

RISING STARS ACADEMY

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

JUNE 30, 2021

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October 29, 2021

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, 2021, 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, 2021, 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.

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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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rising Stars Academy' basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021, on our consideration of the Rising Stars Academy' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rising Stars Academy' 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' 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, 2021.

Financial Highlights

- * The assets of the Academy exceeded its liabilities at the close of the most recent fiscal year by \$815,659 (net position).
- * The Academy's total net position increased by \$336,791. The increase was primarily due to increased federal grant funding.
- * The general fund had an increase in fund balance of \$53,971. At the end of the year, unassigned fund balance for the general fund was \$301,052, or 23%, of total general fund expenditures.
- * The food service fund had an increase in fund balance of \$242,753. The food service fund was a major fund for the year.

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 received various federal grants to provide for additional improvements to the students, staff and safety of the building.

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 (if any)
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, 2021 and 2020.

<u>NET POSITION SUMMARY</u>		
	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Other Assets	\$809,114	\$434,998
Capital Assets	1,004,904	919,838
<u>TOTAL ASSETS</u>	\$1,814,018	\$1,354,836
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
	374,442	311,044
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	\$2,188,460	\$1,665,880
<u>LIABILITIES</u>		
Other Liabilities	702,052	462,875
Long-Term Liabilities	601,866	670,191
Total Liabilities	\$1,303,918	\$1,133,066
<u>DEFERRED INFLOWS OF RESOURCES</u>		
	68,883	53,946
<u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>	\$1,372,801	\$1,187,012
<u>NET POSITION</u>		
Net Investment in Capital Assets	403,038	249,647
Restricted	283,189	40,436
Unrestricted	129,432	188,785
<u>TOTAL NET POSITION</u>	<u>\$815,659</u>	<u>\$478,868</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 4.

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, \$283,189 represents resources that are subject to external restrictions on how they may be used. In the case of the 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 2021.

RISING STARS ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2021 and 2020, the Academy wide results of operations were:

	<u>2021</u>	<u>2020</u>
<u>REVENUES</u>		
<u>Program Revenues</u>		
Operating Grants	\$2,013,963	\$334,520
<u>General Revenues:</u>		
State Sources - Unrestricted	1,171,260	1,085,621
Other General Revenues	<u>25,632</u>	<u>365</u>
Total General Revenues	<u>\$1,196,892</u>	<u>\$1,085,986</u>
Total Revenues	<u>\$3,210,855</u>	<u>\$1,420,506</u>
<u>EXPENSES</u>		
Instruction & Instructional Support	685,353	567,442
Support Services	567,215	461,982
Food Service	1,580,347	209,372
Depreciation	<u>41,149</u>	<u>40,901</u>
Total Expenses	<u>\$2,874,064</u>	<u>\$1,279,697</u>
<u>CHANGE IN NET POSITION</u>	<u>\$336,791</u>	<u>\$140,809</u>

The Academy's net position increased by \$336,791 during the current fiscal year. The increase in net position differs from the change in fund balances and a reconciliation appears on page 6.

General Fund Budgeting and Operating Highlights

The Academy's budgets are prepared according to Michigan law.

Student Enrollment

Student enrollment stayed the same at 120 in both the current and prior year.

During the fiscal year ended June 30, 2021, 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

General Fund

The general fund actual revenue and other financing sources was \$1,387,755. That amount is more than the final budget estimate of \$1,368,074. The variance was \$19,681, or 1% of final budget.

The actual expenditures and other financing uses of the general fund were \$1,333,784 which is less than the final budget estimate of \$1,339,231. The variance was \$5,447, or less than 1% of final budget.

The general fund had total revenues of \$1,387,755 and total expenditures of \$1,333,784 with a net increase in fund balance of \$53,971 and an ending fund balance of \$301,739.

Food Service Fund

The food service fund actual revenue and other financing sources was \$1,823,100. That amount is more than the final budget estimate of \$1,770,335. The variance was \$52,765, or 3% of final budget. The variance was due to not budgeting for the federal commodities and increased federal funding.

The actual expenditures and other financing uses of the food service fund were \$1,580,347 which is more than the final budget estimate of \$1,558,137. The variance was \$22,210, or 1% of final budget. The variance was due to not budgeting for the federal commodities

The food service fund had total revenues of \$1,823,100 and total expenditures of \$1,580,347 with a net increase in fund balance of \$242,753 and an ending fund balance of \$283,189.

Capital Asset and Debt Administration

A. **Capital Assets**

The Academy's investment in capital assets for its governmental activities as of June 30, 2021 amounted to \$1,004,904 (net of accumulated depreciation). Capital assets at fiscal year-end included the following:

	<u>Capital Assets</u> <u>(Net of Depreciation)</u>	
	<u>2021</u>	<u>2020</u>
Land	\$80,000	\$80,000
Buildings and Improvements	672,469	681,317
Equipment and Furniture	192,405	115,629
Vehicles	60,030	42,892
<u>Total capital assets, net</u>	<u>\$1,004,904</u>	<u>\$919,838</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 \$601,866. Long-term debt at fiscal year-end included the following:

	<u>Long-Term Debt</u>	
	<u>2021</u>	<u>2020</u>
Capital Lease Payable	\$29,102	\$17,035
Installment Contracts	572,764	653,156
<u>TOTAL</u>	<u>\$601,866</u>	<u>\$670,191</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 2021-22 budget was passed using a carryover basis or based on the results of the 2020-21 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 blend 90% of the 2021 fall pupil count and 10% of the 2021 spring pupil count.
- * 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 2020-2021, the rate is anticipated to increase to 28.23% from 28.21% effective October 1, 2021. Additionally, the District will be required to pay 15.05%, for all wages earned October 1, 2021 and later, for the Unfunded Actuarial Accrued Liability (UAAL).

The Rising Stars Academy' 2021/2022 adopted budget is as follows:

<u>REVENUE</u>	\$1,551,286
<u>EXPENDITURES</u>	<u>1,454,673</u>
<u>NET OVER BUDGET</u>	<u><u>\$96,613</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, 2021

	Governmental Activities
<u>ASSETS</u>	
Cash and Cash Equivalents	\$387,626
Accounts Receivable	499
Due from Other Governmental Units	420,302
Prepaid Expenditures	687
Capital Assets, Non-Depreciable - Land	80,000
Capital Assets, Net of Accumulated Depreciation	924,904
Total Assets	\$1,814,018
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to Pensions	275,902
Related to Postemployment Benefits	98,540
Total Deferred Outflows of Resources	\$374,442
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	\$2,188,460
<u>LIABILITIES</u>	
Accounts Payable	190,481
Accrued Expenses	10,681
Salaries Payable	23,024
Non-Current Liabilities - Due Within One Year	91,301
Non-Current Liabilities - Due in More Than One Year	510,565
Net Pension Liability	409,956
Net Other Postemployment Benefits Liability	67,910
Total Liabilities	\$1,303,918
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to State Aid Funding for Pension and Other Postemployment Benefits	16,861
Related to Pensions	1,213
Related to Other Postemployment Benefits	50,809
Total Deferred Inflows of Resources	\$68,883
<u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>	\$1,372,801
<u>NET POSITION</u>	
<u>NET POSITION</u>	
Net Investment in Capital Assets	403,038
Restricted	283,189
Unrestricted	129,432
<u>TOTAL NET POSITION</u>	\$815,659

See notes to the financial statements.

RISING STARS ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

<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	\$685,353	\$201,788	(\$483,565)
Support Services	567,215	0	(567,215)
Food Service	1,580,347	1,812,175	231,828
Depreciation - Unallocated	41,149	0	(41,149)
<u>Total Governmental Activities:</u>	<u>\$2,874,064</u>	<u>\$2,013,963</u>	<u>(\$860,101)</u>
General Revenues:			
State Sources - Unrestricted			1,171,260
Other General Revenues			25,632
Total General Revenues and Transfers			<u>\$1,196,892</u>
Change in Net Position			<u>\$336,791</u>
Net Position - Beginning of Year			<u>478,868</u>
<u>Net Position - End of Year</u>			<u>\$815,659</u>

See notes to the financial statements.

RISING STARS ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Food Service Fund	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$162,471	\$225,155	\$387,626
Accounts Receivable	0	499	499
Due from Other Funds	0	13,534	13,534
Due from Other Governmental Units	215,265	205,037	420,302
Prepaid Expenditures	687	0	687
<u>TOTAL ASSETS</u>	<u>\$378,423</u>	<u>\$444,225</u>	<u>\$822,648</u>
<u>LIABILITIES</u>			
Accounts Payable	\$29,445	\$161,036	\$190,481
Due to Other Funds	13,534	0	13,534
Accrued Expenses	10,681	0	10,681
Salaries Payable	23,024	0	23,024
Total Liabilities	\$76,684	\$161,036	\$237,720
<u>FUND BALANCES</u>			
Non-Spendable			
Prepaid Expenditures	687	0	687
Restricted			
Food Service	0	283,189	283,189
Unassigned	301,052	0	301,052
Total Fund Balances	\$301,739	\$283,189	\$584,928
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$378,423</u>	<u>\$444,225</u>	<u>\$822,648</u>

See notes to the financial statements.

RISING STARS ACADEMY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2021

Total Governmental Fund Balances:		\$584,928
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred Outflows of Resources - Related to Pensions		275,902
Deferred Outflows of Resources - Related to Postemployment Benefits		98,540
Deferred Inflows Related to State Aid Funding for Pension and Other Postemployment Benefits		(16,861)
Deferred Inflows of Resources - Related to Pensions		(1,213)
Deferred Inflows of Resources - Related to Other Postemployment Benefits		(50,809)
Capital assets used in governmental activities are not financial resource and therefore are not reported as assets in governmental resources and therefore are not reported as assets in governmental funds.		
Capital Assets	\$1,245,735	
Less: Accumulated Depreciation	(240,831)	
Capital Assets, Net of Accumulated Depreciation		1,004,904
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	572,764	
Capital Lease Payable	29,102	
Total Long-Term Liabilities		(601,866)
Net Pension Liability		(409,956)
Net Other Postemployment Benefits Liability		(67,910)
<u>TOTAL NET POSITION -</u>		
<u>GOVERNMENTAL ACTIVITIES</u>		\$815,659

See notes to the financial statements.

RISING STARS ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Local Sources	\$21,545	\$4,087	\$25,632
State Sources	1,164,422	6,838	1,171,260
Federal Sources	133,794	1,812,175	1,945,969
Interdistrict Sources	67,994	0	67,994
Total Revenues	<u>\$1,387,755</u>	<u>\$1,823,100</u>	<u>\$3,210,855</u>
<u>EXPENDITURES</u>			
Instruction	599,725	0	599,725
Support Services	618,549	0	618,549
Outgoing Transfers and Other Transactions	115,510	0	115,510
Food Service	0	1,580,347	1,580,347
Total Expenditures	<u>\$1,333,784</u>	<u>\$1,580,347</u>	<u>\$2,914,131</u>
Net Change in Fund Balance	\$53,971	\$242,753	\$296,724
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>247,768</u>	<u>40,436</u>	<u>288,204</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$301,739</u>	<u>\$283,189</u>	<u>\$584,928</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, 2021

Total net change in fund balances - governmental funds	\$296,724
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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	\$132,124	
Depreciation Expense	(41,149)	
Loss on Sale of Assets	(5,909)	
Total		85,066

Loan Proceeds	(28,183)
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Payments on Installment Contract	80,392
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Payments on Capital Lease	16,116
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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	(3,991)
Pension Related Items	(97,957)
OPEB Related Items	(11,376)

<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u>\$336,791</u>
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See notes to the financial statements.

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, 2021 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, 2021. The Academy does not consider these amendments to be significant.

2) DEPOSITS AND INVESTMENTS

As of June 30, 2021, the Academy had no investments.

As of June 30, 2021 the Academy had deposits 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, 2021, \$133,119 of the Academy's bank balance of \$383,119 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 \$387,626.

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	\$ 211,306
Federal Grants	208,996
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 420,302</u>

4) CAPITAL ASSETS

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

	Balance Beginning	Additions	Deductions	Balance Ending
<u>GOVERNMENTAL ACTIVITIES</u>				
Land	\$80,000	\$0	\$0	\$80,000
Buildings and Improvements	707,862	0	0	707,862
Equipment and Furniture	275,370	103,941	0	379,311
Vehicles	60,379	28,183	10,000	78,562
Totals at Historical Cost	\$1,123,611	\$132,124	\$10,000	\$1,245,735
Less: Accumulated Depreciation				
Buildings and Improvements	(26,545)	(8,848)	0	(35,393)
Equipment and Furniture	(159,741)	(27,165)	0	(186,906)
Vehicles	(17,487)	(5,136)	(4,091)	(18,532)
Total Accumulated Depreciation	(\$203,773)	(\$41,149)	(\$4,091)	(\$240,831)
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	\$919,838	\$90,975	\$5,909	\$1,004,904

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	\$ 1,245,735
Less: Accumulated Depreciation	(240,831)
Less: Related Long-Term Liabilities	<u>(601,866)</u>
 <u>NET INVESTMENT IN CAPITAL ASSETS</u>	 <u>\$ 403,038</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, 2021.

6) GENERAL LONG-TERM DEBT

The following is a summary of long-term obligations for the Academy for the year ended June 30, 2021:

<u>Governmental Activities:</u>	Balance Beginning	Additions	Deductions	Balance Ending	Amount Due in One Year
Notes from Direct Borrowings and Direct Placements	\$653,156	\$0	\$80,392	\$572,764	\$79,832

NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS

Installment purchase agreement - American Capital, requires monthly payments of \$239 including interest at 6.8% per annum, paid in full during year, secured by a vehicle. \$ 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. 572,764

TOTAL NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS \$ 572,764

The Academy’s outstanding notes from direct borrowings and direct placements related to governmental activities of \$572,764 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, 2021 are as follows:

	Notes from Direct Borrowings and Direct Placements		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2022	\$79,832	\$13,408	\$93,240
June 30, 2023	81,850	11,390	93,240
June 30, 2024	<u>411,082</u>	<u>4,138</u>	<u>415,220</u>
<u>TOTAL</u>	<u>\$572,764</u>	<u>\$28,936</u>	<u>\$601,700</u>

Interest expense (all funds) for the year ended June 30, 2021 was \$19,002.

CAPITAL LEASE OBLIGATIONS

The Academy has a capital lease payable to American Capital with an outstanding balance at June 30, 2021 of \$0 that required monthly payments of \$210 including interest at 6.1%. This lease matured 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, 2021 of \$8,777 that requires monthly payments of \$824 including interest at 18.99%. This lease matures October, 2022 and is secured by a vehicle.

The Academy has a capital lease payable to American Capital with an outstanding balance at June 30, 2021 of \$20,325 that requires monthly payments of \$438 including interest at 3% plus prime. This lease matures September, 2025 and is secured by a vehicle.

The gross amount of assets recorded under capital leases is \$49,011. Accumulated depreciation is \$12,623. Amortization expense is included in depreciation expense. Future maturities are as follows:

June 30, 2022	\$11,469
June 30, 2023	6,403
June 30, 2024	4,854
June 30, 2025	5,073
June 30, 2026	<u>1,303</u>
<u>TOTAL</u>	<u>\$29,102</u>

7) INTERFUND ACTIVITY

Interfund balances at June 30, 2021 consisted of the following:

DUE TO	
	<u>Food Service</u>
DUE FROM	
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.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

8) **RESTRICTED NET POSITION**

Restricted net position consists of the following:

Food Service	<u><u>\$283,189</u></u>
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9) **PENSION AND OTHER POSTEMPLOYMENT BENEFITS**

General Information about the Michigan Public School Employees' Retirement System (MPSERS) pension and OPEB plans.

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.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

9) **PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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.

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, 2019 valuation will be amortized over a 20-year period beginning Oct. 1, 2019 and ending Sept. 30, 2038.

The schedule below summarizes **pension** contribution rates in effect for fiscal year ended September 30, 2020.

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 – 4.0%	19.41%
Member Investment Plan	3.0 – 7.0%	19.41%
Pension Plus	3.0 – 6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

9) **PENSION AND OTHER POSTEMPLOYMENT BENEFITS** (Continued)

The schedule below summarizes **OPEB** contribution rates in effect for fiscal year ended September 30, 2020.

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.0%	8.09%
Personal Healthcare Fund (PHF)	0.00%	7.57%

The District's pension contributions for the year ended June 30, 2021 were equal to the required contribution total. Pension contributions were approximately \$22,000, with \$22,000 specifically for the Pension Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2021 were equal to the required contribution total. OPEB benefits were approximately \$3,000, with \$3,000 specifically for the OPEB Defined Benefit Plan.

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

At June 30, 2021, *the District* reported a liability of \$409,956 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. 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, 2020, the District's proportion was 0.00119 percent, which was an increase of 0.0005 percent from its proportion measured as of September 30, 2019.

<u>MPSERS (Plan) Non-University Employers</u>	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Total Pension Liability	\$85,290,583,799	\$83,442,507,212
Plan Fiduciary Net Position	<u>50,939,496,006</u>	<u>50,325,869,388</u>
Net Pension Liability	\$34,351,087,793	\$33,116,637,824
Proportionate Share	0.00119%	0.00070%
Net Pension Liability for the District	\$409,956	\$233,383

For the year ending June 30, 2021, the District recognized pension expense of \$129,145. At June 30, 2021, the District 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	\$6,264	(\$875)
Changes of Assumptions	45,427	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,722	0
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	200,770	(338)
Employer Contributions Subsequent to the Measurement Date	<u>21,719</u>	<u>0</u>
<u>TOTAL</u>	<u>\$275,902</u>	<u>(\$1,213)</u>

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

9) **PENSION AND OTHER POSTEMPLOYMENT 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, 2022. 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>
2021	\$93,361
2022	84,925
2023	57,185
2024	17,499

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

At June 30, 2021, the District reported a liability of \$67,910 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. 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, 2020 the District's proportion was 0.00127 percent, which was an increase of 0.0001 percent from its proportion measured as of October 1, 2019.

<u>MPSERS (Plan) Non-University Employers</u>	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Total Other Postemployment Benefits Liability	\$13,206,903,534	\$13,925,860,688
Plan Fiduciary Net Position	<u>7,849,636,555</u>	<u>6,748,112,668</u>
Net Other Postemployment Benefits Liability	\$5,357,266,979	\$7,177,748,020
Proportionate Share	0.00127%	0.00115%
Net Other Postemployment Benefits Liability for the District	\$67,910	\$82,698

For the year ending June 30, 2021, the District recognized OPEB expense of \$17,710. At June 30, 2021, 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	(\$50,599)
Changes of Assumptions	22,391	0
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	567	0
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	73,258	(210)
Employer Contributions Subsequent to the Measurement Date	<u>2,324</u>	<u>0</u>
<u>TOTAL</u>	<u>\$98,540</u>	<u>(\$50,809)</u>

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

9) **PENSION AND OTHER POSTEMPLOYMENT 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, 2022. 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>
2021	\$12,081
2022	12,872
2023	13,484
2024	8,901
2025	(1,931)

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, 2019
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:	7.0% Year 1 graded to 3.5% Year 15; 3.00% Year 120
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	

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

9) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Summary of Actuarial Assumptions (Continued)

- Active Members: RP-2014 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

- Disabled Retirees RP-2014 Male and Female Disabled Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.

* Recognition period for pension liabilities is the average of the expected remaining service lives of all employees in years: [4.4892 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, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.

* Recognition period for OPEB liabilities is the average of the expected remaining service lives of all employees in years: [5.9870 for non-university employers].

* Recognition period for assets in years: 5.0000

* Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

9) PENSION AND OTHER POSTEMPLOYMENT 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, 2020, are summarized in the following table:

Investment Category	Target Allocation*	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.6%
Private Equity Pools	16.0%	9.3%
International Equity	15.0%	7.4%
Fixed Income Pools	10.5%	0.5%
Real Estate and Infrastructure Pools	10.0%	4.9%
Absolute Return Pools	9.0%	3.2%
Real Return/Opportunistic Pools	12.5%	6.6%
Short Term Investment Pools	2.0%	-0.1%
Total	100.0%	

* Long term rates of return are net of administrative expenses and 2.1% inflation.

Rate of Return

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.37% for pension and 5.24% 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.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

9) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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.

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	\$530,619	\$409,956	\$309,954

* 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	\$87,238	\$67,910	\$51,637

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
District proportionate share of the net other postemployment benefit liability	\$51,014	\$67,910	\$87,127

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

9) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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).

10) RELATED PARTY

On November 19, 2020, the Board of Trustees approved a food service management company agreement with related party, RSA Foundation (FSMC). The agreement was not approved by the Michigan Department of Education (MDE) as required by the procurement requirements of 7 CFR 210.21(c) & 2 CFR 200 of the Uniform Guidance. Expenses paid to FSMC amounted to \$1,003,300 for the year ended June 30, 2021. Accounts Payable to the related party amounted to \$112,086 as of June 30, 2021. The lack of getting proper approval from MDE resulted in the material weakness as reported in the summary of findings and questioned costs of the single audit report (finding 2021-001). The amount of any potential unallowable costs is undeterminable. See Note 14 regarding subsequent events and the disallowance of costs related this arrangement between the Academy and FSMC. The disallowed costs referenced in Note 14 related to the 2021-22 fiscal year.

11) 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.

12) COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the District is involved in various pending or threatened legal actions. The District believe that any ultimate liability arising from these actions will not have a material adverse effect on its financial position.

The District participates in a number of federal and state programs that require compliance with specific terms and conditions and are subject to audits by the contracting agencies. See Note 14 regarding the disallowed costs related to the federal food service program for the 2021-22 fiscal year.

13) UPCOMING ACCOUNTING PRONOUNCEMENTS

Statement No. 87, Leases, was issued by the GASB in June 2017. 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. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

13) UPCOMING ACCOUNTING PRONOUNCEMENTS (Continued)

Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 91, Conduit Debt Obligations provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2023.

Statement No. 93, Replacement of Interbank Offered Rates establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. This statement is effective for the year ending June 30, 2022.

Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending June 30, 2023.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

13) UPCOMING ACCOUNTING PRONOUNCEMENTS (Continued)

Statement No. 96, Subscription-based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This statement is effective for the year ending June 30, 2023.

The School District is evaluating the impact that the above pronouncements will have on its financial reporting.

14) SUBSEQUENT EVENT

Pursuant to an administrative review of the Summer Food Service Program (SFSP) by the Michigan Department of Education (MDE), the district is required to repay to the state of Michigan \$103,290 in unallowed costs. The costs are for the July 2021 invoice from the RSA Foundation (a related party, see Note 10). The costs were deemed unallowable due to not having a properly procured contract between the district and the Foundation for Food Service Management Services, nor did the Foundation have sufficient supporting documentation for their charges to the district. The costs occurred after the June 30, 2021 year end and do not appear on the financial statements of the district for the year ended June 30, 2021. The amount will be repaid during the 21-22 fiscal year. This disallowance also relates to the material weakness finding reported in the Single Audit of Federal awards.

REQUIRED SUPPLEMENTARY
INFORMATION

RISING STARS ACADEMY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$65	\$8,128	\$21,545	\$13,417
State Sources	1,032,564	1,150,447	1,164,422	13,975
Federal Sources	74,206	137,755	133,794	(3,961)
Interdistrict Sources	68,364	71,744	67,994	(3,750)
Total Revenues	<u>\$1,175,199</u>	<u>\$1,368,074</u>	<u>\$1,387,755</u>	<u>\$19,681</u>
<u>EXPENDITURES</u>				
Instruction	583,694	609,383	599,725	9,658
Instructional Staff	1,075	1,638	1,638	0
General Administration	108,228	105,363	102,374	2,989
School Administration	106,018	115,243	114,897	346
Business Administration	39,300	39,216	39,222	(6)
Operation & Maintenance of Plant	131,171	265,341	267,260	(1,919)
Transportation	48,500	71,153	70,897	256
Support Services - Other	11,670	17,222	22,261	(5,039)
Total Expenditures	<u>\$1,029,656</u>	<u>\$1,224,559</u>	<u>\$1,218,274</u>	<u>\$6,285</u>
Excess of Revenues Over Expenditures	\$145,543	\$143,515	\$169,481	\$25,966
<u>OTHER FINANCING SOURCES (USES)</u>				
Outgoing Transfers and Other Transactions	(114,610)	(114,672)	(115,510)	(838)
Net Change in Fund Balance	<u>\$30,933</u>	<u>\$28,843</u>	<u>\$53,971</u>	<u>\$25,128</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>			<u>247,768</u>	
<u>FUND BALANCE - END OF YEAR</u>			<u>\$301,739</u>	

RISING STARS ACADEMY
BUDGETARY COMPARISON SCHEDULE
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$285	\$4,087	\$4,087	\$0
State Sources	1,380	13,824	6,838	(6,986)
Federal Sources	213,315	1,752,424	1,812,175	59,751
Total Revenues	<u>\$214,980</u>	<u>\$1,770,335</u>	<u>\$1,823,100</u>	<u>\$52,765</u>
<u>EXPENDITURES</u>				
Food Service	177,111	1,558,137	1,580,347	(22,210)
Excess of Revenues Over Expenditures	<u>\$37,869</u>	<u>\$212,198</u>	<u>\$242,753</u>	<u>\$30,555</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Outgoing Transfers and Other Transactions	0	(3,750)	0	3,750
Net Change in Fund Balance	<u>\$37,869</u>	<u>\$208,448</u>	<u>\$242,753</u>	<u>\$34,305</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>			<u>40,436</u>	
<u>FUND BALANCE - END OF YEAR</u>			<u>\$283,189</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)

	2020	2019	2018	2017	2016	2015	2014
Reporting unit's proportion of net pension liability (%)	0.00119%	0.00070%	0.00005%	0.00000%	0.00000%	0.00000%	0.00000%
Reporting unit's proportionate share of net pension liability	\$409,956	\$233,383	\$16,164	\$0	\$0	\$0	\$0
Reporting unit's covered-employee payroll	\$114,875	\$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	356.87%	228.53%	193.98%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of total pension liability	59.72%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$32,797	\$18,721	\$1,464	\$0	\$0	\$0	\$0
Contributions in relation to statutorily required contributions	<u>32,797</u>	<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>	<u>\$0</u>
Reporting unit's covered-employee payroll	\$102,959	\$114,875	\$83,334	\$0	\$0	\$0	\$0
Contributions as a percentage of covered-employee payroll	31.85%	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)

	2020	2019	2018	2017
Reporting unit's proportion of net OPEB liability (%)	0.00127%	0.00115%	0.00010%	0.00000%
Reporting unit's proportionate share of net OPEB liability	\$67,910	\$82,698	\$7,764	\$0
Reporting unit's covered-employee payroll	\$114,875	\$102,125	\$8,333	\$0
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	59.12%	80.98%	93.17%	0.00%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	59.44%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$8,956	\$7,911	\$634	\$0
Contributions in relation to statutorily required contributions	<u>8,956</u>	<u>7,911</u>	<u>634</u>	<u>0</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Reporting unit's covered-employee payroll	\$102,959	\$114,875	\$83,334	\$0
Contributions as a percentage of covered-employee payroll	8.70%	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 Star Academy had the following expenditure budget variances.

<u>General Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Business Administration	\$39,216	\$39,222	(\$6)
Operation & Maintenance of Plant	265,341	267,260	(1,919)
Support Services - Other	17,222	22,261	(5,039)
Outgoing Transfers	114,672	115,510	(838)
 <u>Food Service</u>	 1,558,137	 1,580,347	 (22,210)

The variance in the food service fund is due to not budgeting for the revenue and expenditures of the federal commodities.

PENSION

Benefit changes - there were no changes of benefit terms in 2020.

Changes of assumptions – there were no changes of assumptions in 2020

OPEB

Benefit changes - there were no changes of benefit terms in 2020.

Changes of assumptions - the assumption changes for 2020 were:

Healthcare cost trend rate decreased to 7.00% Year 1 graded to 3.50% Year 15 from 7.50% Year 1 graded to 3.50% Year 12.

RISING STARS ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grantor/ Pass Through Grantor/ Program Title	Federal AL Number	Pass - Through Project Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 1, 2020	Prior Year Expenditures	Current Year Expenditures	Adjustments Prior Years	Current Year Cash/ Payments In Kind Received	Accrued (Unearned) Revenue June 30, 2021
<u>U.S. DEPARTMENT OF EDUCATION</u>									
Passed Through Macomb Intermediate School District IDEA Flowthrough (20-21)	84.027	210450-2021	\$79,588	\$0	\$0	\$79,588	\$0	\$74,385	\$5,203
<u>U.S. DEPARTMENT OF AGRICULTURE</u>									
Passed Through Michigan Department of Education:									
Non-Cash Assistance									
Entitlement Commodities	10.555	N/A	27,006	0	0	27,006	0	27,006	0
Bonus Commodities		N/A	2,952	0	0	2,952	0	2,952	0
Total Non-Cash Assistance			\$29,958	\$0	\$0	\$29,958	\$0	\$29,958	\$0
Cash Assistance									
SFSP Covid 19 Unanticipated Grant Payments	10.555	200902	65,889	65,889	65,889	0	0	65,889	0
SFSP Operating	10.559	200900	268,363	0	0	268,363	0	268,363	0
SFSP Operating	10.559	210904	1,513,854	0	0	1,513,854	0	1,310,061	203,793
Total Cash Assistance			\$1,848,106	\$65,889	\$65,889	\$1,782,217	\$0	\$1,644,313	\$203,793
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE (NUTRITION CLUSTER)</u>			\$1,878,064	\$65,889	\$65,889	\$1,812,175	\$0	\$1,674,271	\$203,793
<u>U.S. DEPARTMENT OF TREASURY</u>									
Passed Through Michigan Department of Education									
Coronavirus Relief Funds									
Covid 19 Coronavirus Relief Funds	21.019	2021	42,343	0	0	42,343	0	42,343	0
District Covid 19 Costs		2021	1,490	0	0	1,490	0	1,490	0
Total Passed Through Michigan Department of Education			\$43,833	\$0	\$0	\$43,833	\$0	\$43,833	\$0
Passed through MAISA/Copper County ISD									
COVID-19 Coronavirus Relief Funds - MiConnect Connectivity Funding	21.019	2021	10,373	0	0	10,373	0	10,373	0
<u>TOTAL U.S. DEPARTMENT OF TREASURY</u>			\$54,206	\$0	\$0	\$54,206	\$0	\$54,206	\$0
<u>TOTAL FEDERAL AWARDS</u>			\$2,011,858	\$65,889	\$65,889	\$1,945,969	\$0	\$1,802,862	\$208,996

RISING STARS ACADEMY
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

<u>FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>	<u>\$1,945,969</u>
<u>FEDERAL REVENUE RECOGNIZED PER THE GENERAL PURPOSE FINANCIAL STATEMENTS</u>	
General Fund	\$133,794
School Service Fund	<u>1,812,175</u>
<u>TOTAL</u>	<u>\$1,945,969</u>

- 1) Basis of Presentation - The accompanying schedule of expenditures of federal awards includes the federal grant activity of Rising Stars Academy for the year ended June 30, 2021.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the schedule presents only a selected portion of the operations of Rising Stars Academy, it is not intended to and does not present the financial position or changes in net position of Rising Stars Academy.

Management has utilized the NexSys and Cash Management System (CMS) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Grant Auditor's Report have been reconciled in the attached reconciliation on page 35 of this report.

The District did not qualify for low-risk auditee status.

- 2) Summary of Significant Accounting Policies - Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Expenditures are recognized following the cost principles in the Uniform Guidance as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The District has elected not to use the 10 percent de minimis indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

- 3) Noncash Assistance - The value of noncash assistance received was determined in accordance with the provisions of the Uniform Guidance. The grantee received no noncash assistance during the year ended June 30, 2021 that is not included on the schedule of expenditures of federal awards.
- 4) The District did not pass-through any federal awards to sub recipients.

RISING STARS ACADEMY
RECONCILIATION OF "GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Current Payments Per the Grant Section Auditor's Report		
Nexsys/Cash Management System		\$1,644,313
<u>Add:</u> Grants Passed Through the Macomb Intermediate School District		
Idea Flowthrough (CFDA 84.027)		74,385
Grants Passed Through Michigan Department of Education		
Covid 19 Coronavirus Relief Funds (CFDA 21.019)	\$42,343	
District Covid 19 Costs (CFDA 21.019)	1,490	
Total Passed Through Michigan Department of Education		43,833
Passed through MAISA/Copper County ISD		
COVID-19 Coronavirus Relief Funds -		
MiConnect Connectivity Funding (CFDA 21.019)		10,373
Entitlement and Bonus Commodities		29,958
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF</u>		
<u>EXPENDITURES OF FEDERAL AWARDS</u>		\$1,802,862



October 29, 2021

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 Trustees 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, 2021, 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 October 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Rising Stars Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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*.

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



October 29, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees of
Rising Stars Academy

Report on Compliance for Each Major Federal Program

We have audited Rising Stars Academy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Rising Stars Academy's major federal programs for the year ended June 30, 2021. Rising Stars Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Rising Stars Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Rising Stars Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of Rising Stars Academy's compliance.

Basis for Qualified Opinion on Nutrition Cluster

As described in the accompanying schedule of findings and questioned costs, Rising Stars Academy did not comply with requirements regarding Nutrition Cluster and associated finding number 2021-001 for Procurement. Compliance with such requirements is necessary, in our opinion, for Rising Stars Academy to comply with the requirements applicable to that program.

Qualified Opinion on Nutrition Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Rising Stars Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the nutrition cluster for the year ended June 30, 2021.

Other Matters

Rising Stars Academy's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Rising Stars Academy's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Rising Stars Academy, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rising Stars Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Rising Stars Academy's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-001 to be material weaknesses.

Rising Stars Academy's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Rising Stars Academy's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



RISING STARS ACADEMY – FLINT, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency (ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency (ies) identified? Yes None reported

Type of auditor’s report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)? Yes No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.555/10.559	Nutrition Cluster

Dollar threshold use to distinguish between type A and type B programs: \$ 750,000.00

Auditee qualified as low-risk auditee? Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings for the current year.

RISING STARS ACADEMY – FLINT, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2021-001

Program Name – (Nutrition Cluster) Summer Food Service Program, U.S. Department of Agriculture, passed through Michigan Department of Education. CFDA #10.555/10.559.

Pass-through Entity – Michigan Department of Education (MDE)

Finding Type – Noncompliance, Material weakness in internal controls

Criteria – Federal register section 7 CFR Part 210.16a requires that the District obtains the MDE’s review and approval of the contract terms before entering into a procurement contract with a food service management company (FSMC).

Condition – The Academy entered into an arrangement with the food service management company, a related party, RSA Foundation without review and approval from the MDE.

Questioned Costs – Undeterminable

Context – The Academy did not follow the procurement policy rules of the Federal register section 7 CFR Part 210.16a and the Michigan Department of Education.

Cause/Effect – The Academy did not follow the procurement policy rules of the Federal register section 7 CFR Part 210.16a and the Michigan Department of Education. The effect of the Academy not following the required policies is the incurrence of disallowed questioned costs.

Recommendation: The Academy should review its internal control policies and processes. The Academy should review the Uniform Guidance and MDE’s requirements and create a plan to ensure compliance with these requirements.

STATUS OF PRIOR YEAR FINDINGS

The District did not qualify for a single audit in the prior year.



RISING STARS

ACADEMY

RISING STARS ACADEMY CORRECTIVE ACTION PLAN June 30, 2021

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2021-001	<p>The academy will work with the administration, board of directors, management company and food service manager to properly procure the necessary contracts to abide by MDE and academy policies.</p> <p>We will review our internal control policies and procedures to ensure compliance with federal and state requirements. As part of our processes, we will regularly monitor our adherence to internal control policies and procedures.</p>	December 31, 2021	Frank Patterson/Lori Mochty, Business Manager, Deborah Prentiss, Superintendent, Deborah Prentiss, Food Service Manager, Board of Directors



October 29, 2021

To the Board of Trustees 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, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, 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 23, 2021. 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. We noted no transactions entered into by the District 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 District'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 October 29, 2021.

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 District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

As part of our audit of the federal awards we obtained copies of an administrative review of the Summer Food Service Program (SFSP). This administrative review was conducted by the Office of Health and Nutrition Services of the Michigan Department of Education (MDE). In addition, financial analysts from the MDE provided a Financial summary of Technical Assistance to the Academy which they discussed with Deb Prentis on October 27, 2021. Some of the items discussed were as follows:

- * Supporting documentation for the amounts charged by the Foundation to the Academy for the costs of running the program was insufficient.
- * School Food Authorities as subrecipients of federal funds are required to have strong internal controls and documented processes. The MDE indicated the Academy should review the federal guidance of 2CFR 200 and create a plan to ensure compliance with the requirements.
- * The Academy did not provide adequate documentation related to the procurement process with RSA Foundation.

The administrative review and technical assistance included other items as well. The lack of obtaining proper approval for the food service management contract led to a material weakness finding as reported in the summary of findings and questioned costs portion of the single audit. The finding is also referenced in the auditor's report on compliance for each major federal fund and on internal control over compliance required by the Uniform Guidance.

The technical assistance memo also brings attention to unallowable costs for the SFSP for July 2021 in the amount of \$103,290. The costs are to be repaid in the 2021-22 fiscal year. These unallowable costs are referenced in Note 14 Subsequent Events of the June 30, 2021 financial statements.

As a result of the administrative review and material weaknesses finding the Academy is required to submit a corrective action plan with MDE.

We recommend that the Board of Trustees review the administrative review, financial summary of technical assistance, corrective action plan and summary of findings and questioned costs to help ensure future compliance with federal and state compliance requirements.

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.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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.
CERTIFIED PUBLIC ACCOUNTANTS