bergankDV

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

Basic Financial Statements

June 30, 2022

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, 2022

Board of Directors	Position
Javed Mohammad	Board Chairperson
Adam Ahmed	Member
Abdul Ahmed	Member
Abdul Khadeer	Member
Natoli Umber	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 Audit of the 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, 2022, and the related notes to basic financial statements, which collectively comprise the Academy's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Star of the North Academy as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund and Food Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter – Implementation of GASB 87

The Academy has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (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.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are 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 November 3, 2022, 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
November 3, 2022

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, 2022. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Financial Highlights

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

- Fiscal year 2022 was the eighth full year of operation for the Academy.
- The Academy's ending consolidated General Fund balance at June 30, 2022 was $453,288, an increase of $14,161 from June 30, 2021.
- Total Net Position of the Academy increased by $160,637.

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.

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

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 2022, 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, 2022	June 30, 2021	Change
Assets			
Current and other assets	$ 907,377	$ 806,692	$ 100,685
Net capital assets	3,301,771	31,579	3,270,192
Total assets	4,209,148	838,271	3,370,877
Deferred Outflows of Resources	507,351	647,346	(139,995)
Liabilities			
Current liabilities	529,139	529,621	(482)
Noncurrent liabilities	3,802,005	961,732	2,840,273
Total liabilities	4,331,144	1,491,353	2,839,791
Deferred Inflows of Resources	1,001,646	771,192	230,454
Net Position			
Net investment in capital assets	$ (83,873)	$ (158,792)	$ 74,919
Restricted	101,729	31,977	69,752
Unrestricted	(634,147)	(650,113)	15,966
Total net position	$ (616,291)	$ (776,928)	$ 160,637

Current and other assets increased by $3,370,877 including increases in cash and receivables from the prior year. Current liabilities decreased by $482. Noncurrent liabilities for the Academy's pension liability and Lease Liability of $2,840,273 were included on the June 30, 2022 Statement of Net Position.

Statement of Activities

The cost of all Governmental activities for fiscal year 2022 was $2,564,042, with the majority of these costs supported by federal and state grants. Operating grants and contributions increased by $399,384 due to federal and state grants. State sources increased by $284,127 related to a increase in enrollment. Total expenses increased by $583,966 due primarily to adjustments made relating to pension activity and federal grant awards.

Overview of the Financial Statements (Continued)

Table A-2
Changes in Net Position

	June 30, 2022	June 30, 2021	Change
Revenues			
Program revenues			
Charges for services	$ 40,270	$ 54,809	$ (14,539)
Operating grants and contributions	925,257	525,873	399,384
General revenues			
Local sources	190,397	50	190,347
State sources	1,568,755	1,284,628	284,127
Total revenue	2,724,679	1,865,360	859,319
Expenses			
Administration	135,702	132,678	3,024
School support services	185,589	206,389	(20,800)
Regular instruction	930,814	874,722	56,092
Special education instruction	155,881	123,202	32,679
Instructional support services	16,139	14,546	1,593
Pupil support services	297,867	175,217	122,650
Sites, building and equipment	319,218	371,868	(52,650)
Fiscal and other fixed costs	13,001	8,414	4,587
Food service	112,457	73,040	39,417
Unallocated depreciation and amortization	232,376	-	232,376
Interest and Fiscal Charges on Long-Term Debt	164,998	-	-
Total expenses	2,564,042	1,980,076	583,966
Change in Net Position	160,637	(114,716)	275,353
Net Position			
Beginning	(776,928)	(662,212)	(114,716)
Ending	$ (616,291)	$ (776,928)	$ 160,637

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 $546,502. The General Fund balance is comprised of unassigned funds of $439,773, $5,000 of Nonspendable funds, and restricted funds of $8,515. Food Service Fund balance is $93,214 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 2022, state aids make up the majority of revenue sources. State sources increased by $428,453 due to an increase in enrollment from 2021. The Academy received federal funds, federal sources increased by $183,218 due to additional funding sources.

Table A-3
General Fund Revenues

	Year Ended June 30, 2022	Year Ended June 30, 2021	Change Increase (Decrease)
Other local revenue	$ 40,296	$ 54,859	$ (14,563)
State sources	1,987,449	1,558,996	428,453
Federal sources	332,624	149,406	183,218
Total general fund revenue	$ 2,360,369	$ 1,763,261	$ 597,108

Of the total expenditures, 20% were personnel salaries and benefits. Another 4% 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 increased over the prior year due to lease liability.

Table A-4
General Fund Expenditures

	Year Ended June 30, 2022	Year Ended June 30, 2021	Change Increase (Decrease)
Salaries	$ 952,060	$ 801,207	$ 150,853
Employee benefits	228,023	190,440	37,583
Purchased services	631,072	672,910	(41,838)
Supplies and materials	142,423	81,031	61,392
Capital expenditures	3,590,301	4,968	3,585,333
Other expenditures	287,975	20,318	267,657
Total expenditures	$ 5,831,854	$ 1,770,874	$ 4,060,980

.

Financial Analysis of the Academy's Funds (Continued)

General Fund (Continued)
In 2022, General Fund Revenues and other financing sources exceeded expenditures by $14,161 , which resulted in an increase to fund balance in the General Fund from $439,127 at June 30, 2021, to $453,288 at June 30, 2022. Ending fund balance represents 19% of fiscal year 2022 expenditures excluding lease activity

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 2022, food service revenues exceeded expenditures by $64,899, increasing the fund balance from $28,315 at June 30, 2021, to $93,214 at June 30, 2022.

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 $44,353 under budget.
- General Fund expenditures were $17,461 under budget excluding lease activity.
- The net amended General Fund budget projected a fund balance increase of $41,053 as compared to an actual fund balance increase of $14,161.

Capital Assets
The Academy's capital assets are used to assist students in their educational experience. In fiscal year 2022, the Academy capitalize building and grounds equipment purchased.

Factors Bearing on the Academy's Future

- The Academy is dependent on the State of Minnesota for its revenue authority.
- Fiscal Year 2022 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, 2022

	Governmental Activities
Assets	
Cash and investments	$ 485,368
Due from Department of Education	211,498
Due from Federal Government through	
Department of Education	205,511
Prepaid items	5,000
Capital assets	
Equipment	120,682
Less accumulated depreciation	(72,181)
Leased assets	
Leased building	3,485,646
Less accumulated amortization	(232,376)
Total assets	4,209,148
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	507,351
Total assets and deferred outflows of resources	$ 4,716,499
Liabilities	
Accounts payable	$ 253,832
Salaries and benefits payable	107,043
Lease liability:	
Payable within on year	168,264
Payable after one year	3,217,380
Net pension liability, due in more than one year	584,625
Total liabilities	4,331,144
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	1,001,646
Net Position	
Net investment in capital assets	(83,873)
Restricted for	
Food service	93,214
Medical assistance	6,483
Safe school crime	2,032
Unrestricted	(634,147)
Total net position	(616,291)
Total liabilities, deferred inflows of resources, and net position	$ 4,716,499

Star of the North Academy
Statement of Activities
Year Ended June 30, 2022

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	$ 135,702	$ -	$ -	$ -	$ (135,702)
District support services	185,589	-	-	-	(185,589)
Elementary and secondary regular instruction	930,814	40,270	514,634	-	(375,910)
Special education instruction	155,881	-	231,308	-	75,427
Instructional support services	16,139	-	-	-	(16,139)
Pupil support services	297,867	-	-	-	(297,867)
Sites and buildings	319,218	-	-	-	(319,218)
Fiscal and other fixed cost programs	13,001	-	-	-	(13,001)
Food service	112,457	-	179,315	-	66,858
Unallocated depreciation and amortization	232,376	-	-	-	(232,376)
Interest and Fiscal Charges on Long-Term Debt	164,998	-	-	-	(164,998)
Total governmental activities	$ 2,564,042	$ 40,270	$ 925,257	$ -	(1,598,515)
General revenues					
State aid-formula grants					1,568,755
Investment income					26
Debt forgiveness					190,371
Total general revenues					1,759,152
Change in net position					160,637
Net position - beginning					(776,928)
Net position - ending					$ (616,291)

Star of the North Academy
Balance Sheet - Governmental Funds
June 30, 2022

	General	Food Service	Total Governmental Funds
Assets			
Cash and investments	$ 430,333	$ 55,035	$ 485,368
Due from Department of Education	210,885	613	211,498
Due from Federal Government through Department of Education	162,576	42,935	205,511
Prepaid items	5,000	-	5,000
Total assets	$ 808,794	$ 98,583	$ 907,377
Liabilities			
Accounts payable	$ 248,475	$ 5,357	$ 253,832
Salaries and benefits payable	107,031	12	107,043
Total liabilities	355,506	5,369	360,875
Fund Balances			
Nonspendable	5,000	-	5,000
Restricted	8,515	93,214	101,729
Unassigned	439,773	-	439,773
Total fund balances	453,288	93,214	546,502
Total liabilities and fund balances	$ 808,794	$ 98,583	$ 907,377

Star of the North Academy
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2022

Total fund balances - governmental funds	$ 546,502
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	120,682
Leased asset	3,485,646
Less accumulated depreciation	(72,181)
Less accumulated amortization	(232,376)
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:	
Lease liability	(3,385,644)
Net pension liability	(584,625)
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	507,351
Deferred inflows of resources related to pensions	(1,001,646)
Total net position - governmental activities	$ (616,291)

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, 2022

	General	Food Service	Total Governmental Funds
Revenues			
Other local and county revenues	$ 40,296	$ -	$ 40,296
Revenue from state sources	1,987,449	2,375	1,989,824
Revenue from federal sources	332,624	176,940	509,564
Total revenues	2,360,369	179,315	2,539,684
Expenditures			
Current			
Administration	135,820	-	135,820
District support services	187,881	-	187,881
Regular instruction	921,798	-	921,798
Special education instruction	156,537	-	156,537
Instructional support services	16,139	-	16,139
Pupil support services	297,867	-	297,867
Sites and buildings	247,510	-	247,510
Fiscal and other fixed cost programs	13,001	-	13,001
Food service	-	114,416	114,416
Capital outlay			
Regular instruction	11,124	-	11,124
Special education instruction	1,417	-	1,417
Sites and buildings	3,577,760	-	3,577,760
Debt service:			
Principal	100,002	-	100,002
Interest and fiscal charges	164,998	-	164,998
Total expenditures	5,831,854	114,416	5,946,270
Excess of revenues over (under) expenditures	(3,471,485)	64,899	(3,406,586)
Other financing source			
Lease Issuance	3,485,646	-	3,485,646
Net change in fund balances	14,161	64,899	79,060
Fund Balances			
Beginning of year	439,127	28,315	467,442
End of year	$ 453,288	$ 93,214	$ 546,502

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, 2022

Net change in fund balances - total governmental funds	$ 79,060
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.	
Capital outlays	3,510,946
Depreciation expense	(8,378)
Amortization expense	(232,376)
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	6,658
Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the statement of activities.	100,002
Loan forgiveness of Federal Protection Program (PPP) loan. This amount was recorded as loans payable in the prior year and was fully forgiven in the current year.	190,371
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.	
Lease Issuance	(3,485,646)
Change in net position - governmental activities	$ 160,637

Star of the North Academy
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues				
Other local and county revenues	$ 39,000	$ 43,500	$ 40,296	$ (3,204)
Revenue from state sources	1,950,111	2,007,800	1,987,449	(20,351)
Revenue from federal sources	139,000	353,422	332,624	(20,798)
Total revenues	2,128,111	2,404,722	2,360,369	(44,353)
Expenditures				
Current				
Administration	135,050	135,050	135,820	770
District support services	187,125	187,125	187,881	756
Elementary and secondary regular instruction	832,811	946,250	921,798	(24,452)
Special education instruction	157,025	157,025	157,954	929
Instructional support services	15,800	15,800	16,139	339
Pupil support services	225,550	330,944	297,867	(33,077)
Sites and buildings	222,175	247,275	247,510	235
Fiscal and other fixed cost programs	13,000	13,000	13,001	1
Capital outlay				
Elementary and secondary regular instruction	11,100	11,100	11,124	24
Sites and buildings	92,100	92,100	3,577,760	3,485,660
Debt service				
Principal	228,636	228,000	100,002	(127,998)
Interest and fiscal charges	-	-	164,998	164,998
Total expenditures	2,120,372	2,363,669	5,831,854	3,468,185
Excess of revenues over (under) expenditures	7,739	41,053	(3,471,485)	(3,512,538)
Other Financing Source:				
Lease issuance	-	-	3,485,646	3,485,646
Net change in fund balance	$ 7,739	$ 41,053	14,161	$ (26,892)
Fund Balance				
Beginning of year			439,127	
Ending of year			$ 453,288	

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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues				
Revenue from state sources	$ 2,000	$ 3,462	$ 2,375	$ (1,087)
Revenue from federal sources	81,295	95,775	176,940	81,165
Total revenues	83,295	99,237	179,315	80,078
Expenditures				
Current				
Food service	68,134	99,237	114,416	15,179
Total expenditures	68,134	99,237	114,416	15,179
Net change in fund balances	$ 15,161	$ -	64,899	$ 64,899
Fund Balance				
Beginning of year			28,315	
Ending of year			$ 93,214	

See notes to basic financial statements.

(THIS PAGE LEFT BLANK INTENTIONALLY)

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 basic 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, 2022, 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 assets 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 assets 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, 2022, the Academy's bank balance of $485,368 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, 2022 as follows:

Cash	$ 485,368

NOTE 3 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being depreciated				
Equipment	$ 95,382	$ 25,300	$ -	$ 120,682
Less accumulated depreciation for				
Equipment	63,803	8,378	-	72,181
Total capital assets being depreciated, net	$ 31,579	$ 16,922	$ -	$ 48,501

	Beginning Balance	Change in Accounting Principle	Increases	Decreases	Ending Balance
Governmental activities					
Right-to-use-assets being amortized					
Lease building	$ -	$ 3,485,646	$ -	$ -	$ 3,485,646
Less accumulated amortization for					
Lease building	-	-	232,376	-	232,376
Total right-to-use assets being amortized, net	$ -	$ 3,485,646	$ (232,376)	$ -	$ 3,253,270

Depreciation expense for the period for the year ended June 30, 2022, was charged to the regular instruction, food service, and sites and building functions in the amounts of $3,034, $450, and $4,894, respectively. Amortization expense for the same period was unallocated in the amount of $232,376.

NOTE 4 – LONG TERM DEBT

A. Components of Long-Term Liabilities

The lease liability has a principal outstanding of $3,385,644 and due within one year of $168,264.

The lease liability relates to the right-to-use building. The lease liability will be liquidated through the General Fund.

NOTE 4 – LONG TERM DEBT (CONTINUED)

B. Minimum Debt Payments for Bonds and Loans

Year Ending June 30,	Lease Liability Principal	Lease Liability Interest	Lease Liability Total
2023	$ 168,264	$ 173,686	$ 341,950
2024	177,314	164,686	342,000
2025	186,850	155,150	342,000
2026	196,899	145,101	342,000
2027	207,489	134,511	342,000
2028-2032	1,217,329	492,671	1,710,000
2032-2036	1,231,499	136,501	1,368,000
Total	$ 3,385,644	$ 1,402,306	$ 4,787,950

Changes in Long-Term Liabilities

	Beginning Balance	Change in Accounting Principle	Increases	Decreases	Ending Balance	Due Within One Year
PPP Loan	$ 190,371	$ -	$ -	$ 190,371	$ -	$ -
Lease liability	-	3,485,646	-	100,002	3,385,644	168,264
Total long-term liabilities	$ 190,371	$ 3,485,646	$ -	$ 290,373	$ 3,385,644	$ 168,264

The PPP loan of $190,371 was forgiven under the CARES Act on December 15, 2021. The SBA has paid $191,994 to Sterling State Bank, which was applied to the principal outstanding and interest amount due.

D. Lease Liability

On May 24, 2021, the Academy (Lessee) signed a lease for education space with Minnesota Education Trust. The term of the lease agreement covers periods July 1, 2021 through June 30, 2036. The lease agreement includes monthly principal and interest payments ranging of $22,083 to $28,500. The discount rate used was 5.25%.

For the year ended June 30, 2022, the Academy paid $294,396 in lease payments for the building. For purposes of state lease aid, $265,000 of the building lease payments were recognized as lease principal and interest expenditures and $29,396 was recognized as utility expenditures.

For the year ended June 30, 2022, 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 $220,226.

NOTE 5 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The Academy participates in various pension plans, total pension expense for the year ended June 30, 2022, was $70,802. The components of pension expense are noted in the following plan summaries.

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

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

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, 2020, June 30, 2021, and June 30, 2022, were:

	June 30, 2020		June 30, 2021		June 30, 2022	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.0%	11.92%	11.0%	12.13%	11.0%	12.34%
Coordinated	7.5%	7.92%	7.5%	8.13%	7.5%	8.34%

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 ACFR "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 ACFR Statement of Changes in Fiduciary Net Position	$	448,829
Deduct employer contributions not related to future contribution efforts		379
Deduct TRA's contributions not included in allocation		(538)
Total employer contributions		448,670
Total non-employer contributions		37,840
Total contributions reported in schedule of employer and non-employer pension allocations	$	486,510

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, 2021, 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, 2021
Measurement date	June 30, 2021
Experience study	June 5, 2019 (demographic assumptions) November 6, 2017, (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% 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	100.0 %	

The TRA actuary has determined the average of the expected remaining services lives of all members for fiscal year 2022 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 since the 2020 valuation:

- The investment return assumption was changed from 7.5% to 7.0%.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The discount rate used to measure the total pension liability at the prior measurement date was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2021 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability

On June 30, 2022, the Academy reported a liability of $512,027 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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 0.0117% 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	$	512,027
State's proportionate share of the net pension liablity associated with the Academy		43,229

For the year ended June 30, 2022, the Academy recognized pension expense of $61,490. Included in this amount, the Academy recognized $(484) as pension expense for the support provided by direct aid.

On June 30, 2022, 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	$ 13,986	$ 14,230
Changes in proportion	168,772	18,719
Changes of assumptions	187,643	470,869
Net difference between projected and actual investments earnings	-	429,425
Academy's contributions to TRA subsequent to the measurement date	57,672	-
Total	$ 428,073	$ 933,243

The $57,672 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, 2023.

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

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
2023	$ (236,255)
2024	(215,549)
2025	(67,072)
2026	(78,872)
2027	34,906
Total	$ (562,842)

G. Pension Liability Sensitivity

The following presents the Academy's proportionate share of the net pension liability calculated using the discount rate of 7.0% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.0%) and 1 percent higher (8.0%) than the current rate.

Academy proportionate share of NPL		
1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
$ 1,034,319	$ 512,027	$ 83,706

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.

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

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 Academy. 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.

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.

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

Public Employees' Retirement Association (Continued)

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 2022 and the Academy was required to contribute 7.5%. The Academy's contributions to the General Employees Fund for the year ended June 30, 2022, were $20,088. The Academy's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2022, the Academy reported a liability of $72,598 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 $2,278.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The Academy's proportionate share was 0.0017% at the end of the measurement period and 0.0015% for the beginning of the period.

Academy's proportionate share of net pension liability	$	72,598
State of Minnesota's proportionate share of the net pension liability associated with the Academy		2,278
Total	$	74,876

For the year ended June 30, 2022, the Academy recognized pension expense of $9,312 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the Academy recognized an additional $184 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, 2022, 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	$ 341	$ 2,192
Changes in proportion	14,522	1,387
Changes in actuarial assumptions	44,327	1,357
Net difference between projected and actual investments earnings	-	63,467
Academy's contributions to GERF subsequent to the measurement date	20,088	-
Total	$ 79,278	$ 68,403

The $20,088 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, 2023. 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
2023	$ 1,370
2024	4,424
2025	2,141
2026	(17,148)
Total	$ (9,213)

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

Public Employees' Retirement Association (Continued)

General Employees Fund Pension Costs (Continued)

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	35.5 %	5.10 %
International stocks	16.5	5.30
Bonds (fixed income)	25.0	0.75
Alternative assets (private markets)	25.0	5.90
Total	100.0 %	

F. Actuarial Methods and Assumptions

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

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

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

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

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

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

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

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

General Employees Fund

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the previous valuation.

G. Discount Rate

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

H. Pension Liability Sensitivity

The following 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 5.5%	Current Discount Rate 6.5%	1% Increase in Discount Rate 7.5%
Academy's proportionate share of the PERA net pension liability	$ 148,062	$ 72,598	$ 10,674

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

Public Employees' Retirement Association (Continued)

I. 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 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the School implemented GASB Statement No. 87, *Leases*. This resulted in the Academy recognizing a lease asset and lease liability.

NOTE 7 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* establishes that a Subscription-Based Information Technology Arrangement (SBITA) results in a right-to-use subscription asset and a corresponding liability. Under this statement, a governmental entity generally should recognize a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability. This statement will be effective for the year ending June 30, 2023.

(THIS PAGE LEFT BLANK INTENTIONALLY)

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%
2021	0.0017%	72,598	2,278	74,876	122,600	59.2%	87.0%

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%
2021	0.0117%	512,027	43,229	555,256	698,278	73.3%	86.6%

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

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	9,195	9,195	-	122,600	7.50%
2022	20,088	20,088	-	267,840	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	56,770	56,770	-	698,278	8.13%
2022	57,672	57,672	-	691,511	8.34%

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

TRA Retirement Funds

2021 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.5% to 7.0%.

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.

TRA Retirement Funds (Continued)

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.
- 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.

TRA Retirement Funds (Continued)

2015 Changes

Changes of Benefit Terms

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

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

2021 Changes
Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

General Employees Fund (Continued)

2019 Changes (Continued)
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.

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.

General Employees Fund (Continued)

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 was 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.

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, 2022

	Audit	Ufars	Audit-ufars
01 GENERAL FUND			
Total revenue	$ 2,360,369	$ 2,360,368	$ 1
Total expenditures	5,831,854	5,831,853	1
Nonspendable			
4.60 Nonspendable fund balance	5,000	5,000	-
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	6,483	6,483	-
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	439,773	439,772	1
02 FOOD SERVICES FUND			
Total revenue	$ 179,315	$ 179,316	$ (1)
Total expenditures	114,416	114,416	-
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted/reserved:			
4.52 OPEB Liabilities not Held in Trust	-	-	-
Restricted:			
4.64 Restricted fund balance	93,214	93,213	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, 2022, and the related notes to financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated November 3, 2022.

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

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

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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
November 3, 2022

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, 2022, and the related notes to financial statements, and have issued our report thereon dated November 3, 2022.

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 2022-001. 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
November 3, 2022

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 2022-001 - 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, 2022, the Academy's deposits were under collateralized.

CORRECTIVE ACTION PLAN (CAP):

1. <u>Explanation of Disagreement with Audit Finding</u>
   There is no disagreement with the audit finding.

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

3. <u>Official Responsible for Ensuring CAP</u>
   The Director is the official responsible for ensuring corrective action of the deficiency.

4. <u>Planned Completion Date for CAP</u>
   The planned completion date for the CAP is June 30, 2023.

5. <u>Plan to Monitor Completion of CAP</u>
   The School Board will be monitoring this CAP.