

RISING STARS ACADEMY

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

JUNE 30, 2020

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	I - II
Management's Discussion and Analysis	III – VIII
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
Notes to the Financial Statements	5 – 21
Required Supplementary Information	
Budgetary Comparison Schedules:	
General Fund	22
Food Service Fund	23
Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability	24
Schedule of the Reporting Unit's Pension Contributions	25
Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability	26
Schedule of the Reporting Unit's OPEB Contributions	27
Notes to Required Supplementary Information	28
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based Upon an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29 – 30



November 23, 2020

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Rising Stars Academy

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rising Stars Academy, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Rising Stars Academy, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

-I-

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Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2020, on our consideration of the Rising Stars 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 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 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 Rising Stars Academy's internal control over financial reporting and compliance.

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

RISING STARS ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS

As management of Rising Stars Academy, we offer readers of the Academy's financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2020.

Financial Highlights

- * The assets of the Academy exceeded its liabilities at the close of the most recent fiscal year by \$478,868 (net position).
- * The Academy's total net position increased by \$140,809. The increase was primarily due to new food programs and strategic budget planning for fiscal year end 2020.
- * The general fund had an increase in fund balance of \$127,291. At the end of the year, unassigned fund balance for the general fund was \$247,768, or 24%, of total general fund expenditures.

Overview of the Academy for the Fiscal Year

Rising Stars Academy had student count stay relatively consistent from the previous year. The board of directors and administration was able to budget accordingly throughout the year with revenue and expenditure changes. The academy was able to participate in the new food service program to be able to provide more meals for more children and families during the pandemic shutdown. This food service program was instrumental for the students of the academy and the surrounding areas.

Covid Note

The academy endured a \$175 per pupil decrease because of the budget forecasting by the board of directors and administration. The academy did receive additional federal funds for the pandemic learning and costs that are associated with the new learning approach. In the coming years after the pandemic is going to be critical for academic and financial growth at the academy. The future funding for the state as a whole may play a factor in the per pupil foundation allowance.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Academy financially as a whole. The Academy-Wide Financial Statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements provide information about the Academy's most significant funds - the General Fund and Food Service Fund.

RISING STARS ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR FEATURES OF ACADEMY-WIDE AND FUND FINANCIAL STATEMENTS			
Academy-Wide Statements		Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire Academy (except Fiduciary Funds)	The activities of the Academy that are not proprietary or fiduciary such as special education and building maintenance	Instances in which the Academy administers resources on behalf of someone else, such as certain student activities monies
Required Financial Statements	* Statement of Net Position * Statement of Activities (Pages 1 and 2)	* Balance Sheet * Statement of Revenues, Expenditures and Changes in Fund Balances (Pages 3 and 4)	* Statement of Fiduciary Net Position * Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting economic resources focus
Type of Asset/ Liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, The Academy's funds do not currently contain capital assets, although they can
Type of Inflow/ Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received	All additions and deductions during year, regardless of when cash is received or paid

Fund Financial Statements

The fund financial statements are reported on a modified accrual basis and consist of governmental funds. Governmental funds include most of the Academy's basic services which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending on future Academy programs.

RISING STARS ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF NET POSITION:

The following table provides a summary of the Academy's net position as of June 30, 2020 and 2019.

<u>NET POSITION SUMMARY</u>		
	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Other Assets	\$434,998	\$207,341
Capital Assets	919,838	955,758
<u>TOTAL ASSETS</u>	<u>\$1,354,836</u>	<u>\$1,163,099</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
	311,044	43,080
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>\$1,665,880</u>	<u>\$1,206,179</u>
<u>LIABILITIES</u>		
Other Liabilities	462,875	99,912
Long-Term Liabilities	670,191	762,944
Total Liabilities	<u>\$1,133,066</u>	<u>\$862,856</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
	53,946	5,264
<u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>	<u>\$1,187,012</u>	<u>\$868,120</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	249,647	192,814
Restricted	40,436	10,880
Unrestricted	188,785	134,365
<u>TOTAL NET POSITION</u>	<u>\$478,868</u>	<u>\$338,059</u>

The above analysis focuses on the net position. The change in net position of the Academy's governmental activities is discussed below. The net position differs from fund balances and a reconciliation appears on page 3.

The Academy's net position reflects its investment in capital assets (i.e. land, buildings, vehicles, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The Academy uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Academy's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Academy's net position, \$40,436 represents resources that are subject to external restrictions on how they may be used. In the case of the School Academy, these amounts are restricted for food service.

The results of this year's operations for the Academy as a whole are reported in the statement of activities (see table above), which shows the changes in net position for fiscal year 2020.

RISING STARS ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2020 and 2019, the Academy wide results of operations were:

	<u>2020</u>	<u>2019</u>
<u>REVENUES</u>		
<u>Program Revenues</u>		
Operating Grants	\$334,520	\$148,894
<u>General Revenues:</u>		
State Sources - Unrestricted	1,085,621	1,007,794
Other General Revenues	365	56,848
Total General Revenues	<u>\$1,085,986</u>	<u>\$1,064,642</u>
Total Revenues	<u>\$1,420,506</u>	<u>\$1,213,536</u>
<u>EXPENSES</u>		
Instruction & Instructional Support	567,442	599,375
Support Services	461,982	422,321
Food Service	209,372	75,979
Depreciation	40,901	51,226
Total Expenses	<u>\$1,279,697</u>	<u>\$1,148,901</u>
<u>CHANGE IN NET POSITION</u>	<u>\$140,809</u>	<u>\$64,635</u>

The Academy's net position increased by \$140,809 during the current fiscal year. The increase in net position differs from the change in fund balances and a reconciliation appears on page 4.

General Fund Budgeting and Operating Highlights

The Academy's budgets are prepared according to Michigan law. The most significant budgeted fund is the General Fund.

Student Enrollment

Student enrollment increased from 120 in 2018-19 to 121 in 2019-20.

During the fiscal year ended June 30, 2020, the Academy amended the budget of the General Fund twice. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Academy's general fund original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

RISING STARS ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS

The general fund actual revenue and other financing sources was \$1,181,578. That amount is more than the final budget estimate of \$1,121,203. The variance was \$60,375, or 5% of final budget. The variance was primarily due to the board of directors and administration budgeting for a larger per pupil foundation allowance decrease than what was passed by the State of Michigan.

The actual expenditures and other financing uses of the general fund were \$1,054,287 which is less than the final budget estimate of \$1,089,312. The variance was \$35,025, or 4% of final budget. The variance was primarily due to staffing reductions for the last quarter of the fiscal year.

The general fund had total revenues of \$1,181,578 and total expenditures of \$1,054,287 with a net increase in fund balance of \$127,291 and an ending fund balance of \$247,768.

Capital Asset and Debt Administration

A. Capital Assets

The Academy's investment in capital assets for its governmental activities as of June 30, 2020 amounted to \$919,838 (net of accumulated depreciation). Capital assets at fiscal year-end included the following:

	<u>Capital Assets</u> <u>(Net of Depreciation)</u>	
	<u>2020</u>	<u>2019</u>
Land	\$80,000	\$80,000
Buildings and Improvements	681,317	690,165
Equipment and Furniture	115,629	137,565
Vehicles	<u>42,892</u>	<u>48,028</u>
<u>Total capital assets, net</u>	<u>\$919,838</u>	<u>\$955,758</u>

Additional information on the Academy's capital assets can be found in Note 4.

B. Debt

At the end of the current fiscal year, the Academy had total long-term debt outstanding of \$670,191. Long-term debt at fiscal year-end included the following:

	<u>Long-Term Debt</u>	
	<u>2020</u>	<u>2019</u>
Capital Lease Payable	\$17,035	\$26,421
Installment Contracts	<u>653,156</u>	<u>736,523</u>
<u>TOTAL</u>	<u>\$670,191</u>	<u>\$762,944</u>

Additional information on the Academy's long-term debt can be found in Note 6.

RISING STARS ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS

Economic Factors And Next Year’s Budget

Under Michigan law, the Academy is required to prepare and approve a budget for the following year before July 1 on each year. The Academy is currently in a growth stage and projection of students is impossible. Therefore, the 2019-20 budget was passed using a carryover basis or based on the results of the 2019-20 fiscal year. The Academy expects to amend its budget once the student counts are solidified. Items used for the carryover budget are:

- * Foundation allowance of \$8,111.
- * Student enrollment at 119 students.
- * State aid membership using a “super blend” of 75% of the 2019 pupil counts and 25% of the 2020 counts.
- * The academy plans to amend the budget in November to reflect the change in student count along with unanticipated revenue changes from the State of Michigan. The additional federal funding allocated to the academy will play a role in the budget amendments.

- * Retirement Rate
The continuing cost of health insurance to current and potential retirees continues to drive the rate increase the Michigan School Employees Retirement System recommends to the legislature for approval. In 2020-21, the rate is anticipated to increase to 28.21% from 27.50% effective October 1, 2020. Additionally, the Academy will be required to pay 14.51%, for all wages earned October 1, 2020 and later, for the Unfunded Actuarial Accrued Liability (UAAL).

The Rising Stars Academy’ 2020/2021 adopted budget is as follows:

<u>REVENUE</u>	\$1,175,199
<u>EXPENDITURES</u>	<u>1,144,266</u>
<u>NET OVER BUDGET</u>	<u><u>\$30,933</u></u>

CONTACTING THE ACADEMY’S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Academy’s finances for all those with an interest in the Academy’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Rising Stars Academy, 23855 Lawrence, Centerline, MI 48015.

BASIC FINANCIAL STATEMENTS

RISING STARS ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
<u>ASSETS</u>	
Cash and Cash Equivalents	\$186,426
Due from Other Governmental Units	248,572
Capital Assets, Non-Depreciable - Land	80,000
Capital Assets, Net of Accumulated Depreciation	839,838
Total Assets	\$1,354,836
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to Pensions	205,085
Related to Postemployment Benefits	105,959
Total Deferred Outflows of Resources	\$311,044
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	\$1,665,880
<u>LIABILITIES</u>	
Accounts Payable	102,884
Accrued Expenses	18,446
Salaries Payable	19,823
Unearned Revenue	5,641
Non-Current Liabilities - Due Within One Year	88,651
Non-Current Liabilities - Due in More Than One Year	581,540
Net Pension Liability	233,383
Net Other Postemployment Benefits Liability	82,698
Total Liabilities	\$1,133,066
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to State Aid Funding for Pension and Other Postemployment Benefits	12,870
Related to Pensions	9,012
Related to Other Postemployment Benefits	32,064
Total Deferred Inflows of Resources	\$53,946
<u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>	\$1,187,012
<u>NET POSITION</u>	
<u>NET POSITION</u>	
Net Investment in Capital Assets	249,647
Restricted	40,436
Unrestricted	188,785
<u>TOTAL NET POSITION</u>	\$478,868

See notes to the financial statements.

RISING STARS ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenue Operating Grants and Contributions</u>	<u>Governmental Activities Net (Expense) Revenue & Change in Net Position</u>
Governmental Activities:			
Instruction	\$567,442	\$97,377	(\$470,065)
Support Services	461,982	0	(461,982)
Food Service	209,372	237,143	27,771
Depreciation - Unallocated	40,901	0	(40,901)
<u>Total Governmental Activities:</u>	<u>\$1,279,697</u>	<u>\$334,520</u>	<u>(\$945,177)</u>
General Revenues:			
State Sources - Unrestricted			1,085,621
Other General Revenues			365
Total General Revenues and Transfers			<u>\$1,085,986</u>
Change in Net Position			<u>\$140,809</u>
Net Position - Beginning of Year			<u>338,059</u>
<u>Net Position - End of Year</u>			<u>\$478,868</u>

See notes to the financial statements.

RISING STARS ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Food Service Fund	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$136,910	\$49,516	\$186,426
Due from Other Funds	0	13,534	13,534
Due from Other Governmental Units	182,542	66,030	248,572
<u>TOTAL ASSETS</u>	<u>\$319,452</u>	<u>\$129,080</u>	<u>\$448,532</u>
<u>LIABILITIES</u>			
Accounts Payable	\$14,408	\$88,476	\$102,884
Due to Other Funds	13,534	0	13,534
Accrued Expenses	18,446	0	18,446
Salaries Payable	19,655	168	19,823
Unearned Revenue	5,641	0	5,641
Total Liabilities	\$71,684	\$88,644	\$160,328
<u>FUND BALANCES</u>			
Restricted			
Food Service	0	40,436	40,436
Unassigned	247,768	0	247,768
Total Fund Balances	\$247,768	\$40,436	\$288,204
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$319,452</u>	<u>\$129,080</u>	<u>\$448,532</u>

See notes to the financial statements.

RISING STARS ACADEMY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2020

Total Governmental Fund Balances:		\$288,204
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred Outflows of Resources - Related to Pensions		205,085
Deferred Outflows of Resources - Related to Postemployment Benefits		105,959
Deferred Inflows Related to State Aid Funding for Pension and Other Postemployment Benefits		(12,870)
Deferred Inflows of Resources - Related to Pensions		(9,012)
Deferred Inflows of Resources - Related to Other Postemployment Benefits		(32,064)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental resources and therefore are not reported as assets in governmental funds.		
Capital Assets	\$1,123,611	
Less: Accumulated Depreciation	<u>(203,773)</u>	
Capital Assets, Net of Accumulated Depreciation		919,838
Long-term liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Notes from Direct Borrowings and Direct Placements	653,156	
Capital Lease Payable	<u>17,035</u>	
Total Long-Term Liabilities		(670,191)
Net Pension Liability		(233,383)
Net Other Postemployment Benefits Liability		<u>(82,698)</u>
<u>TOTAL NET POSITION -</u>		
<u>GOVERNMENTAL ACTIVITIES</u>		<u>\$478,868</u>

RISING STARS ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	General Fund	Food Service Fund	Total Governmental Funds
<u>REVENUES</u>			
Local Sources	\$81	\$284	\$365
State Sources	1,084,120	1,501	1,085,621
Federal Sources	81,245	237,143	318,388
Interdistrict Sources	16,132	0	16,132
Total Revenues	<u>\$1,181,578</u>	<u>\$238,928</u>	<u>\$1,420,506</u>
<u>EXPENDITURES</u>			
Instruction	510,143	0	510,143
Support Services	429,066	0	429,066
Outgoing Transfers and Other Transactions	115,078	0	115,078
Food Service	0	209,372	209,372
Total Expenditures	<u>\$1,054,287</u>	<u>\$209,372</u>	<u>\$1,263,659</u>
Net Change in Fund Balance	\$127,291	\$29,556	\$156,847
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>120,477</u>	<u>10,880</u>	<u>131,357</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$247,768</u>	<u>\$40,436</u>	<u>\$288,204</u>

See notes to the financial statements.

RISING STARS ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Total net change in fund balances - governmental funds	\$156,847
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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, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlay	\$4,981	
Depreciation Expense	(40,901)	
Total		(35,920)

Payments on Installment Contract	83,367
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Payments on Capital Lease	9,386
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental Funds.

State Aid Funding for Pension and Other Postemployment Benefits		(11,789)
Pension Related Items		(47,478)
OPEB Related Items		(13,604)

<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u>\$140,809</u>
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RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Rising Stars Academy (the "Academy") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Academy:

Reporting Entity

The Academy was formed as a charter school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended.

In July 1, 2016, the Academy executed a ten year contract with Centerline Public Schools to operate as a public school academy through June 30, 2026. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. The Centerline Public Schools Board of Education is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the Academy. Based on the application of the criteria, the Academy does not contain any component units.

Academy-wide and Fund Financial Statements

The Academy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. All of the Academy's activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Intergovernmental payments and other items not properly included among program revenue are reported instead as general revenue.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Amounts reported as program revenue include operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes unrestricted state aid.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenue not meeting this definition is classified as a deferred inflow of resources. For this purpose, the Academy considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Academy.

The Academy reports the following major governmental fund:

General Fund - The General Fund is the Academy's primary operating fund. It accounts for all financial resources of the Academy.

The Academy reports the following fund type:

Special Revenue Funds - Special revenue funds are used to segregate, for administrative purposes, the transactions of the School Academy's food service operations from General Fund revenue and expenditure accounts. The School Academy maintains full control of these funds. Any deficits generated by these activities are the responsibility of the General Fund. The main sources of revenue for these funds are food sales to pupils, free/reduced breakfast and lunch reimbursement from federal funds.

Assets, Liabilities, and Net Position or Equity

Receivables - The Academy considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. The entire balance of accounts receivable at June 30, 2020 is composed of amounts due from other governmental units.

Capital Assets - Capital assets, which include buildings and equipment, are reported in the governmental column in the Academy-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have infrastructure-type assets.

Capital assets are depreciated using the straight-line method over the following useful lives:

Building improvements	20-50 years
Furniture and other equipment	5-10 years

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net position.

Unearned Revenue - The Academy reports unearned revenue on its governmental funds balance sheet. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when the Academy receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Deferred Outflows - In addition to assets, the statement of net 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 then. The Academy has two items that qualify for reporting in this category. They are the pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows - In addition to liabilities, the statement of net 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 Academy has three items that qualifies for reporting in this category. The first is restricted state aid funding deferred to offset deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

Defined Benefit Plan - For purposes of measuring the net pension and other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance - Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are comprised of the following - nonspendable, restricted, committed, assigned, and unassigned.

In the fund financial statements, governmental funds report the following components of fund balance:

- * Nonspendable - Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- * Restricted - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- * Committed - Amounts that have been formally set aside by the board of trustees for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board of trustees.
- * Assigned - Intent to spend resources on specific purposes expressed by the board of trustees
- * Unassigned - Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been restricted, committed, or assigned to specific purposes in the General Fund.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position - Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Revenues - Program Revenues – Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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 and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Michigan Public School Accounting Manual - The accompanying financial statements have been prepared on a basis substantially consistent with the Michigan Public School Accounting Manual (Bulletin 1022), which outlines the accounting procedures and policies for school districts required by the Michigan State Board of Education.

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The Academy does not utilize encumbrance accounting.

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

1. The Director submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year end June 30, 2020. The Academy does not consider these amendments to be significant.

2) DEPOSITS AND INVESTMENTS

As of June 30, 2020, the Academy had no investments.

As of June 30, 2020 the Academy had deposits and investments subject to the following risk:

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2020, \$0 of the Academy's bank balance of \$190,503 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$186,426.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

Interest rate risk. In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

Concentration of credit risk. The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign currency risk. The Academy is not authorized to invest in investments which have this type of risk.

Fair value measurement. The Academy is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

2) DEPOSITS AND INVESTMENTS (Continued)

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Academy's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair measurement level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Academy does not have any investments subject to the fair value measurement.

3) RECEIVABLES – DUE FROM OTHER GOVERNMENTAL UNITS

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 181,070
Federal Grants	65,889
Other Programs	<u>1,613</u>
 <u>TOTAL GOVERNMENTAL ACTIVITIES</u>	 <u>\$ 248,572</u>

4) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Ending</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Land	\$80,000	\$0	\$0	\$80,000
Buildings and Improvements	707,862	0	0	707,862
Equipment and Furniture	270,389	4,981	0	275,370
Vehicles	<u>60,379</u>	<u>0</u>	<u>0</u>	<u>60,379</u>
Totals at Historical Cost	\$1,118,630	\$4,981	\$0	\$1,123,611
Less: Accumulated Depreciation				
Buildings and Improvements	(17,697)	(8,848)	0	(26,545)
Equipment and Furniture	(132,824)	(26,917)	0	(159,741)
Vehicles	<u>(12,351)</u>	<u>(5,136)</u>	<u>0</u>	<u>(17,487)</u>
Total Accumulated Depreciation	<u>(\$162,872)</u>	<u>(\$40,901)</u>	<u>\$0</u>	<u>(\$203,773)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$955,758</u>	<u>(\$35,920)</u>	<u>\$0</u>	<u>\$919,838</u>

Depreciation expense was not charged to functions/programs of the primary government as the Academy considers its assets to impact multiple activities and allocation is not practical.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

4) CAPITAL ASSETS (Continued)

Net investment in capital assets consists of the following:

Capital Assets	\$ 1,123,611
Less: Accumulated Depreciation	(203,773)
Less: Related Long-Term Liabilities	<u>(670,191)</u>
 <u>NET INVESTMENT IN CAPITAL ASSETS</u>	 <u>\$ 249,647</u>

5) SHORT-TERM DEBT

The Academy has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit. The Academy entered into no short-term financing arrangements during the fiscal year ended June 30, 2020.

6) GENERAL LONG-TERM DEBT

The following is a summary of long-term obligations for the Academy for the year ended June 30, 2020:

<u>Governmental Activities:</u>	Balance Beginning	Additions	Deductions	Balance Ending	Amount Due in One Year
Notes from Direct Borrowings and Direct Placements	\$736,523	\$0	\$83,367	\$653,156	\$80,393

NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS

Installment purchase agreement - American Capital, requires monthly payments of \$239 including interest at 6.8% per annum, matures May 2021, secured by a vehicle. \$ 2,530

Installment purchase agreement - Michigan First Credit Union, requires monthly payments of \$367 including interest at 18.99% per annum, matures December 2020, secured by a vehicle, paid in full during year 0

Land Contract – Centerline Public Schools, requires monthly payments of \$7,770 including interest at 2.5% per month with a balloon payment of \$384,140, matures November 2023, secured by a building. 650,626

TOTAL NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS \$ 653,156

The Academy's outstanding notes from direct borrowings and direct placements related to governmental activities of \$653,156 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

6) GENERAL LONG-TERM DEBT (Continued)

The annual principal requirements for all debt outstanding as of June 30, 2020 are as follows:

	Notes from Direct Borrowings and Direct Placements		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2021	\$80,393	\$15,501	\$95,894
June 30, 2022	79,832	13,408	93,240
June 30, 2023	81,850	11,390	93,240
June 30, 2024	<u>411,081</u>	<u>4,138</u>	<u>415,219</u>
<u>TOTAL</u>	<u>\$653,156</u>	<u>\$44,437</u>	<u>\$697,593</u>

Interest expense (all funds) for the year ended June 30, 2020 was \$21,209.

CAPITAL LEASE OBLIGATIONS

The Academy has a capital lease payable to American Capital with an outstanding balance at June 30, 2020 of \$1,237 that requires monthly payments of \$210 including interest at 6.1%. This lease matures December 2020 and is secured by a vehicle.

The Academy has a capital lease payable to American Capital with an outstanding balance at June 30, 2020 of \$15,798 that requires monthly payments of \$824 including interest at 18.99%. This lease matures October, 2022 and is secured by a vehicle.

The gross amount of assets recorded under capital leases is \$20,829. Accumulated depreciation is \$9,873. Amortization expense is included in depreciation expense. Future maturities are as follows:

June 30, 2021	\$8,258
June 30, 2022	7,021
June 30, 2023	<u>1,756</u>
<u>TOTAL</u>	<u>\$17,035</u>

7) INTERFUND ACTIVITY

Interfund balances at June 30, 2020 consisted of the following:

DUE TO	DUE FROM
Food Service	<u>\$13,534</u>
General Fund	<u>\$13,534</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

8) RESTRICTED NET POSITION

Restricted net position consists of the following:

Food Service	<u>\$40,436</u>
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RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

9) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided - Overall

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning Jan. 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

9) **DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)**

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending Sept. 3, 2012 or were on an approved professional services or military leave of absence on Sept. 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after Feb. 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the Pension & OPEB System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the Sept. 30, 2018 valuation will be amortized over a 20-year period beginning Oct. 1, 2018 and ending Sept. 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2019.

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 – 4.0%	18.25%
Member Investment Plan	3.0 – 7.0%	18.25%
Pension Plus	3.0 – 6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2019.

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.0%	7.93%
Personal Healthcare Fund (PHF)	0.00%	7.57%

The District's pension contributions for the year ended June 30, 2020 were equal to the required contribution total. Pension contributions were approximately \$24,000, with \$24,000 specifically for the Pension Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2020 were equal to the required contribution total. OPEB benefits were approximately \$6,000, with \$5,000 specifically for the OPEB Defined Benefit Plan.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

9) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities

At June 30, 2020, the District reported a liability of \$233,383 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2019, the District's proportion was 0.0007047 percent, which was *increase* of 0.00065 percent from its proportion measured as of September 30, 2018.

<u>MPSERS (Plan) Non-University Employers</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Total Pension Liability	\$83,442,507,212	\$79,863,694,444
Plan Fiduciary Net Position	50,325,869,388	49,801,889,205
Net Pension Liability	\$33,116,637,824	\$30,061,805,239
Proportionate Share	0.0007047%	0.000653%
Net Pension Liability for the District	233,383	16,164

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2019, the District recognized pension expense of \$75,147.

At June 30, 2020, the Reporting Unit 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 Actual and Expected Experience	\$1,046	(\$973)
Changes of Assumptions	45,697	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	(7,480)
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	135,014	(559)
Employer Contributions Subsequent to the Measurement Date	23,328	0
<u>TOTAL</u>	<u>\$205,085</u>	<u>(\$9,012)</u>

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

9) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending Sept. 30,</u>	<u>Amount</u>
2020	\$54,310
2021	51,308
2022	45,806
2023	21,321

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Liabilities

At June 30, 2020, the District reported a liability of \$82,698 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2019, the District's proportion was 0.0011521 percent, which was an increase of 0.0011 percent from its proportion measured as of October 1, 2018.

<u>MPSERS (Plan) Non-University Employers</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Total Other Postemployment Benefits Liability	\$13,925,860,688	\$13,932,170,264
Plan Fiduciary Net Position	6,748,112,668	5,983,218,473
Net Other Postemployment Benefits Liability	\$7,177,748,020	\$7,948,951,791
Proportionate Share	0.0011521%	0.000097%
Net Other Postemployment Benefits Liability for the District	82,698	7,764

For the year ending September 30, 2019, the District recognized OPEB expense of \$20,060.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences Between Actual and Expected Experience	\$0	(\$30,344)
Changes of Assumptions	17,919	0
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	0	(1,438)
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	83,094	(282)
Employer Contributions Subsequent to the Measurement Date	4,946	0
<u>TOTAL</u>	<u>\$105,959</u>	<u>(\$32,064)</u>

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

9) **DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)**

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending Sept. 30,</u>	<u>Amount</u>
2020	\$14,095
2021	14,095
2022	14,813
2023	15,314
2024	10,632

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2018
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.80%
- Pension Plus Plan:	6.80%
- Pension Plus 2 Plan:	6.00%
- OPEB	6.95%
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 12
Mortality:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
- Retirees	
- Active Members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

9) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Summary of Actuarial Assumptions (Continued)

Other Assumptions OPEB

- Opt-Out Assumption	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
- Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- * *Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- * *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.4977 for non-university employers]*
- * *Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- * *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.7101 for non-university employers].*
- * *Recognition period for assets in years: 5.0000*
- * *Full actuarial assumptions are available in the 2019 MPSEERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.*

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

9) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Long-Term Expected Return on Plan Assets

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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019, are summarized in the following table:

Investment Category	Target Allocation*	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.5%
Private Equity Pools	18.0%	8.6%
International Equity	16.0%	7.3%
Fixed Income Pools	10.5%	1.2%
Real Estate and Infrastructure Pools	10.0%	4.2%
Absolute Return Pools	15.5%	5.4%
Short Term Investment Pools	2.0%	0.8%
Total	100.0%	

* Long term rates of return are net of administrative expenses and 2.3% inflation.

Rate of Return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.14% for retirement and 5.37% for OPEB. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate – Pension

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate – OPEB

A discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

9) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	Pension		
	1% Decrease	Current Single Discount Rate Assumption	1% Increase
	5.8%/5.8%/5.0%	6.8%/6.8%/6.0%	7.8%/7.8%/7.0%
District's proportionate share of the net pension liability	\$303,413	\$233,383	\$175,326

* Discount rates listed in the following order: Basis and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2. Non-university employers provide Basic, MIP, Pension Plus and Pension Plus 2 plans.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
	5.95%	6.95%	7.95%
District's proportionate share of the net other postemployment benefit liability	\$101,441	\$82,698	\$66,958

Sensitivity of the District's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

The following presents the District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

	Other Postemployment Benefit		
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
	5.95%	6.95%	7.95%
District proportionate share of the net other postemployment benefit liability	\$66,291	\$82,698	\$101,439

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension or OPEB plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payable to the Pension and OPEB Plan

At year-end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year-end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

10) RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for these claims and settled claims have not exceeded the amount of insurance coverage during the year.

11) COVID

As result of the global coronavirus pandemic of 2020, the financial picture for Michigan School Districts has seen an unanticipated change. The duration and full effects of the outbreak are currently unknown, as the local and global picture continues to change frequently. To reduce the chance of spreading COVID-19; in March 2020, public schools were closed for the remainder of the 2019-2020 school year. As a result of the pandemic, the State of Michigan encountered a revenue shortfall resulting in a revenue reduction for Districts of \$175 per pupil which reduced the state aid payment in August of 2020. Subsequent to year end, multiple new revenue sources were approved including Public Act 123 of 2020 which provides Districts an approximate 12.32 per pupil and Public Act 146 of 2020 which provides Districts \$350 per pupil. These new revenue streams approved subsequent to June 30, 2020 will be recognized in the fiscal year ended June 30, 2021 in accordance with reporting criteria established by the Governmental Accounting Standards Board. Additionally, the "Return to Learn" legislation passed subsequent to year end which modifies the per pupil foundation allowance calculation per pupil and allows flexibilities in the days and attendance requirements for Districts. Currently, it is not possible to estimate the extent of any potential impacts or to determine if any changes in fair values are other than temporary in nature. Accordingly, no adjustments to the financial statements were made as a result of this subsequent event.

12) UPCOMING ACCOUNTING PRONOUNCEMENTS

- A) Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the Academy's 2021 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Academies with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.
- B) Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the Academy's 2021 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY
INFORMATION

RISING STARS ACADEMY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$5,105	\$65	\$81	\$16
State Sources	1,062,940	1,032,413	1,084,120	51,707
Federal Sources	58,166	74,206	81,245	7,039
Interdistrict Sources	9,779	14,519	16,132	1,613
Total Revenues	<u>\$1,135,990</u>	<u>\$1,121,203</u>	<u>\$1,181,578</u>	<u>\$60,375</u>
<u>EXPENDITURES</u>				
Instruction	631,312	530,892	510,143	20,749
Instructional Staff	1,000	1,075	1,075	0
General Administration	81,357	110,860	106,851	4,009
School Administration	98,662	106,018	105,802	216
Business Administration	19,066	38,231	37,890	341
Operation & Maintenance of Plant	100,679	131,171	127,063	4,108
Transportation	41,868	44,500	39,129	5,371
Support Services - Other	7,200	11,670	11,256	414
Total Expenditures	<u>\$981,144</u>	<u>\$974,417</u>	<u>\$939,209</u>	<u>\$35,208</u>
Excess of Revenues Over Expenditures	\$154,846	\$146,786	\$242,369	\$95,583
<u>OTHER FINANCING SOURCES (USES)</u>				
Outgoing Transfers and Other Transactions	(112,933)	(114,895)	(115,078)	(183)
Net Change in Fund Balance	<u>\$41,913</u>	<u>\$31,891</u>	<u>\$127,291</u>	<u>\$95,400</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>			<u>120,477</u>	
<u>FUND BALANCE - END OF YEAR</u>			<u>\$247,768</u>	

RISING STARS ACADEMY
BUDGETARY COMPARISON SCHEDULE
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$0	\$285	\$284	(\$1)
State Sources	180	1,380	1,501	121
Federal Sources	81,215	213,315	237,143	23,828
Total Revenues	<u>\$81,395</u>	<u>\$214,980</u>	<u>\$238,928</u>	<u>\$23,948</u>
<u>EXPENDITURES</u>				
Food Service	<u>81,395</u>	<u>177,111</u>	<u>209,372</u>	<u>(32,261)</u>
Net Change in Fund Balance	\$0	\$37,869	\$29,556	(\$8,313)
<u>FUND BALANCE - BEGINNING OF YEAR</u>			<u>10,880</u>	
<u>FUND BALANCE - END OF YEAR</u>			<u>\$40,436</u>	

RISING STARS ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)

	2019	2018	2017	2016	2015	2014
Reporting unit's proportion of net pension liability (%)	0.00070%	0.00005%	0.00000%	0.00000%	0.00000%	0.00000%
Reporting unit's proportionate share of net pension liability	\$233,383	\$16,164	\$0	\$0	\$0	\$0
Reporting unit's covered-employee payroll	\$102,125	\$8,333	\$0	\$0	\$0	\$0
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	228.53%	193.98%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of total pension liability	60.31%	62.36%	0.00%	0.00%	0.00%	0.00%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

RISING STARS ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS - PENSION
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$18,721	\$1,464	\$0	\$0	\$0	\$0
Contributions in relation to statutorily required contributions	<u>18,721</u>	<u>1,464</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Reporting unit's covered-employee payroll	\$114,875	\$83,334	\$0	\$0	\$0	\$0
Contributions as a percentage of covered-employee payroll	16.30%	1.76%	0.00%	0.00%	0.00%	0.00%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 trend year is compiled, reporting units should present information for those years for which information is available.

RISING STARS ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)

	2019	2018	2017
Reporting unit's proportion of net OPEB liability (%)	0.00115%	0.00010%	0.00000%
Reporting unit's proportionate share of net OPEB liability	\$82,698	\$7,764	\$0
Reporting unit's covered-employee payroll	\$102,125	\$8,333	\$0
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	80.98%	93.17%	0.00%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	48.46%	42.95%	0.00%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

RISING STARS ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS - OPEB
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$7,911	\$634	\$0
Contributions in relation to statutorily required contributions	<u>7,911</u>	<u>634</u>	<u>0</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Reporting unit's covered-employee payroll	\$114,875	\$83,334	\$0
Contributions as a percentage of covered-employee payroll	6.89%	0.76%	0.00%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

RISING STARS ACADEMY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Special Revenue Fund (Food Service). All annual appropriations lapse at fiscal year-end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits Academies to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The School Academy increased/decreased budgeted amounts during the year in response to changes in funding and related expenditures.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

During the year, Rising Stars Academy did not have any significant expenditure budget variances.

The food service revenue and expenditure variances are related to the Unanticipated Closure Grant.

PENSION

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

Discount rate for MIP and Basic plans decreased to 6.80% from 7.05%.

Discount rate for Pension Plus decreased to 6.80% from 7.00%.

OPEB

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

Discount rate for decreased to 6.95% from 7.15%.

Healthcare cost trend rate increased to 7.50% Year 1 graded to 3.50% Year 12 from 7.50% Year 1 graded to 3.00% Year 12.



November 23, 2020

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

To the Board of Directors of
Rising Stars Academy

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, each major fund, and the aggregate remaining fund information of Rising Stars Academy, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Rising Stars Academy's basic financial statements, and have issued our report thereon dated November 23, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Rising Stars Academy
Page 2
November 23, 2020

Purpose of this Report

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

Lewis & Knopf, P.C.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



November 23, 2020

To the Board of Education of
Rising Stars Academy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rising Stars Academy for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 22, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Rising Stars Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019-2020. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Academy's financial statements were:

Estimates have been used to calculate the net pension and net OPEB liabilities.

Management's determination of the estimated life span of the capital assets.

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 23, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Rising Stars Academy
Page 3
November 23, 2020

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Rising Stars Academy and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Lewis & Knopf, P.C.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS