

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2025**



**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
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JUNE 30, 2025**

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## **INTRODUCTORY SECTION**

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
SCHOOL BOARD AND ADMINISTRATION  
JUNE 30, 2025**

**SCHOOL BOARD**

<b>Name</b>	<b>Term Expires on</b>	<b>Board Position</b>
Javed Mohammad	June 30-2026	Board Chair
Fikret Ajdinovic	June 30-2026	Member
Abdul Khadeer	June 30-2026	Member
Zeenat Ahmed	June 30-2026	Member
Natoli Umer	June 30-2026	Member

<b>Name</b>	<b>Position</b>
Eman Ibrahim	Executive Director

District Offices

1562 Viking Blvd NE  
East Bethel  
Minnesota-55011

## **FINANCIAL SECTION**



**Thomas & Company, CPA, PA**  
Certified Public Accountants and Business Consultants

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Star of the North Academy (the School), as of and for the year ended June 30, 2025, and the related notes to basic financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Star of the North Academy as of June 30, 2025, and the respective changes in financial position and the respective changes in financial position and the respective 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.

***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Star of the North Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Star of the North Academy's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the TRA schedule of school's proportionate share of the net pension liability, the TRA schedule of school's contributions, the GERP schedule of school's proportionate share of the net pension liability, and the GERP schedule of school's contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit for the year ended June 30, 2025, conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purpose of additional analysis and is not a required part of the basic financial statements of the School. Such information is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Uniform Financial Accounting and Reporting Standards Compliance Table is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2025, on our consideration of Star of the North Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Star of the North Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Star of the North Academy's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Thomas S. Compy CPA PA".

Thomas & Company, CPA, PA  
Cooper City, Florida  
December 4, 2025

**REQUIRED SUPPLEMENTARY INFORMATION**

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2025**

This section of Star of the North Academy – Charter School No. 4224’s (the School) annual financial report presents a discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2025. Please read it in conjunction with the School's financial statements, which immediately follow this section. Certain comparative information between the current year (2024-2025) and the prior year (2023-2024) is required to be presented in the Management’s Discussion and Analysis.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2024-2025 fiscal year include the following:

- The School’s net position at June 30, 2025 was deficit balance of \$168,374.
- Total fund balance of the General Fund is \$651,128 at June 30, 2025.
- Total Food Service Fund revenues were \$439,488 as compared to \$511,784 of expenditures for the fiscal year ended June 30, 2025.
- Total General Fund revenues were \$5,168,771 as compared to \$8,850,505 of expenditures.
- Government-wide total revenues were \$5,799,271 as compared to \$5,575,295 of expenses.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two statements are government-wide financial statements that provide both short term and long-term information about the School’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School, reporting the School’s operations in more detail than the government-wide financial statements.
- The government funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

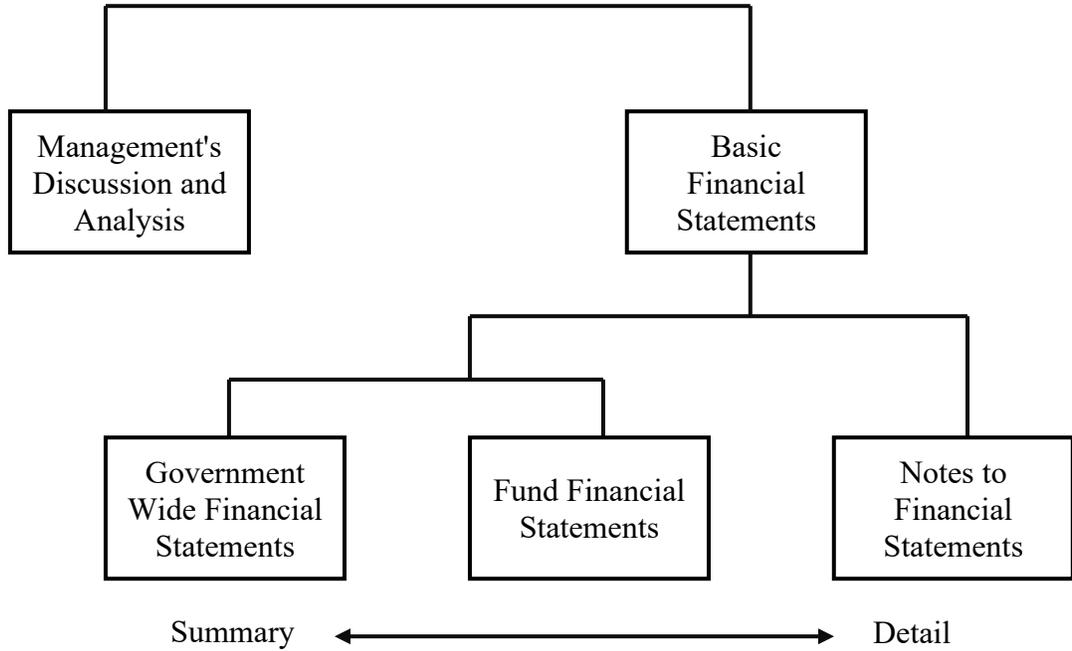
The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the financial statements.

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2025**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1  
Annual Report Format**



**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2025**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

The major features of the School’s financial statements, including the portion of the School’s activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

<b>Fund Financial Statements</b>		
	<b>Government-Wide Statements</b>	<b>Governmental Funds</b>
Scope	Entire School	The activities of the School
Required financial statements	* Statement of Net Position * Statement of Activities	* Balance Sheet * Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.
Type of assets/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, the assets that are expected to be used up and the liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.
Type of inflow/outflow information	All revenues and expenses during the 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 the related liability is due and payable.

**GOVERNMENT-WIDE STATEMENTS**

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

The two government-wide statements report the School’s *net position* and how it has changed. Net position—the difference between the School’s assets deferred outflows, liabilities and deferred inflows—is one way to measure the School’s financial health or *position*.

- Over time, increases or decreases in the School’s net position are indicators of whether its financial position is improving or deteriorating, respectively.

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2025**

**GOVERNMENT-WIDE STATEMENTS (CONTINUED)**

- To assess the overall health of the School requires consideration of additional non-financial factors such as changes in the School’s student population, creditworthiness and the condition of school buildings and other facilities.

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

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

**FUND FINANCIAL STATEMENTS**

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

- Some funds are required by State law.
- The School may establish other funds to control and manage money.

The School maintains the following type of fund:

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

The School uses or may use the following types of Governmental Funds:

- General Fund - is the School’s primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.
- Special Revenue Funds – account for specific revenue, such as federal grants, that is legally restricted to expenditures for particular purposes.

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2025**

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

**Net Position**

The School's combined net position was a deficit of \$168,374 on June 30, 2025 (see Table A1).

**Table A-1  
The School's Net Position**

	<b>Governmental Activities as of June 30,</b>		<b>Percentage Change</b>
	<b>2025</b>	<b>2024</b>	
<b>Assets</b>			
Current and Other Assets	\$ 1,191,813	\$ 1,066,229	11.78%
Capital and Right-to-use Assets, Net	6,541,585	2,908,245	124.93%
<b>Total Assets</b>	<b>7,733,398</b>	<b>3,974,474</b>	94.58%
<b>Deferred Outflows of Resources</b>			
Deferred Outflows - Pension Payments	472,132	414,082	14.02%
<b>Total Assets and Deferred Outflows of Resources</b>	<b>8,205,530</b>	<b>4,388,556</b>	86.98%
<b>Liabilities</b>			
Current Liabilities	390,731	512,191	-23.71%
Long-Term Liabilities, Including Due Within One Year	7,423,747	3,895,731	90.56%
<b>Total Liabilities</b>	<b>7,814,478</b>	<b>4,407,922</b>	77.28%
<b>Deferred Inflows of Resources</b>			
Deferred Inflows - Pension Payments	559,426	372,984	49.99%
<b>Net Position</b>			
Net Investment in Capital Assets	(93,403)	(156,047)	-40.14%
Restricted	191,986	265,265	-27.62%
Unrestricted	(266,957)	(501,568)	46.78%
<b>Total Net Position</b>	<b>(168,374)</b>	<b>(392,350)</b>	22.74%
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 8,205,530</b>	<b>\$ 4,388,556</b>	86.98%

The School's negative government-wide net position is primarily the result of GASB 87 lease capitalization, which records future lease payments as long-term liabilities. This accounting requirement does not reflect short-term cash flow or operational solvency concerns

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2025**

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)**

**Changes in Net Position**

The School's total government-wide revenues were \$5,799,271 for the year ended June 30, 2025 (see Table A-2). State formula aid accounted for 63% of total revenue for the year. The remaining 37% came from other general and program revenues.

**Table A-2  
Change in Net Position**

	<b>Governmental Activities for the Fiscal Year Ended June 30,</b>		<b>Percentage Change</b>
	<b>2025</b>	<b>2024</b>	
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$ 10,499	\$ 13,897	-24%
Operating Grants and Contributions	1,756,899	565,519	211%
Capital Grants and Contributions	-	257,071	-100%
General Revenues:			
State Aid Grants	3,661,180	2,788,865	31%
Other General Revenues	370,693	170,854	117%
<b>Total Revenues</b>	<b>5,799,271</b>	<b>3,796,206</b>	<b>53%</b>
<b>Expenses</b>			
Administration	439,927	365,427	20%
District Support Services	314,166	378,232	-17%
Regular Instruction	1,824,115	1,023,180	78%
Special Education Instruction	526,265	399,439	32%
Instructional Support Services	65,613	144,698	-55%
Pupil Support Services	692,136	536,730	29%
Sites and Buildings	898,968	421,507	113%
Fiscal and Other Fixed Costs Programs	17,862	11,474	56%
Food Service	513,246	184,056	179%
Interest and Fiscal Charges on Long-Term Debt	282,997	165,556	71%
<b>Total Expenses</b>	<b>5,575,295</b>	<b>3,630,299</b>	<b>54%</b>
<b>Change in Net Position</b>	<b>223,976</b>	<b>165,907</b>	
Net Position - Beginning of the year	(392,350)	(558,257)	
<b>Net Position – End of the year</b>	<b>\$ (168,374)</b>	<b>\$ (392,350)</b>	

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2025**

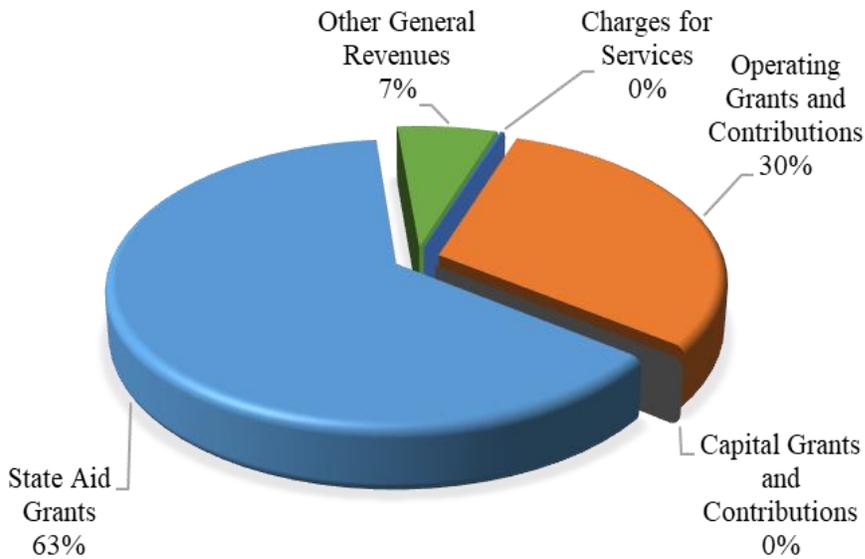
**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)**

Total revenue exceeded expenses increasing the net position by \$223,976. The revenue increased by 53%, also the expenses increased by 54%.

The cost of all governmental activities this year was \$5,575,295.

- The state and federal government subsidized certain programs with grants and contributions (\$1,756,899).
- The receipts from services were (\$10,499).
- Most of the School’s costs were paid for by unrestricted state aid and other general revenue (\$4,031,873).

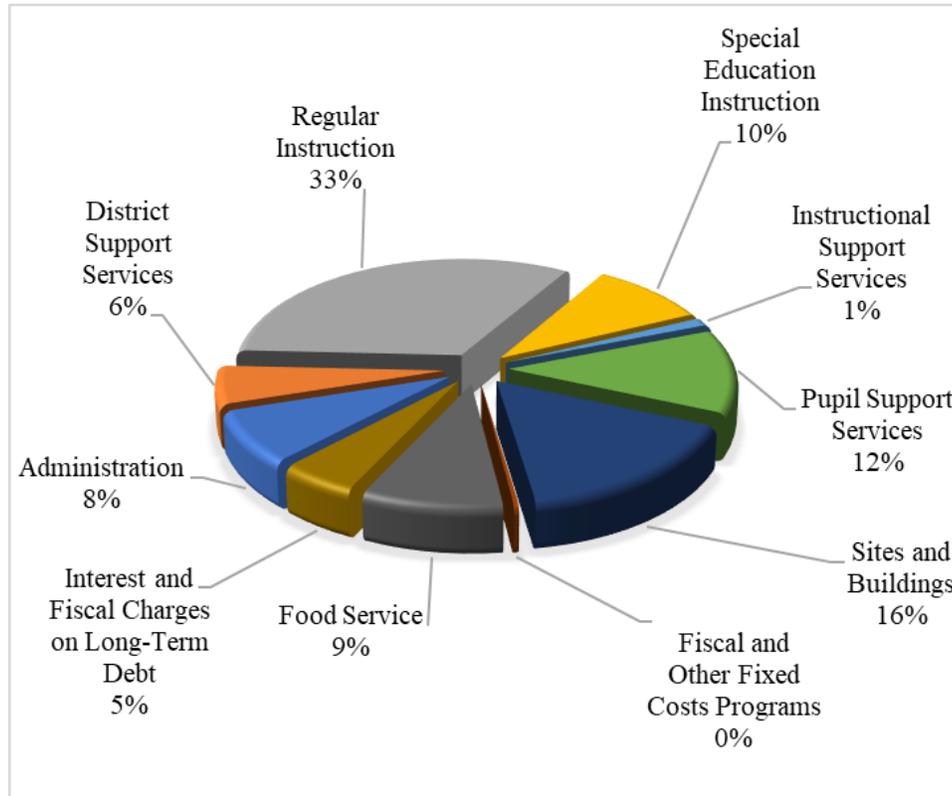
**Figure A-2  
Sources of School’s Revenues for Fiscal Year 2025**



**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2025**

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)**

**Figure A-3  
School Expenses for Fiscal Year 2025**



**Table A-3  
Program Expenses and Net Cost of Services for Fiscal Year 2025**

	<u>Total Cost of Services</u>			<u>Percentage Change</u>	<u>Net Cost of Services</u>			<u>Percentage Change</u>
	<u>2025</u>	<u>2024</u>			<u>2025</u>	<u>2024</u>		
Administration	\$ 439,927	\$ 365,427	20.39%	\$ 439,927	\$ 365,427	20.39%		
District Support Services	314,166	378,232	-16.94%	314,166	378,232	-16.94%		
Regular Instruction	1,824,115	1,023,180	78.28%	1,547,381	771,886	100.47%		
Special Education Instruction	526,265	399,439	31.75%	(18,117)	329,612	-105.50%		
Instructional Support Services	65,613	144,698	-54.66%	65,613	144,698	-54.66%		
Pupil Support Services	692,136	536,730	28.95%	692,136	536,730	28.95%		
Sites and Buildings	898,968	421,507	113.27%	392,174	164,436	138.50%		
Fiscal and Other Fixed Cost Programs	17,862	11,474	55.67%	17,862	11,474	55.67%		
Food Service	513,246	184,056	178.85%	73,758	(74,239)	-199.35%		
Interest and Fiscal Charges on Long-Term Debt	282,997	165,556	70.94%	282,997	165,556	70.94%		
<b>Total</b>	<b>\$ 5,575,295</b>	<b>\$ 3,630,299</b>		<b>\$ 3,807,897</b>	<b>\$ 2,793,812</b>			

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2025**

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

The financial performance of the charter school as a whole is reflected in its governmental funds as well. Revenues for the School’s governmental funds and other financing sources were \$9,417,064 while total expenditures were \$ 9,362,289. This contributed to a combined fund balance of \$801,082 which is \$54,775 higher than last year’s ending fund balance of \$746,307.

**GENERAL FUND**

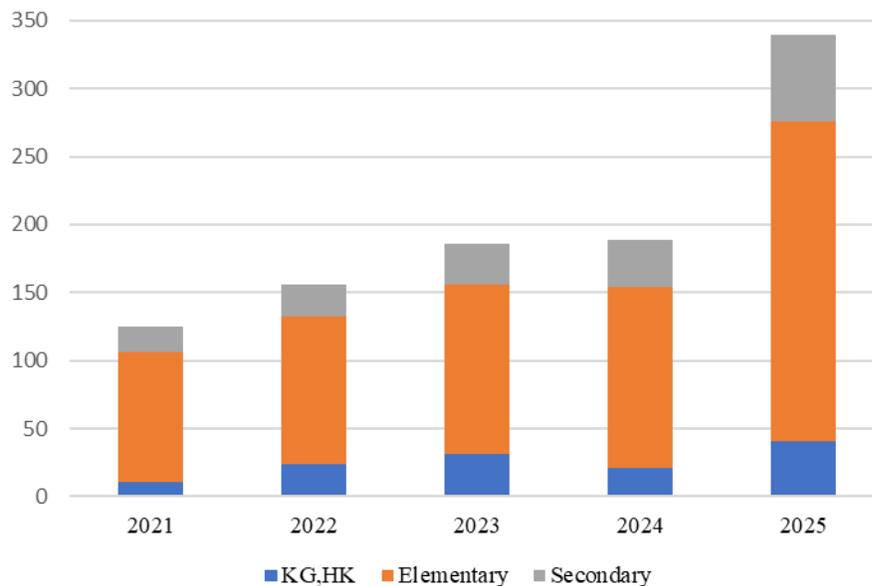
The General Fund includes the primary operations of the School in providing educational services to students from KG through Secondary.

A significant portion of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources.

**Enrollment**

Enrollment is a critical factor in determining revenue with approximately 91% of General Fund revenue being determined by enrollment. The following chart shows that the number of students has increased approximately 151 ADM from the previous year, largely due to the opening of the new campus in Coon Rapids.

**Figure A-4  
Enrollment Trend  
Average Daily Membership (ADM)**



It is hoped that the School will maintain a steady enrollment. All staff members need to assume an active role in retention and recruitment efforts. The School will continue to pursue creative and thoughtful marketing strategies to encourage families to consider the School as the option of choice.

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2025**

**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS (CONTINUED)**

**GENERAL FUND (CONTINUED)**

The following schedule presents a summary of General Fund Revenues:

**Table A-4  
General Fund Revenues**

	<u>Year Ended June 30,</u>		<u>Change</u>	
	<u>2025</u>	<u>2024</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Federal Sources	\$ 276,931	\$ 307,224	\$ (30,293)	-9.86%
State Sources	4,706,927	3,039,196	1,667,731	54.87%
Local Sources	184,913	184,703	210	0.11%
<b>Total General Fund Revenue</b>	<b><u>\$ 5,168,771</u></b>	<b><u>\$ 3,531,123</u></b>	<b><u>\$ 1,637,648</u></b>	

Total General Fund Revenue was \$5,168,771 for the year. Basic general education revenue is determined by multiple complex state formulas, largely enrollment driven, and consists of a specified minimum amount with variables such as socioeconomic indicators driving additional funding. For Minnesota charter schools, most of all funding consists of general education aid, special education aid and charter school lease aid. Other revenue consists of federal and private grant funding that is often expenditure driven.

The following schedule presents a summary of General Fund Expenditures:

**Table A-5  
General Fund Expenditures**

	<u>Year Ended June 30,</u>		<u>Change</u>	
	<u>2025</u>	<u>2024</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Salaries and Wages	\$ 1,762,817	\$ 970,043	\$ 792,774	81.73%
Employee Benefits	368,107	235,652	132,455	56.21%
Purchased Services	1,749,483	1,839,383	(89,900)	-4.89%
Supplies and Materials	266,233	255,986	10,247	4.00%
Capital Expenditures	4,617,410	46,888	4,570,522	9747.74%
Other Expenditures	86,455	27,174	59,281	218.15%
<b>Total General Fund Expenditures</b>	<b><u>\$ 8,850,505</u></b>	<b><u>\$ 3,375,126</u></b>	<b><u>\$ 5,475,379</u></b>	

The significant increase in FY 2025 expenditures reflects one-time costs associated with the opening of the Coon Rapids campus and the required capitalization of Right-of-Use (ROU) assets under GASB 87, rather than an ongoing increase in operating expenses.

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2025**

**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS (CONTINUED)**

**GENERAL FUND (CONTINUED)**

In 2025, there was a surplus in General Fund Revenues and other financing sources of \$127,071 against expenditures, which resulted in an increase to fund balance in the General Fund from \$524,057 at June 30, 2024, to \$651,128 at June 30, 2025. The General Fund balance is below the School's 20% policy target due to one-time expansion-related costs. The School has a plan to rebuild the fund balance to policy levels as enrollment stabilizes.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The budget is approved prior to the beginning of the fiscal year. The School then may revise the annual operating budget in the fall and then again mid-year. These budget amendments fall into two main categories:

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

Actual revenues were lower than budgeted with a variance of \$994,549, due to decreased state reimbursement. Actual expenditures were higher than budgeted with a variance of \$2,896,526, due to current year recognition of Right-of-Use (ROU) asset. The variance between budgeted and actual state aid revenue is primarily due to mid-year adjustments to Average Daily Membership (ADM) projections.

**OTHER MAJOR FUNDS**

***Food Service Fund***

The School 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 2025, food service expenditures exceeded revenues by \$72,296, decreasing the fund balance from \$222,250 at June 30, 2024, to \$149,954 at June 30, 2025. The actual revenues for Food Service Fund were less than budgeted by \$13,619 and the actual expenditure was higher than budgeted by \$151,000. The Food Service operating deficit for FY 2025 is partially due to timing differences between expenditures and reimbursement cycles. The Fund maintains adequate reserves to continue supporting meal service operations.

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2025**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The School's capital assets are used to assist students in their educational experience.

**Table A-6  
Capital Assets**

	<b>2025</b>	<b>2024</b>
Furniture, Fixtures and Equipment	\$ 93,906	\$ 57,936
Leasehold Improvements	226,096	62,746
Less: Accumulated Depreciation	(102,192)	(84,993)
<b>Capital Assets, Net</b>	<b>217,810</b>	<b>35,689</b>
Right-to-Use Assets	6,911,182	3,589,500
Less: Accumulated Amortization	(587,407)	(716,944)
<b>Right-to-Use Assets, Net</b>	<b>6,323,775</b>	<b>2,872,556</b>
<b>Total Capital and Right-to-use Assets</b>	<b>\$ 6,541,585</b>	<b>\$ 2,908,245</b>

By the end of the 2024-2025 fiscal year, the School had invested \$7,231,184 in capital assets including building, leasehold improvements and equipment, net of accumulated depreciation and amortization. More detailed information about capital assets is presented in Note 3 to the financial statements. Total depreciation and amortization expense for the year was \$599,827.

**Long-Term Liabilities**

At year-end the School had long-term liabilities of \$7,423,747 of which \$463,148 was payable within one year.

**Table 7  
Long-Term Liabilities**

	<b>2025</b>	<b>2024</b>	<b>Percentage Change</b>
Lease Liability	\$ 6,634,988	\$ 3,064,292	117%
Compensated Absences Payable	17,551	-	-
Net Pension Liability	771,208	1,023,708	-25%
<b>Total Long Term Liabilities</b>	<b>7,423,747</b>	<b>4,088,000</b>	82%
<b>Long Term Liabilities</b>			
Due Within One Year	463,148	192,269	141%
Due in More Than One Year	6,960,599	3,895,731	79%
<b>Total Long Term Liabilities</b>	<b>\$ 7,423,747</b>	<b>\$ 4,088,000</b>	82%

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2025**

**OPENING OF COON RAPIDS CAMPUS**

In fiscal year 2025, Star of the North Academy opened in a new site called Coon Rapids. This site is located in 1313 Coon Rapids Blvd NW, Coon Rapids, MN 55433. Enrollment for the first year being opened, ended at ADM 128.

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

- The School is dependent on the State of Minnesota for its revenue authority.
- Enrollment shows a steady increase over the years.
- The School signed a Fifteen-year Education Space lease agreement for the period of July 1, 2021 through June 30, 2036.
- The School will strive to meet its commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.
- With both the East Bethel and Coon Rapids campuses operating and enrollment stabilizing, the School anticipates continued improvement in its financial position in FY 2026.

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our constituents, state oversight agencies, lenders, customers, legislative leaders, and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Star of the North Academy, 1562 Northeast Viking Boulevard, East Bethel, Minnesota 55011.

## **BASIC FINANCIAL STATEMENTS**

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2025**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Investments	\$ 668,773
Receivables - Other Governments	468,765
Other Accounts Receivable	18,397
Prepaid Items	35,878
Capital Assets, Net	217,810
Right-to-use Assets, Net	6,323,775
<b>Total Assets</b>	<b>7,733,398</b>
 <b>Deferred Outflow of Resources</b>	
Deferred Outflows - Pension Payments	472,132
 <b>Total Assets and Deferred Outflow of Resources</b>	 <b>8,205,530</b>
 <b>Liabilities</b>	
Salaries and Benefits Payable	223,565
Accounts Payable	167,166
Long-Term Liabilities	
Compensated Absences Payable	17,551
Lease Liability:	
Due Within One Year	463,148
Due in More Than One Year	6,171,840
Net Pension Liability	771,208
<b>Total Liabilities</b>	<b>7,814,478</b>
 <b>Deferred Inflows of Resources</b>	
Deferred Inflows - Pension Payments	559,426
 <b>Net Position</b>	
Net Investments in Capital Assets	(93,403)
Restricted	191,986
Unrestricted	(266,957)
<b>Total Net Position</b>	<b>(168,374)</b>
 <b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	 <b>\$ 8,205,530</b>

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2025**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<b>Governmental Activities</b>					
Administration	\$ 439,927	\$ -	\$ -	\$ -	\$ (439,927)
District Support Services	314,166	-	-	-	(314,166)
Regular Instruction	1,824,115	10,499	266,235	-	(1,547,381)
Special Education Instruction	526,265	-	544,382	-	18,117
Instructional Support Services	65,613	-	-	-	(65,613)
Pupil Support Services	692,136	-	-	-	(692,136)
Sites and Buildings	898,968	-	506,794	-	(392,174)
Fiscal and Other Fixed Cost Programs	17,862	-	-	-	(17,862)
Food Service	513,246	-	439,488	-	(73,758)
Interest and Fiscal Charges on Long-Term Liabilities	282,997	-	-	-	(282,997)
<b>Total</b>	<b>\$ 5,575,295</b>	<b>\$ 10,499</b>	<b>\$ 1,756,899</b>	<b>\$ -</b>	<b>(3,807,897)</b>
<b>General Revenues</b>					
					3,661,180
					370,693
					<b>4,031,873</b>
<b>Change in Net Position</b>					
					223,976
					(392,350)
					<b>\$ (168,374)</b>

“The notes to the basic financial statements are an integral part of this statement.”

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
BALANCE SHEET - GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2025**

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Food Service Fund</u>	
<b>Assets</b>			
Cash and Investments	\$ 528,395	\$ 140,378	\$ 668,773
Receivables:			
Due from Department of Education	356,596	124	356,720
Due from Federal Government through Department of Education	102,546	9,499	112,045
Other Accounts Receivable	18,364	33	18,397
Prepaid Items	35,878	-	35,878
<b>Total Assets</b>	<b><u>1,041,779</u></b>	<b><u>150,034</u></b>	<b><u>1,191,813</u></b>
 <b>Liabilities and Fund Balances</b>			
 <b>Liabilities</b>			
Salaries and Benefits Payable	223,565	-	223,565
Accounts Payable	167,086	80	167,166
<b>Total Liabilities</b>	<b><u>390,651</u></b>	<b><u>80</u></b>	<b><u>390,731</u></b>
 <b>Fund Balances</b>			
Non-Spendable	35,878	-	35,878
Restricted for:			
School Library Aid	20,000	-	20,000
Student Support Personnel	20,000	-	20,000
Food Service	-	149,954	149,954
Safe Schools Levy	2,032	-	2,032
Unassigned	573,218	-	573,218
<b>Total Fund Balances (Deficit)</b>	<b><u>651,128</u></b>	<b><u>149,954</u></b>	<b><u>801,082</u></b>
 <b>Total Liabilities and Fund Balances (Deficit)</b>	<b><u>\$ 1,041,779</u></b>	<b><u>\$ 150,034</u></b>	<b><u>\$ 1,191,813</u></b>

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2025**

<b>Total Fund Balances – Governmental Funds</b>	<b>\$ 801,082</b>
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital Assets, Net of Accumulated Depreciation	217,810
Leased assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the funds.	
ROU Assets, Net of Accumulated Amortization	6,323,775
Long-term liabilities, including loans payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Net Pension Liability	(771,208)
Lease Liability	(6,634,988)
Compensated Absences Payable	(17,551)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognised in the governmental funds	
Deferred Outflows Related to Pensions	472,132
Deferred Inflows Related to Pensions	(559,426)
<b>Total Net Position – Governmental Activities</b>	<b>\$ (168,374)</b>

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Major Funds</u>		<u>Total</u>
	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Governmental Funds</u>
<b>Revenue</b>			
Federal Sources	\$ 276,931	\$ 433,654	\$ 710,585
State Sources	4,706,927	5,801	4,712,728
Local Sources:			
Other	184,913	33	184,946
<b>Total Revenue</b>	<b>5,168,771</b>	<b>439,488</b>	<b>5,608,259</b>
<b>Expenditures</b>			
Current:			
Administration	439,695	-	439,695
District Support Services	313,729	-	313,729
Regular Instruction	1,911,607	-	1,911,607
Special Education Instruction	535,977	-	535,977
Instructional Support Services	65,993	-	65,993
Pupil Support Services	699,580	-	699,580
Sites and Buildings	303,188	-	303,188
Fiscal and Other Fixed Cost Programs	17,862	-	17,862
Food Service	-	511,784	511,784
Capital Outlay:			
ROU Asset	3,808,805	-	3,808,805
Furniture, Fixtures and Equipment	35,970	-	35,970
Leasehold Improvements	163,350	-	163,350
Debt Service:			
Principal	271,752	-	271,752
Interest	282,997	-	282,997
<b>Total Expenditures</b>	<b>8,850,505</b>	<b>511,784</b>	<b>9,362,289</b>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<b>(3,681,734)</b>	<b>(72,296)</b>	<b>(3,754,030)</b>
<b>Other Financing Sources (Uses)</b>			
Lease Liability	3,808,805	-	3,808,805
<b>Total Other Financing Sources (Uses)</b>	<b>3,808,805</b>	<b>-</b>	<b>3,808,805</b>
<b>Net Change in Fund Balances</b>	<b>127,071</b>	<b>(72,296)</b>	<b>54,775</b>
Fund Balances - Beginning of the year	524,057	222,250	746,307
<b>Fund Balances - End of the year</b>	<b>\$ 651,128</b>	<b>\$ 149,954</b>	<b>\$ 801,082</b>

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2025**

**Net Change in Fund Balances – Total Governmental Funds** **\$ 54,775**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlays	199,320
Depreciation Expense	(17,199)

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.

Amortization on Right-to-use Assets	(582,628)
Principal Payments - Capital Leases	271,752
ROU Asset	3,808,805
Gain on Modification of Leases	191,399

Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.

Pension Expense	124,108
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In the statement of activities, certain operating expenses - severance benefits and compensated absences - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (Amounts actually paid)

(17,551)

The proceeds from loans provide current financial resources to governmental funds, but increases long-term liabilities in the statement of net assets. Repayment of advance principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Proceeds from Lease Liability	(3,808,805)
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<b>Change in Net Position – Governmental Activities</b>	<b>\$ 223,976</b>
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**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenue</b>				
Federal Sources	\$ 205,401	\$ 205,401	\$ 276,931	\$ 71,530
State Sources	5,939,860	5,939,860	4,706,927	(1,232,933)
Local Sources	18,059	18,059	184,913	166,854
<b>Total Revenue</b>	<b><u>6,163,320</u></b>	<b><u>6,163,320</u></b>	<b><u>5,168,771</u></b>	<b><u>(994,549)</u></b>
<b>Expenditures</b>				
Current:				
Administration	680,261	680,261	439,695	240,566
District Support Services	694,456	694,456	313,729	380,727
Regular Instruction	1,952,207	1,952,207	1,911,607	40,600
Special Education Instruction	534,337	534,337	535,977	(1,640)
Instructional Support Services	23,705	23,705	65,993	(42,288)
Pupil Support Services	968,446	968,446	699,580	268,866
Sites and Buildings	303,567	303,567	303,188	379
Fiscal and Other Fixed Cost Programs	5,000	5,000	17,862	(12,862)
Capital Outlay:				
ROU Asset	300,000	300,000	3,808,805	(3,508,805)
Furniture, Fixtures and Equipment	28,977	28,977	35,970	(6,993)
Leasehold Improvements	121,023	121,023	163,350	(42,327)
Debt Service	342,000	342,000	554,749	(212,749)
<b>Total Expenditures</b>	<b><u>5,953,979</u></b>	<b><u>5,953,979</u></b>	<b><u>8,850,505</u></b>	<b><u>(2,896,526)</u></b>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<b><u>209,341</u></b>	<b><u>209,341</u></b>	<b><u>(3,681,734)</u></b>	<b><u>(3,891,075)</u></b>
<b>Other Financing Sources (Uses)</b>				
Lease Liability	-	-	3,808,805	3,808,805
<b>Total Other Financing Sources (Uses)</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>3,808,805</u></b>	<b><u>3,808,805</u></b>
<b>Net Change in Fund Balances</b>	<b><u>\$ 209,341</u></b>	<b><u>\$ 209,341</u></b>	<b><u>\$ 127,071</u></b>	<b><u>\$ (82,270)</u></b>

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
FOOD SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenue</b>				
Federal Sources	\$ 438,994	\$ 438,994	\$ 433,654	\$ (5,340)
State Sources	14,113	14,113	5,801	(8,312)
Local Sources	-	-	33	33
<b>Total Revenue</b>	<u>453,107</u>	<u>453,107</u>	<u>439,488</u>	<u>(13,619)</u>
<b>Expenditures</b>				
Current				
Food Service	360,784	360,784	511,784	(151,000)
<b>Total Expenditures</b>	<u>360,784</u>	<u>360,784</u>	<u>511,784</u>	<u>(151,000)</u>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<u>92,323</u>	<u>92,323</u>	<u>(72,296)</u>	<u>(164,619)</u>
<b>Net Change in Fund Balances</b>	<u>\$ 92,323</u>	<u>\$ 92,323</u>	<u>\$ (72,296)</u>	<u>\$ (164,619)</u>

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Star of the North Academy ("the School") is a nonprofit corporation that was formed in accordance with *Minnesota Statutes* 317A and opened in September 2014. The School is authorized by the Novation Education Opportunities. The School is a public school which served grades K-8 in the 2024-2025 school year. The School's mission is to provide a caring, inclusive and nurturing environment, whereby qualified educators are dedicated to the success of all students. They are skilled in best teaching practices to maintain high expectations for students and to motivate and engage them in a safe learning environment. The School's vision is to provide an effective learning environment for the world's future leaders, where all students learn, achieve and graduate with the ability to communicate and work successfully in a pluralistic society.

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

The accounting policies of the School 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. Financial Reporting Entity**

Charter School No. 4224, also known as Star of the North Academy (the School), is a nonprofit corporation that was formed on 2014, in accordance with Minnesota Statutes. The School is authorized by Novation Education Opportunities – and operates under a charter school contract extending through June 30, 2027. The governing body consists of board of directors composed of at least five members elected by voters of the general membership of the School.

The financial statements present the School and its component units. The School 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 School are financially accountable and are included within the basic financial statements of the School because of the significance of their operational or financial relationships with the School.

The School 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 School.

As a result of applying the component unit definition criteria above, it has been determined the School has no component units. Aside from its role as authorizer, Novation Education Opportunities has no authority, control, power, or administrative responsibilities over the School. Therefore, the School is not considered a component unit of Novation Education Opportunities.

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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

**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 School.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

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

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**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 School operates as a nonprofit corporation under *Minnesota Statutes* 317A. However, state law also requires the School 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 School and is used to account for all financial resources except those required to be accounted for in another fund.

***Food Service 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, 2025, 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. Student Activities**

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with *Minnesota Statutes*, school boards must control all extracurricular activities of the teachers and students. Therefore, any extracurricular student activity accounts are included in the School's General Fund.

**F. Accounts Receivable**

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

**G. 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.

**H. 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, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

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

**H. Deferred Outflows/Inflows of Resources (Continued)**

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

**I. Capital Assets**

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

Capitalization method:

All capital assets will be recorded at historical cost as of the date acquired or constructed or fair market value at date of gift if donated. If historical cost information is not available, assets will be recorded, at estimated historical cost by calculating current replacement cost and deflating the cost using the appropriate price-level index.

Capitalization threshold:

The School establishes a minimum capitalization threshold of \$5,000, to be applied on a group basis, for capitalizing capital assets. Detailed records shall be maintained for all capital assets above the established thresholds.

Depreciation and useful life:

School administration will assign an estimated useful life to assets for the purposes of recording depreciation. Asset lives will be adjusted as necessary depending on the present condition and use of the asset and based on how long the asset is expected to meet current service demands. Adjustments should be properly documented. Depreciation will be recorded based on the straight-line method using actual month convention and depreciated down to the asset's salvage value.

Safeguarding and controlling capital assets:

All machinery and equipment, vehicles and furniture will be assigned an asset number and identified with a capital asset tag. As capital assets are purchased or disposed of, school administration or the responsible program authority will be responsible for preparing proper supporting documentation, which will then be forwarded to School Business Solutions to ensure proper recording. A physical inventory will be taken annually on or about June 30 and compared to the physical inventory records. The results will be forwarded to School Business.

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

**J. Leases**

The School determines if an arrangement is a lease at inception. Leases are included in lease assets and lease liabilities in the statement of net position.

Lease assets represent the School's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the School's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the net present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

The lease term may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option. The School has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

**K. 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. PERA also has a special funding situation created by direct aid contributions made by the State of Minnesota.

**L. Risk Management**

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

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

**M. 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.

**N. Interfund Activity**

From time to time, the School may have interfund activity in the normal course of operations. This activity is eliminated in the government wide financial statements when consolidated. The effects of interfund activities have been removed from the Government-wide financial statements.

**O. Fund Balance**

In the fund financial statements, the governmental fund report fund classifications that comprise a hierarchy based primarily on the extent to which the School is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. Non-spendable 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 School'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.

The School's fund balance policy calls for a desired fund balance of no less than 20% of expenditures. However, as of June 30, 2025, the General Fund's balance represented only 7% of its annual expenditures.

**P. 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.

**Q. Tax Status**

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

The School 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 School has determined there are not amounts to record as assets or liabilities related to uncertain tax positions.

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

**R. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net position.

**S. Budgetary Information**

The School's Board adopts an annual budget for the General Fund and the Food Service Special Revenue Fund. Budgets are prepared on the same basis of accounting as the financial statements. Legal budgetary control is at the fund level. Budgeted amounts are as originally adopted or as amended by the Board. Budgeted expenditure appropriations lapse at year end.

**T. Compensated Absences**

Paid-Time off (PTO) benefits that have been earned but not taken are recorded as Compensated Absences Payable. Twenty seven employees of the School qualify for the carryover of such leave. The expenditure is recorded in General Fund when the benefit is utilized.

**U. Adoption of New Accounting Standards**

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

In accordance with the provisions of GASB Statement No. 101, *Compensated Absences*, the School has evaluated its policies and historical data regarding compensated absences to determine the appropriate recognition of a liability. As a result of this assessment, the School recognized a liability of \$17,551 as of June 30, 2025, for compensated absences that are expected to be used or paid in the future.

**NOTE 2 - DEPOSITS**

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

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

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral includes U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency.

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**NOTE 2 – DEPOSITS (CONTINUED)**

Minnesota statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

The bank balance of the School’s deposits in banks at June 30, 2025 is \$690,769, and was entirely covered by federal depository insurance and collateral in accordance with Minnesota Statutes.

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2025, was as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2024</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2025</b>
<b>Governmental Activities:</b>				
<b>Capital assets, being depreciated:</b>				
Furniture, Fixtures and Equipment	\$ 57,936	\$ 35,970	\$ -	93,906
Leasehold Improvements	62,746	163,350	-	226,096
<b>Total Capital Assets, Being Depreciated</b>	<b>120,682</b>	<b>199,320</b>	<b>-</b>	<b>320,002</b>
<b>Accumulated Depreciation for:</b>				
Furniture, Fixtures and Equipment	(55,745)	(4,047)	-	(59,792)
Leasehold Improvements	(29,248)	(13,152)	-	(42,400)
<b>Total Accumulated Depreciation</b>	<b>(84,993)</b>	<b>(17,199)</b>	<b>-</b>	<b>(102,192)</b>
<b>Total Capital assets, Net</b>	<b>35,689</b>	<b>182,121</b>	<b>-</b>	<b>217,810</b>
<b>Right-to-use Assets</b>				
Building	3,560,826	3,780,090	(487,123)	6,853,793
Equipment	28,674	28,715	-	57,389
<b>Total Right-to-use Assets</b>	<b>3,589,500</b>	<b>3,808,805</b>	<b>(487,123)</b>	<b>6,911,182</b>
<b>Accumulated Amortization:</b>				
Building	(712,165)	(571,150)	712,165	(571,150)
Equipment	(4,779)	(11,478)	-	(16,257)
<b>Total Accumulated Amortization</b>	<b>(716,944)</b>	<b>(582,628)</b>	<b>712,165</b>	<b>(587,407)</b>
<b>Total Right-to-use Assets, Net</b>	<b>2,872,556</b>	<b>3,226,177</b>	<b>225,042</b>	<b>6,323,775</b>
<b>Total Governmental Activities Capital and Right-to-use Assets, Net</b>	<b>\$ 2,908,245</b>	<b>\$ 3,408,298</b>	<b>\$ 225,042</b>	<b>6,541,585</b>

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

<b>Governmental Activities</b>	
Food Service	\$ 450
Regular Instruction	3,597
Sites and Buildings	595,780
<b>Total Depreciation and Amortisation, Governmental Activities</b>	<b>\$ 599,827</b>

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**NOTE 4 - LEASES**

On May 24, 2021, the School (Lessee) entered into a lease agreement with the Minnesota Education Trust (Lessor) for educational space. The lease term extends from July 1, 2021, through June 30, 2036. During fiscal year 2025, the School and the lessor executed a lease amendment to reduce the scheduled lease payments. As a result of this modification, the School recognized an increase to the lease liability of \$33,643 during fiscal year 2025. The lease liability was measured using a discount rate of 4.54%.

On September 10, 2023, the School (Lessee) signed a lease agreement for Copier with Loffler. The term of the lease agreement extends from September 2023 through August 2028. The lease agreement includes monthly principal and interest payments of \$531. The discount rate used was 4.39%.

On July 3, 2024, the School (Lessee) signed a lease agreement for Copier with Loffler. The term of the lease agreement extends from July 2024 through August 2029. The lease agreement includes monthly principal and interest payments of \$531. The discount rate used was 4.39%.

On July 1, 2024, the School (Lessee) entered into a lease agreement with 1313 CRB LLC (Lessor) for educational space. The lease term extends from July 2024, through June 2036. The lease liability was measured using a discount rate of 4.54%.

Annual requirements to amortize the lease liability and related interest are estimated as follows:

<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30,</b>			
2026	\$ 463,148	\$ 291,602	\$ 754,750
2027	484,596	270,153	754,749
2028	507,039	247,710	754,749
2029	525,120	224,316	749,437
2030	541,842	200,158	742,000
2031-2035	3,313,427	583,935	3,897,362
2036	799,816	19,805	819,621
<b>Total</b>	<b>\$ 6,634,988</b>	<b>\$ 1,837,679</b>	<b>\$ 8,472,667</b>

**NOTE 5 – LONG-TERM LIABILITIES**

Changes in the School’s long-term liabilities for the year ended June 30, 2025 are as follows:

	<b>Balance</b>			<b>Balance</b>	<b>Principal Due</b>
	<b>July 1, 2024</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2025</b>	<b>Within One Year</b>
Long-Term Leases	\$ 3,064,292	\$ 3,842,448	\$ (271,752)	6,634,988	\$ 463,148
Compensated Absences Payable	-	17,551	-	17,551	-
	<b>\$ 3,064,292</b>	<b>\$ 3,859,999</b>	<b>\$ (271,752)</b>	<b>\$ 6,652,539</b>	<b>\$ 463,148</b>

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**NOTE 6 - DEFINED BENEFIT PENSION PLANS**

Substantially all employees of the School are required by state law to belong to pension plans administered by Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follow:

**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 school, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage within one year of eligible employment or elect coverage through the Defined Contribution Retirement Plan (DCR) administered by Minnesota State. A teacher employed by Minnesota State and electing DCR plan is not a member of TRA except for purposes of social security coverage.

**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 consecutive 60 months of formula service, age and years of formula service credit at termination of service. TRA members belong to either the Basic or Coordinated Plan.

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 I Benefits*

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

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

**Teachers Retirement Association (Continued)**

**B. Benefits Provided (Continued)**

*Tier I Benefits (Continued)*

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

*Tier II Benefits*

Members first employed after June 30, 1989, receive only the Tier II benefit calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66. After July 1, 2024, the age will change to not to exceed 65. An early retirement reduction is applied to members retiring before age 66, but will be age 65 after July 1, 2024. Members who reach age 62 with 30 years of service have a lower (more favorable to the member) early retirement reduction rate applied.

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

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

**C. Contributions**

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The School's contributions to TRA for the plan's fiscal year ended June 30, 2025 were \$128,204. The School's contributions were equal to the required contributions for each year as set by state statute.

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

**Teachers Retirement Association (Continued)**

**D. Actuarial Assumptions**

The total pension liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

<b>Key Methods and Assumptions Used in Valuation of Total Pension Liability</b>	
<b>Actuarial Information</b>	
Experience studies	August 2, 2023 (demographic and economic assumptions) *
Actuarial cost method	Entry Age Normal
<b>Actuarial assumptions:</b>	
Investment Rate of Return	7%
Price Inflation	2.5%
Wage growth rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of Living Adjustments	1% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
<b>Mortality assumptions</b>	
Pre-retirement:	PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Healthy Retirees:	PubT-2010 (A) Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Beneficiaries:	Pub-2010 (A) Contingent Survivor Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Disabled Retirees:	PubNS-2010 Disabled Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.

*\*The assumptions prescribed are based on the experience study dated August 2, 2023. For GASB 67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with actuary.*

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**NOTE 6 - DEFINED BENEFIT PENSION PLANS (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 (Geometric Mean)
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25%	0.75%
Private Markets	25%	5.90%
<b>Total</b>	<b>100.00%</b>	

**Changes in actuarial assumptions since the 2023 valuation:**

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

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

**Teachers Retirement Association (Continued)**

**E. Discount Rate**

The discount rate used to measure the total pension liability was 7%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2024 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. 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.

**F. Net Pension Liability**

On June 30, 2025, the School reported a liability of \$616,369 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The School's proportion of the net pension liability was based on the School's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. School's proportionate share was 0.0097% at the end of the measurement period and 0.0082% 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 district 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 district were as follows:

Description	Amount
School's proportionate share of the TRA	\$ 616,369
State's proportionate share of the net pension liability associated with the school	40,402
<b>Total</b>	<b>\$ 656,771</b>

For the year ended June 30, 2025, the School recognized pension expense of \$13,220. It also recognized \$494 as a decrease to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The School recognized \$17,088 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Fund.

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Teachers Retirement Association (Continued)**

**F. Net Pension Liability (Continued)**

At June 30, 2025, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 29,384	\$ 7,988
Changes in actuarial assumptions	62,161	73,503
Net difference between projected and actual earnings on Plan Investments	-	87,239
Changes in Proportion	92,043	192,327
School's Contributions Subsequent to the Measurement Date	128,204	-
<b>Total</b>	<u><u>\$ 311,792</u></u>	<u><u>\$ 361,057</u></u>

The \$128,204 reported as deferred outflows of resources related to pensions resulting from School Contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

<u>Year Ending June, 30</u>	<u>Pension Expense Amount</u>
2026	\$ (72,409)
2027	21,950
2028	(77,217)
2029	(58,474)
2030	\$ 8,681

**G. Pension Liability Sensitivity**

The following presents the net pension liability of TRA calculated using the discount rate of 7%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate.

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

**Teachers Retirement Association (Continued)**

**G. Pension Liability Sensitivity (Continued)**

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
TRA Discount Rate	6.00%	7.00%	8.00%
School's proportionate share of the TRA Net Pension Liability	\$ 1,085,462	\$ 616,369	\$ 230,294

**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 report can be obtained at <https://minnesotatra.org>, 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.

**General Employees Retirement Plan**

**A. Plan Description**

The School participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

**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. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989.

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

**General Employees Retirement Plan (Continued)**

**B. Benefits Provided (Continued)**

Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. The 2024 annual increase was 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. 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 prorated increase.

**C. Contributions**

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2025 and the School was required to contribute 7.50 percent for General Plan members. The School's contributions to the General Employees Fund for the year ended June 30, 2025, were \$35,191. The School's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

At June 30, 2025, the School reported a liability of \$154,839 for its proportionate share of the General Employees Fund's net pension liability. The School's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the School totaled \$4,004.

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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

**General Employees Retirement Plan (Continued)**

**D. Pension Costs (Continued)**

<u>Description</u>	<u>Amount</u>
School's proportionate share of the GERF net pension liability	\$ 154,839
State of Minnesota's proportionate share of the net pension liability associated with the School	4,004
<b>Total</b>	<b>\$ 158,843</b>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The School's proportionate share was 0.0042% at the end of the measurement period and 0.0062% for the beginning of the period.

For the year ended June 30, 2025, the school recognized \$51,149 in pension expense for its proportionate share of the General Employees Plan's pension expense. In addition, the school recognized \$107 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The School recognized \$7,124 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

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CHARTER SCHOOL NO. 4224  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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

**General Employees Retirement Plan (Continued)**

**D. Pension Costs (Continued)**

At June 30, 2025, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 14,559	\$ -
Changes in actuarial assumptions	756	58,604
Net difference between projected and actual investment earnings	-	44,964
Changes in Proportion	109,834	94,801
Contributions paid to GERP subsequent to the measurement date	35,191	-
<b>Total</b>	<b>\$ 160,340</b>	<b>\$ 198,369</b>

The \$35,191 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Expense Amount</b>
2026	\$ (14,555)
2027	3,774
2028	(50,571)
2029	\$ (11,868)

**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.

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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

**General Employees Retirement Plan (Continued)**

**E. Long-Term Expected Return on Investment (Continued)**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25%	0.75%
Private Markets	25%	5.90%
<b>Total</b>	<b>100.00%</b>	

**F. Actuarial Methods and Assumptions**

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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

**General Employees Retirement Plan (Continued)**

**F. Actuarial Methods and Assumptions (Continued)**

- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

**G. Discount rate**

The discount rate used to measure the total pension liability in 2024 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Plan were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**H. Pension Liability Sensitivity**

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

	<b>1% Decrease in Discount Rate</b>	<b>Current Discount Rate</b>	<b>1% Increase in Discount Rate</b>
GERF Discount Rate	6.00%	7.00%	8.00%
School's proportionate share of the GERF Net Pension liability	\$ 338,194	\$ 154,839	\$ 4,013

**I. Pension Plan Fiduciary Net Position**

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

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

**A. Federal and State Programs**

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

**NOTE 8 – STEWARDSHIP AND ACCOUNTABILITY**

Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts at June 30, 2025 as follows:

	<b>Budget</b>	<b>Expenditures</b>	<b>Excess</b>
General Fund	\$ 5,953,979	\$ 8,850,505	\$ 2,896,526
Special Revenue Fund:			
Food Service Fund	\$ 360,784	\$ 511,784	\$ 151,000

The overages were considered by School management to be the result of necessary expenditures critical to operations and were approved by the board.

**NOTE 9 - SUBSEQUENT EVENTS**

For the year ended June 30, 2025 the School has evaluated subsequent events and transactions for potential recognition or disclosure through December 4, 2025, which is the date the financial statements were available to be issued, and concluded no additional subsequent events have occurred that would require recognition or disclosure in these financial statements that have not already been accounted for.

**REQUIRED SUPPLEMENTARY INFORMATION**

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
TRA PLAN SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE  
OF NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2025  
LAST TEN MEASUREMENT DATES**

<b>Measurement Date June 30,</b>	<b>School's Proportion of the Net Pension Liability</b>	<b>School's Proportionate Share of the Net Pension Liability</b>	<b>State's Proportionate Share of the Net Pension Liability Associated with School</b>	<b>Total</b>	<b>School's Covered Payroll</b>	<b>School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2015	0.0080%	\$ 494,879	\$ 60,828	\$ 555,707	\$ 406,493	121.74%	76.77%
2016	0.0091%	2,170,567	217,577	2,388,144	474,387	457.55%	44.88%
2017	0.0105%	2,095,990	202,349	2,298,339	564,827	371.09%	51.57%
2018	0.0122%	763,822	71,744	835,566	671,880	113.68%	78.07%
2019	0.0118%	752,134	66,332	818,466	672,555	111.83%	78.21%
2020	0.0118%	871,800	73,123	944,923	685,682	127.14%	75.48%
2021	0.0117%	512,027	43,229	555,256	698,278	73.33%	86.63%
2022	0.0111%	888,829	65,787	954,616	687,158	129.35%	76.17%
2023	0.0082%	677,010	47,562	724,572	521,895	129.72%	76.42%
2024	0.0097%	\$ 616,369	\$ 40,402	\$ 656,771	\$ 658,503	93.60%	82.07%

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
TRA PLAN SCHEDULE OF SCHOOL'S CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2025  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30,</b>	<b>Statutorily Required Contributions</b>	<b>Contributions in Relation to the Statutorily Required Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2016	\$ 35,579	\$ 35,579	\$ -	\$ 474,387	7.50%
2017	42,362	42,362	-	564,827	7.50%
2018	50,391	50,391	-	671,880	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	57,309	57,309	-	687,158	8.34%
2023	44,622	44,622	-	521,895	8.55%
2024	57,619	57,619	-	658,503	8.75%
2025	\$ 128,204	\$ 128,204	\$ -	\$ 1,465,189	8.75%

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
GERF PLAN SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2025  
LAST TEN MEASUREMENT DATES**

<b>Measurement Date</b>	<b>School's Proportion of the Net Pension Liability</b>	<b>School's Proportionate Share of the Net Pension Liability</b>	<b>State's Proportionate Share of the Net Pension Liability Associated with School</b>	<b>Total</b>	<b>School's Covered Payroll</b>	<b>Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2015	0.0005%	\$ 25,913	\$ -	\$ 25,913	\$ 28,027	92.46%	78.20%
2016	0.0005%	40,598	523	41,121	32,000	126.87%	68.90%
2017	0.0012%	76,607	956	77,563	76,760	99.80%	75.90%
2018	0.0014%	77,666	2,643	80,309	96,227	80.71%	79.53%
2019	0.0013%	71,874	2,167	74,041	91,267	78.75%	80.23%
2020	0.0015%	89,932	2,870	92,802	110,013	81.75%	79.06%
2021	0.0017%	72,598	2,278	74,876	122,600	59.22%	87.00%
2022	0.0033%	261,361	7,670	269,031	250,747	104.23%	76.67%
2023	0.0062%	346,697	9,601	356,298	492,640	70.38%	83.10%
2024	0.0042%	\$ 154,839	\$ 4,004	\$ 158,843	\$ 326,133	47.48%	89.08%

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
GERF PLAN SCHEDULE OF SCHOOL'S CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2025  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30,</b>	<b>Statutorily Required Contributions</b>	<b>Contributions in Relation to the Statutorily Required Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2016	\$ 2,400	\$ 2,400	\$ -	\$ 32,000	7.50%
2017	5,757	5,757	-	76,760	7.50%
2018	7,217	7,217	-	96,227	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	18,806	18,806	-	250,747	7.50%
2023	36,948	36,948	-	492,640	7.50%
2024	24,460	24,460	-	326,133	7.50%
2025	\$ 35,191	\$ 35,191	\$ -	\$ 469,213	7.50%

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2025**

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

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

**2024**

***Changes in Actuarial Assumptions***

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

***Changes in Plan Provisions***

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

**2023**

**Changes in Actuarial Assumptions**

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

**Changes in Plan Provisions**

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2025**

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

**2022**

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

- There were no changes in plan provisions since the previous valuation.

**2021**

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

- There were no changes in plan provisions since the previous valuation.

**2020**

**Changes in Actuarial Assumptions**

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

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2025**

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

**2020 (Continued)**

- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

**Changes in Plan Provisions**

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

**2019**

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

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

**2018**

**Changes in Actuarial Assumptions**

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

**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, 2025.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2025**

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

**2018 (Continued)**

- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year, with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio, to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**2017**

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

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

**2016**

**Changes in Actuarial Assumptions**

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

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2025**

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

**Changes in Plan Provisions**

- There have been no changes since the prior valuation.

**2015**

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

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

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2025**

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

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

**2024**

**Changes in Actuarial Assumptions**

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family of tables.
- Retirement rates were increased for some of the tier 2 early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first ten years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

**Changes in Plan Provisions**

- The 2024 Omnibus Pensions and Retirement Bill (HF 5040/SF 4643) lowered the normal retirement age for Tier 2 members from 66 to 65 effective July 1, 2024 and provided for a one-time State appropriation of \$28.46 million to cover the cost.
- HF 3100, appropriated \$176,166,838 to TRA, payable on October 1, 2023:
  - \$28,735,816 for the difference between the statutory 1.1% compounded COLA payable on January 1, 2024 and a one-time 2.5% lump-sum COLA for coordinated plan members;
  - \$2,384,222 for the difference between the statutory 1.1% compounded COLA payable on January 1, 2024 and a one-time 4.0% lump-sum COLA for basic plan members; and
  - \$145,046,800 to pay down the unfunded actuarial accrued liability.

**2023**

**Changes in Actuarial Assumptions**

- The investment return assumption was changed from 7.5% to 7.00%. This does not affect the GASB valuation which was already using the 7.00% assumption.

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2025**

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

**2023 (Continued)**

**Changes in Plan Provisions**

- Effective July 1, 2025, the normal retirement age for Tier 2 members will decrease from 66 to 65.
- The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025.
- The employee contribution rate will increase from 7.75% to 8.00% on July 1, 2025.

**2022**

**Changes in Actuarial Assumptions**

- There have been no changes since the prior valuation.

**Changes in Plan Provisions**

- There have been no changes since the prior valuation.

**2021**

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

- There have been no changes since the prior valuation.

**2020**

**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.

**Changes in Plan Provisions**

- There have been no changes since the prior valuation.

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2025**

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

**2019**

**Changes in Actuarial Assumptions**

- There have been no changes since the prior valuation.

**Changes in Plan Provisions**

- There have been no changes since the prior valuation.

**2018**

**Changes in Actuarial Assumptions**

- The investment return assumption was changed from 8.5% to 7.5%.
- The price inflation assumption was lowered from 3.0% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter.
- The total salary increase assumption was adjusted by the wage inflation change.
- The amortization date for the funding of the Unfunded Actuarial Accrual Liability (UAAL) was reset to June 30, 2048 (30 years).
- The mechanism in the law that provided the TRA Board with some authority is set contribution rates was eliminated.

**Changes in Plan Provisions**

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2025 (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 is reduced from 8.5% to 7.5%, effective July 1, 2018.

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2025**

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

**2018 (Continued)**

- The employer contribution rate is increased each July 1 over the next 5 years, (7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

**2017**

**Changes in Actuarial Assumptions**

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- Adjustment 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 nonvested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for 10 years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

**Changes in Plan Provisions**

- There have been no changes since the prior valuation

**2016**

**Changes in Actuarial Assumptions**

- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2025**

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

**2016 (Continued)**

- 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 postretirement 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 adjustments.
- 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 forms of payment at retirement were made.

**Changes in Plan Provisions**

- There have been no changes since the prior valuation.

**2015**

**Changes in Actuarial Assumptions**

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2037.
- The investment return assumption was changed from 8.25% to 8.0%.

**Changes in Plan Provisions**

- The Duluth Teachers Retirement Fund Association was merged into TRA on June 30, 2015. This also resulted in a state-provided contribution stream of \$14.377 million until the System becomes fully funded

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2025**

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

**2014**

**Changes in Actuarial Assumptions**

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria was met. This was estimated to occur July 1, 2031.

**Changes in Plan Provisions**

- The increase in the postretirement benefit adjustment (COLA) will be made once the System is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

## **SUPPLEMENTARY INFORMATION**

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
YEAR ENDED JUNE 30, 2025**

<b>01 GENERAL FUND</b>	<b>AUDIT</b>	<b>UFARS</b>	<b>Difference</b>
Total Revenue	\$5,168,771	\$5,168,772	\$(1)
Total Expenditures	8,850,505	8,850,505	-
<i>Non Spendable:</i>			
460 Non Spendable Fund Balance	35,878	35,878	-
<i>Restricted / Reserved:</i>			
401 Student Activities	-	-	-
402 Scholarships	-	-	-
403 Staff Development	-	-	-
407 Capital Projects Levy	-	-	-
408 Cooperative Revenue	-	-	-
413 Funded by COP/FP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maint	-	-	-
424 Operating Capital	-	-	-
426 \$25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning & Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alt. Programs	-	-	-
436 State Approved Alt. Program	-	-	-
438 Gifted & Talented	-	-	-
440 Teacher Development and Evaluation	-	-	-
441 Basic Skills Programs	-	-	-
443 School Library Aid	20,000	20,000	-
448 Achievement and Integration	-	-	-
449 Safe Schools Levy	2,032	2,032	-
451 QZAB Payments	-	-	-
452 OPEB Liab Not In Trust	-	-	-
453 Unfunded Sev & Retirement Levy	-	-	-
459 Basic Skills Extended Time	-	-	-
467 LTFM	-	-	-
471 Student Support Personnel	20,000	20,000	-
472 Medical Assistance	-	-	-
<i>Restricted:</i>			
464 Restricted Fund Balance	-	-	-
475 Title VII Impact Aid	-	-	-
476 Payments in Lieu of Taxes	-	-	-
<i>Committed:</i>			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
<i>Assigned:</i>			
462 Assigned Fund Balance	-	-	-
<i>Unassigned:</i>			
422 Unassigned Fund Balance	\$573,218	\$573,219	\$(1)

**STAR OF THE NORTH ACADEMY  
CHARTER SCHOOL NO. 4224  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
YEAR ENDED JUNE 30, 2025**

**02 FOOD SERVICES**

Total Revenue	\$439,488	\$439,488	\$ -
Total Expenditures	511,784	511,784	-
<i>Non Spendable:</i>			
460 Non Spendable Fund Balance	-	-	-
<i>Restricted / Reserved:</i>			
452 OPEB Liab Not In Trust	-	-	-
<i>Restricted:</i>			
464 Restricted Fund Balance	149,954	149,954	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	\$ -	\$ -	\$ -

## **OTHER REQUIRED REPORTS**



**Thomas & Company, CPA, PA**  
Certified Public Accountants and Business Consultants

**INDEPENDENT AUDITOR'S 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**

To the Board of Directors  
Star of the North Academy  
Charter School No. 4224  
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, 2025, and the related notes to financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 4, 2025.

**Report on Internal Control over Financial Reporting**

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

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

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

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

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

### **Minnesota Legal Compliance**

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

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



Thomas & Company, CPA, PA  
Cooper City, Florida  
December 4, 2025



**Thomas & Company, CPA, PA**  
Certified Public Accountants and Business Consultants

**MINNESOTA LEGAL COMPLIANCE INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Star of the North Academy  
Charter School No. 4224  
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, 2025, and the related notes to financial statements, and have issued our report thereon dated December 4, 2025.

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

*Thomas J. Company CPA PA*

Thomas & Company, CPA, PA  
Cooper City, Florida  
December 4, 2025

**STAR OF THE NORTH ACADEMY  
 CHARTER SCHOOL NO. 4224  
 SUMMARY OF PRIOR AUDIT FINDINGS  
 YEAR ENDED JUNE 30, 2025**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional information</b>
<b>Finding 2024-001</b>	Minnesota Statutes 471.425, subd. 2 stipulates that bills must be paid within the time frame established by the contract terms or within the standard payment period, which is typically 45 days from the receipt of goods, services, or invoices. For the fiscal year ending June 30, 2024, the audit identified instances where several invoices were paid after the standard payment period.	Corrective action taken and finding is fully corrected.	Not Applicable