	68.9%
2017	0.0012%	76,607	956	77,563	76,760	99.8%	75.9%
2018	0.0014%	77,666	2,643	80,309	97,000	80.1%	79.5%
2019	0.0013%	71,874	2,167	74,041	91,267	78.8%	80.2%
2020	0.0015%	89,932	2,870	92,802	110,013	81.7%	79.1%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Schedule of Academy's and Non-Employer
Proportionate Share of Net Pension Liability
Last Ten Years TRA Retirement Fund

For Plan's Fiscal Year Ended June 30,	Academy's Proportion of the Net Pension Liability (Asset)	Academy's Proportionate Share of the Net Pension Liability (Asset)	Academy's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	Academy's Proportionate Share of the Net Pension Liability and School's Share of the State of Minnesota's Share of the Net Pension of Liability	Academy's Covered-Payroll	Academy's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0000%	$ -	$ -	$ -	$ -	0.0%	81.5%
2015	0.0080%	494,879	60,828	555,707	406,493	121.7%	76.8%
2016	0.0091%	2,170,567	217,577	2,388,144	478,093	457.6%	44.9%
2017	0.0105%	2,095,990	202,349	2,298,339	564,827	371.1%	51.6%
2018	0.0122%	763,821	71,744	835,565	679,080	113.7%	78.1%
2019	0.0118%	752,134	66,332	818,466	672,555	111.8%	78.2%
2020	0.0118%	871,800	73,123	944,923	685,682	127.1%	75.5%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

See notes to required supplementary information.

Star of the North Academy
Schedule of Academy Contributions
General Employees Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	School's Covered-Payroll	Contributions as a Percentage of Covered-Payroll
2014	$ -	$ -	$ -	$ -	7.25%
2015	2,102	2,102	-	28,027	7.50%
2016	2,400	2,400	-	32,000	7.50%
2017	5,757	5,757	-	76,760	7.50%
2018	7,275	7,275	-	97,000	7.50%
2019	6,845	6,845	-	91,267	7.50%
2020	8,251	8,251	-	110,013	7.50%
2021	8,770	8,770	-	116,933	7.50%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Schedule of Academy Contributions
TRA Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	School's Covered-Payroll	Contributions as a Percentage of Covered-Payroll
2014	$ -	$ -	$ -	$ -	7.00%
2015	30,487	30,487	-	406,493	7.50%
2016	35,857	35,857	-	478,093	7.50%
2017	42,362	42,362	-	564,827	7.50%
2018	50,931	50,931	-	679,080	7.50%
2019	51,854	51,854	-	672,555	7.71%
2020	54,306	54,306	-	685,682	7.92%
2021	56,534	56,534	-	695,375	8.13%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Star of the North Academy
Notes to Required Supplementary Information

TRA Retirement Funds

2020 Changes
Changes in Actuarial Assumptions
- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 Changes
Changes in Actuarial Assumptions
- None

2018 Changes
Changes in Actuarial Assumptions
- The discount rate was increased to 7.5% from 5.12%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0% 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 was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes
Changes in Actuarial Assumptions
- The discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.

TRA Retirement Funds (Continued)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes

Changes of Benefit Terms

- The DTRFA was merged into TRA on June 30, 2015.

TRA Retirement Funds (Continued)

2015 Changes (Continued)

Changes in Actuarial Assumptions

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

Star of the North Academy
Notes to Required Supplementary Information

General Employees Fund

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 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 changes 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 and Survivor option changed from 35% to 45%. The assumed number of married female new retires electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

General Employees Fund (Continued)

2018 Changes (Continued)
Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals $16,000,000 in 2017 and 2018, and $6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21,000,000 to $31,000,000 in calendar years 2019 to 2031. The State's contribution changed from $16,000,000 to $6,000,000 in calendar years 2019 to 2031.

2016 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

General Employees Fund (Continued)

2015 Changes

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

Changes in Actuarial Assumptions

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

(THIS PAGE LEFT BLANK INTENTIONALLY)

SUPPLEMENTARY INFORMATION

Star of the North Academy
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2021

		Audit	Ufars	Audit-ufars
01 GENERAL FUND				
Total revenue		$ 1,763,261	$ 1,763,263	$ (2)
Total expenditures		1,770,874	1,770,874	-
Nonspendable				
4.60	Nonspendable fund balance	5,375	5,375	-
Restricted/reserved:				
4.01	Student Activities	-	-	-
4.02	Scholarships	-	-	-
4.03	Staff Development	-	-	-
4.05	Deferred Maintenance	-	-	-
4.07	Capital Projects Levy	-	-	-
4.08	Cooperative Programs	-	-	-
4.09	Alternative Facility Program	-	-	-
4.13	Building Projects Funded by COP/LP	-	-	-
4.14	Operating Debt	-	-	-
4.16	Levy Reduction	-	-	-
4.17	Taconite Building Maintenance	-	-	-
4.24	Operating Capital	-	-	-
4.26	$25 Taconite	-	-	-
4.27	Disabled Accessibility	-	-	-
4.28	Learning and Development	-	-	-
4.34	Area Learning Center	-	-	-
4.35	Contracted Alternative Programs	-	-	-
4.36	State Approved Alternative Program	-	-	-
4.38	Gifted and Talented	-	-	-
4.40	Teacher Development and Evaluation	-	-	-
4.41	Basic Skills Programs	-	-	-
4.45	Career Technical Programs	-	-	-
4.46	First grade preparedness	-	-	-
4.48	Achievement and Integration Revenue	-	-	-
4.49	Safe School Crime	2,032	2,032	-
4.51	QZAB Payments	-	-	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
4.53	Unfunded Severance and Retirement Levy	-	-	-
4.59	Basic Skills Extended Time	-	-	-
4.72	Medical Assistance	1,630	1,630	-
Restricted:				
4.72	Medical Assistance	-	-	-
4.64	Restricted fund balance	-	-	-
4.75	Title VII - Impact Aid	-	-	-
4.76	Payments in Lieu of Taxes	-	-	-
Committed:				
4.18	Committed for separation	-	-	-
4.61	Committed	-	-	-
Assigned:				
4.62	Assigned fund balance	-	-	-
Unassigned:				
4.22	Unassigned fund balance	430,090	430,090	-
02 FOOD SERVICES FUND				
Total revenue		$ 99,957	$ 99,958	$ (1)
Total expenditures		71,642	71,642	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.52	OPEB Liabilities not Held in Trust	-	-	-
Restricted:				
4.64	Restricted fund balance	28,315	28,316	(1)
Unassigned:				
4.63	Unassigned fund balance	-	-	-
Total revenue				
Total expenditures		$ -	$ -	$ -
Nonspendable:		-	-	-
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.26	$25 Taconite	-	-	-
4.31	Community Education	-	-	-
4.32	ECFE	-	-	-
4.40	Teacher Development and Evaluation	-	-	-
4.44	School Readiness	-	-	-
4.47	Adult Basic Education	-	-	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
Restricted				
4.64	Restricted fund balance	-	-	-
Unassigned				
4.63	Unassigned fund balance	-	-	-

		Audit	Ufars	Audit-ufars
06 BUILDING CONSTRUCTION FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.07	Capital Projects Levy	-	-	-
4.09	Alternative Facility Program	-	-	-
4.13	Building Projects Funded by COP/LP	-	-	-
Restricted:				
4.64	Restricted fund balance	-	-	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
07 DEBT SERVICE FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.25	Bond refunding	-	-	-
4.33	Maximum effort loan aid	-	-	-
4.51	QZAB payments	-	-	-
4.67	LTFM	-	-	-
Restricted:				
4.64	Restricted fund balance	-	-	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
08 TRUST FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.01	Student Activities	-	-	-
4.02	Scholarships	-	-	-
4.22	Net position	-	-	-
18 CUSTODIAL				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Restricted/Reserved:				
4.01	Student Activities	-	-	-
4.02	Scholarships	-	-	-
4.48	Achievement and Integration	-	-	-
4.64	Restricted	-	-	-
20 INTERNAL SERVICE FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
25 OPEB REVOCABLE TRUST				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
45 OPEB IRREVOCABLE TRUST				
Total revenue		$ -	$ -	$ -
Unassigned:				
4.22	Net position	-	-	-
47 OPEB DEBT SERVICE				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted:				
4.64	Restricted fund balance	-	-	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
4.63	Unassigned fund balance	-	-	-

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To the Board of Directors
Star of the North Academy
East Bethel, 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 Star of the North Academy, East Bethel, Minnesota, as of and for the year ending June 30, 2021, and the related notes to financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated December 9, 2021.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Academy'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance that we consider to be a material weakness in internal control, Audit Finding 2021-001.

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

School's Response to Findings
The School's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

BerganKDV, Ltd.

Minneapolis, Minnesota
December 9, 2021

Minnesota Legal Compliance

Independent Auditor's Report

To the Board of Directors
Star of the North Academy
East Bethel, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of Star of the North Academy, East Bethel, Minnesota, as of and for the year ended June 30, 2021, and the related notes to financial statements, and have issued our report thereon dated December 9, 2021.

In connection with our audit, we noted that the Academy failed to comply with the provisions of the charter schools of the *Minnesota Legal Compliance Audit Guide for Charter Schools* promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Corrective Action Plans on Legal Compliance and Internal Control as items 2021-002. Also, in connection with our audit, nothing came to our attention that caused us to believe that the Academy failed to comply with the provisions of the uniform financial accounting and reporting standards for school districts sections of the *Minnesota Legal compliance Audit Guide for Charter Schools*, insofar as they relate to accounting matters. However, our audit as 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 Academy's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

BerganKDV, Ltd.

Minneapolis, Minnesota
December 9, 2021

Star of the North Academy
Schedule of Findings and Corrective Action Plans
on Legal Compliance and Internal Control

CURRENT LEGAL COMPLIANCE AND INTERNAL CONTROL FINDINGS:

Audit Finding 2021-001 – Material Audit Adjustment:

During the course of our engagement, we proposed a material audit adjustment that would not have been identified as a result of the Academy's existing internal controls and, therefore, could have resulted in a material misstatement of the Academy's financial statements.

In order to ensure financial statements were free from material misstatement, an audit adjustment was required to properly adjust state revenue and receivables.

We recommend the Academy ensure all entries are prepared and posted prior to the audit.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   Administration will review current internal controls to identify areas of improvement to identify misstatements.

3. Official Responsible for Ensuring CAP
   The Principal is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP
   The planned completion date for the CAP is June 30, 2022.

5. Plan to Monitor Completion of CAP
   The School Board will be monitoring this CAP.

Audit Finding 2021-002 - Obtain Sufficient Collateral:

The depositories of public funds and public investment laws of *Minnesota Statutes* 118A.01 and 118A.08 requires that all deposits with financial institutions must be collateralized in an amount equal to 110% of deposits in excess of Federal Depository Insurance Corporation (FDIC) insurance.

At June 30, 2021, the District's deposits were under collateralized.

Star of the North Academy
Schedule of Findings and Corrective Action Plans
on Legal Compliance and Internal Control

CURRENT LEGAL COMPLIANCE AND INTERNAL CONTROL FINDINGS: (CONTINUED)

Audit Finding 2021-002 - Obtain Sufficient Collateral: (Continued)

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   The Academy will ensure that it will obtain sufficient collateral in accordance with *Minnesota Statutes* 118A.01 and 118A.08.

3. Official Responsible for Ensuring CAP
   The Principal is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP
   The planned completion date for the CAP is June 30, 2022.

5. Plan to Monitor Completion of CAP
   The School Board will be monitoring this CAP.