RISING STARS ACADEMY

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

JUNE 30, 2022

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Lewis & Knopf CPAs, PC

October 27, 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Rising Stars Academy

Report on the Financial Statements

Opinions
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, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Rising Stars Academy, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Change in Accounting Principle
As discussed in Note 14 to the financial statements, in 2022 the Academy adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

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

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

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Rising Stars Academy's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rising Stars Academy's ability to continue as a going concern for a reasonable period of time.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2022, on our consideration of the Rising Stars Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Rising Stars Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rising Stars Academy's internal control over financial reporting and compliance.

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2022.

Financial Highlights

* The assets and deferred outflows of the Academy exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $817,750 (net position).

* The Academy's total net position increased by $2,091.

* The general fund had a decrease in fund balance of $30,136. At the end of the year, unassigned fund balance for the general fund was $270,915, or 14%, of total general fund expenditures.

* The food service fund had a decrease in fund balance of $157,769. The food service fund was a major fund for the year.

* The Academy did not qualify for a single audit for the June 30, 2022 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 students, staff, and safety of building. Sound financial practices were used for all budget decisions while maintaining current level of programming and increasing student opportunities for success.

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.

MAJOR FEATURES OF ACADEMY-WIDE AND FUND FINANCIAL STATEMENTS

		Fund Financial Statements	
	Academy-Wide 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 5)	* 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.

SUMMARY OF NET POSITION:
The following table provides a summary of the Academy's net position as of June 30, 2022 and 2021.

NET POSITION SUMMARY

	2022	2021 *
ASSETS		
Other Assets	$493,218	$809,114
Capital Assets	1,051,752	1,004,904
TOTAL ASSETS	$1,544,970	$1,814,018
DEFERRED OUTFLOWS OF RESOURCES	265,733	374,442
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$1,810,703	$2,188,460
LIABILITIES		
Other Liabilities	391,494	702,052
Long-Term Liabilities	414,877	601,866
Total Liabilities	$806,371	$1,303,918
DEFERRED INFLOWS OF RESOURCES	186,582	68,883
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	$992,953	$1,372,801
NET POSITION		
Net Investment in Capital Assets	636,875	403,038
Restricted	125,420	283,189
Unrestricted	55,455	129,432
TOTAL NET POSITION	$817,750	$815,659

* The 2021 figures have not been updated for the adoption of GASB 87.

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, $125,420 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 2022.

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2022 and 2021, the Academy wide results of operations were:

	2022	2021 *
REVENUES		
Program Revenues		
Operating Grants	$487,762	$2,013,963
General Revenues:		
State Sources - Unrestricted	1,249,202	1,171,260
Other General Revenues	121,456	25,632
Total General Revenues	$1,370,658	$1,196,892
Total Revenues	$1,858,420	$3,210,855
EXPENSES		
Instruction & Instructional Support	682,438	685,353
Support Services	672,414	567,215
Food Service	454,630	1,580,347
Depreciation/Amortization	46,847	41,149
Total Expenses	$1,856,329	$2,874,064
CHANGE IN NET POSITION	$2,091	$336,791

* The 2021 figures have not been updated for the adoption of GASB 87.

The Academy‘s net position increased by $2,091 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 decreased from 120 in the 2020-2021 year to 115 in the 2021-2022 year.

During the fiscal year ended June 30, 2022, 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.

General Fund
The general fund actual revenue and other financing sources was $1,960,559. That amount is less than the final budget estimate of $1,985,588. The variance was $25,029, or 1% of final budget.

The actual expenditures and other financing uses of the general fund were $1,990,695 which is less than the final budget estimate of $2,080,844. The variance was $90,149, or 4% of final budget. The variance was due to conservative budgeting.

The general fund had total revenues of $1,960,559 and total expenditures of $1,990,695 with a net decrease in fund balance of $30,136 and an ending fund balance of $271,603.

Food Service Fund
The food service fund actual revenue and other financing sources was $296,861. That amount is less than the final budget estimate of $328,673. The variance was $31,812, or 10% of final budget. The variance was due to less meals served to claim for federal reimbursement than anticipated.

The actual expenditures and other financing uses of the food service fund were $454,630 which is less than the final budget estimate of $516,306. The variance was $61,676, or 12% of final budget. The variance was due to conservative budgeting.

The food service fund had total revenues of $296,861 and total expenditures of $454,630 with a net decrease in fund balance of $157,769 and an ending fund balance of $125,420.

Capital Asset and Debt Administration

A. Capital Assets
The Academy's investment in capital assets for its governmental activities as of June 30, 2022 amounted to $1,051,752 (net of accumulated depreciation/amortization). Capital assets at fiscal year-end included the following:

	Capital Assets (Net of Depreciation/Amortization)	
	2022	2021 *
Land	$80,000	$80,000
Buildings and Improvements	663,621	672,469
Equipment and Furniture	253,738	192,405
Vehicles	54,393	60,030
Total capital assets, net	$1,051,752	$1,004,904

* The 2021 figures have not been updated for the adoption of GASB 87.

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 $414,877. Long-term debt at fiscal year-end included the following:

	Long-Term Debt	
	2022	2021 *
Installment Contracts	$414,877	$601,866

* The 2021 figures have not been updated for the adoption of GASB 87.

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

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 expected 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 $8,700.
* Student enrollment at 115 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 Michigan School Employees Retirement System rates for 2022-2023 are expected to remain fairly consistent for each plan with only slight increases effective October 1, 2022. Additionally, the District will be required to pay 16.65%, for all wages earned October 1, 2022 and later, for the Unfunded Actuarial Accrued Liability (UAAL).

The Rising Stars Academy' 2022/2023 adopted budget is as follows:

REVENUE	$1,419,108
EXPENDITURES	1,354,054
NET OVER BUDGET	$65,054

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, 2022

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$115,653
Accounts Receivable - Related Party - RSA Foundation	86,856
Due from Other Governmental Units	290,021
Prepaid Expenditures	688
Capital Assets, Non-Depreciable - Land	80,000
Capital Assets, Net of Accumulated Depreciation/Amortization	971,752
Total Assets	$1,544,970
DEFERRED OUTFLOWS OF RESOURCES	
Related to Pensions	189,485
Related to Postemployment Benefits	76,248
Total Deferred Outflows of Resources	$265,733
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$1,810,703
LIABILITIES	
Accounts Payable	31,121
Due to Other Governmental Units	44,428
Accrued Expenses	8,974
Salaries Payable	7,955
Unearned Revenue	3,717
Non-Current Liabilities - Due Within One Year	54,569
Non-Current Liabilities - Due in More Than One Year	360,308
Net Pension Liability	278,681
Net Other Postemployment Benefits Liability	16,618
Total Liabilities	$806,371
DEFERRED INFLOWS OF RESOURCES	
Related to State Aid Funding for Pension and Other Postemployment Benefits	16,924
Related to Pensions	95,970
Related to Other Postemployment Benefits	73,688
Total Deferred Inflows of Resources	$186,582
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	$992,953
NET POSITION	
NET POSITION	
Net Investment in Capital Assets	636,875
Restricted	125,420
Unrestricted	55,455
TOTAL NET POSITION	$817,750

See notes to the financial statements.

RISING STARS ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

FUNCTIONS/PROGRAMS	Expenses	Program Revenue Operating Grants and Contributions	Governmental Activities Net (Expense) Revenue & Change in Net Position
Governmental Activities:			
Instruction	$682,438	$223,195	($459,243)
Support Services	672,414	0	(672,414)
Food Service	454,630	264,567	(190,063)
Depreciation/Amortization - Unallocated	46,847	0	(46,847)
Total Governmental Activities	$1,856,329	$487,762	($1,368,567)
General Revenues:			
State Sources - Unrestricted			1,249,202
Other General Revenues			121,456
Total General Revenues and Transfers			$1,370,658
Change in Net Position			$2,091
Net Position - Beginning of Year			815,659
Net Position - End of Year			$817,750

See notes to the financial statements.

RISING STARS ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Food Service Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	$115,653	$0	$115,653
Accounts Receivable - Related Party - RSA Foundation	86,856	0	86,856
Due from Other Funds	0	160,665	160,665
Due from Other Governmental Units	273,430	16,591	290,021
Prepaid Expenditures	688	0	688
TOTAL ASSETS	$476,627	$177,256	$653,883
LIABILITIES			
Accounts Payable	$23,713	$7,408	$31,121
Due to Other Funds	160,665	0	160,665
Due to Other Governmental Units	0	44,428	44,428
Accrued Expenses	8,974	0	8,974
Salaries Payable	7,955	0	7,955
Unearned Revenue	3,717	0	3,717
Total Liabilities	$205,024	$51,836	$256,860
FUND BALANCES			
Non-Spendable			
Prepaid Expenditures	688	0	688
Restricted			
Food Service	0	125,420	125,420
Unassigned	270,915	0	270,915
Total Fund Balances	$271,603	$125,420	$397,023
TOTAL LIABILITIES AND FUND BALANCES	$476,627	$177,256	$653,883

See notes to the financial statements.

RISING STARS ACADEMY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2022

Total Governmental Fund Balances:		$397,023
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred Outflows of Resources - Related to Pensions		189,485
Deferred Outflows of Resources - Related to Postemployment Benefits		76,248
Deferred Inflows Related to State Aid Funding for Pension and Other Postemployment Benefits		(16,924)
Deferred Inflows of Resources - Related to Pensions		(95,970)
Deferred Inflows of Resources - Related to Other Postemployment Benefits		(73,688)
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	$1,339,430	
Less: Accumulated Depreciation/Amortization	(287,678)	
Capital Assets, Net of Accumulated Depreciation/Amortization		1,051,752
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		(414,877)
Net Pension Liability		(278,681)
Net Other Postemployment Benefits Liability		(16,618)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		$817,750

See notes to the financial statements.

RISING STARS ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	General Fund	Food Service Fund	Total Governmental Funds
REVENUES			
Local Sources	$111,347	$10,109	$121,456
State Sources	1,227,017	22,185	1,249,202
Federal Sources	149,079	264,567	413,646
Interdistrict Sources	74,116	0	74,116
Total Revenues	$1,561,559	$296,861	$1,858,420
EXPENDITURES			
Instruction	647,436	0	647,436
Support Services	746,278	0	746,278
Outgoing Transfers and Other Transactions	596,981	0	596,981
Food Service	0	454,630	454,630
Total Expenditures	$1,990,695	$454,630	$2,445,325
Excess (Deficiency) of Revenues Over (Under) Expenditures	($429,136)	($157,769)	($586,905)
OTHER FINANCING SOURCES			
Loan Proceeds	399,000	0	399,000
Net Change in Fund Balance	($30,136)	($157,769)	($187,905)
FUND BALANCE - BEGINNING OF YEAR	301,739	283,189	584,928
FUND BALANCE - END OF YEAR	$271,603	$125,420	$397,023

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, 2022

Total net change in fund balances - governmental funds		($187,905)
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	$93,695	
Depreciation/Amortization Expense	(46,847)	
Total		46,848
Loan Proceeds		(399,000)
Payments on Installment Contracts		585,989
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		(63)
Pension Related Items		(49,899)
OPEB Related Items		6,121
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		$2,091

See notes to the 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.

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, 2022 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.

Land and construction in progress, if any, are not depreciated. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease period of the estimated useful lives. The other property, plant, and equipment of the Academy are depreciated using the straight line method over the following estimated 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.

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.

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.

Leases - Lessee: The Academy is a lessee for a noncancelable lease of equipment. The Academy recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements when material to the financial statements.

At the commencement of a lease, the Academy initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the Academy determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

* The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for leases.

* The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

The Academy monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position. The Academy did not have any items to report as capital assets and lease liabilities as of June 30, 2022.

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.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2022. The Academy does not consider these amendments to be significant.

2) DEPOSITS AND INVESTMENTS

As of June 30, 2022, the Academy had no investments.

As of June 30, 2022 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, 2022, $0 of the Academy's bank balance of $130,255 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 $115,653.

2) DEPOSITS AND INVESTMENTS (Continued)

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.

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:

GOVERNMENTAL ACTIVITIES	AMOUNT
State Aid	$ 223,587
Federal Grants	66,220
Other	214
TOTAL GOVERNMENTAL ACTIVITIES	$ 290,021

4) CAPITAL ASSETS

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

	Balance Beginning	Additions	Deductions	Balance Ending
GOVERNMENTAL ACTIVITIES				
Land	$80,000	$0	$0	$80,000
Buildings and Improvements	707,862	0	0	707,862
Equipment and Furniture	379,311	93,695	0	473,006
Vehicles	78,562	0	0	78,562
Totals at Historical Cost	$1,245,735	$93,695	$0	$1,339,430
Less: Accumulated Depreciation/Amortization				
Buildings and Improvements	(35,393)	(8,848)	0	(44,241)
Equipment and Furniture	(186,906)	(32,362)	0	(219,268)
Vehicles	(18,532)	(5,637)	0	(24,169)
Total Accumulated Depreciation	($240,831)	($46,847)	$0	($287,678)
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS - NET	$1,004,904	$46,848	$0	$1,051,752

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.

Net investment in capital assets consists of the following:

Capital Assets	$ 1,339,430
Less: Accumulated Depreciation	(287,678)
Less: Related Long-Term Liabilities	(414,877)
NET INVESTMENT IN CAPITAL ASSETS	$ 636,875

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, 2022.

6) GENERAL LONG-TERM DEBT

The following is a summary of long-term obligations for the Academy for the year ended June 30, 2022:

Governmental Activities:	Balance Beginning	Additions	Deductions	Balance Ending	Amount Due in One Year
Notes from Direct Borrowings and Direct Placements	$601,866	$399,000	$585,989	$414,877	$54,569

NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS

Installment purchase agreement - American Capital, requires monthly payments of $438 including interest at 3% plus prime, matures September, 2025 and is secured by a vehicle.	$ 15,877
Installment purchase agreement – Huntington National Bank, requires monthly payments of $5,512 including interest at 4.25% per annum, matures June, 2029 and is secured by the building. (The Academy refinanced their prior year land contract with this note).	399,000
TOTAL NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS	$ 414,877

The Academy's outstanding notes from direct borrowings and direct placements related to governmental activities of $414,877 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.

The annual principal requirements for all debt outstanding as of June 30, 2022 are as follows:

	Notes from Direct Borrowings and Direct Placements		
	Principal	Interest	Total
June 30, 2023	$54,569	$16,821	$71,390
June 30, 2024	56,933	14,457	71,390
June 30, 2025	59,477	11,913	71,390
June 30, 2026	58,099	9,790	67,889
June 30, 2027	59,293	6,846	66,139
June 30, 2028-2029	126,506	5,772	132,278
TOTAL	$414,877	$65,599	$480,476

Interest expense (all funds) for the year ended June 30, 2022 was $15,957.

7) INTERFUND ACTIVITY

Interfund balances at June 30, 2022 consisted of the following:

DUE FROM \ DUE TO	Food Service
General Fund	$160,665

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

8) RESTRICTED NET POSITION

Restricted net position consists of the following:

Food Service	$125,420

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.

9) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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, 2020 valuation will be amortized over a 18-year period beginning Oct. 1, 2020 and ending Sept. 30, 2038.

9) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The schedule below summarizes **pension** contribution rates in effect for fiscal year ended September 30, 2021.

Benefit Structure	**Member**	**Employer**
Basic	0.0 – 4.0%	19.78%
Member Investment Plan	3.0 – 7.0%	19.78%
Pension Plus	3.0 – 6.4%	16.82%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

The schedule below summarizes **OPEB** contribution rates in effect for fiscal year ended September 30, 2021.

Benefit Structure	**Member**	**Employer**
Premium Subsidy	3.0%	8.43%
Personal Healthcare Fund (PHF)	0.00%	7.57%

The Academy's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Pension contributions were approximately $40,000, with $40,000 specifically for the Pension Defined Benefit Plan.

The Academy's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. OPEB benefits were approximately $11,000, with $10,000 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, 2022, *the Academy* reported a liability of $278,681 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The Academy*'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, 2021, the Academy's proportion was 0.00118 percent, which was a decrease of 0.00002 percent from its proportion measured as of September 30, 2020.

MPSERS (Plan) Non-University Employers	September 30, 2021	September 30, 2020
Total Pension Liability	$86,392,473,395	$85,290,583,799
Plan Fiduciary Net Position	62,717,060,894	50,939,496,006
Net Pension Liability	$23,675,412,501	$34,351,087,793
Proportionate Share	0.00118%	0.00119%
Net Pension Liability for the Academy	$278,681	$409,956

9) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

For the year ending June 30, 2022, the Academy recognized pension expense of $99,118. At June 30, 2022, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences Between Actual and Expected Experience	$4,317	($1,641)
Changes of Assumptions	17,567	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	(89,595)
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	131,237	(4,734)
Employer Contributions Subsequent to the Measurement Date	36,364	0
TOTAL	$189,485	($95,970)

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:

Year Ending Sept. 30,	Amount
2022	$58,933
2023	31,302
2024	(8,301)
2025	(24,783)

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

At June 30, 2022, the Academy reported a liability of $16,618 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The Academy'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, 2021 the Academy's proportion was 0.00109 percent, which was a decrease of 0.0002 percent from its proportion measured as of October 1, 2020.

MPSERS (Plan) Non-University Employers	September 30, 2020	September 30, 2019
Total Other Postemployment Benefits Liability	$12,046,393,511	$13,206,903,534
Plan Fiduciary Net Position	10,520,015,621	7,849,636,555
Net Other Postemployment Benefits Liability	$1,526,377,890	$5,357,266,979
Proportionate Share	0.00109%	0.00127%
Net Other Postemployment Benefits Liability for the Academy	$16,618	$67,910

9) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

For the year ending June 30, 2022, the Academy recognized OPEB expense of $8,056. At June 30, 2022, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences Between Actual and Expected Experience	$0	($47,434)
Changes of Assumptions	13,891	(2,079)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	0	(12,525)
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	53,600	(11,650)
Employer Contributions Subsequent to the Measurement Date	8,757	0
TOTAL	$76,248	($73,688)

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:

Year Ending Sept. 30,	Amount
2022	$4,822
2023	5,261
2024	522
2025	(10,429)
2026	(5,635)
Thereafter	(738)

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.

9) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.80% Net of Investment Expenses
- Pension Plus Plan:	6.80% Net of Investment Expenses
- Pension Plus 2 Plan:	6.00% Net of Investment Expenses
- OPEB	6.95% Net of Investment Expenses
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
Mortality: - Retirees	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.
- Active Members:	RP-2014 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions OPEB

Healthcare Cost Trend Rate:	Pre-65 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
- 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**:*

Pension

* *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, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.*

9) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

* *Recognition period for pension liabilities is the average of the expected remaining service lives of all employees in years: [4.4367 for non-university employers].*

* *Recognition period for assets in years is 5.0000.*

OPEB

* *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, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, 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: [6.1312 for non-university employers].*

* *Recognition period for assets in years: 5.0000*

* *Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.*

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, 2021, are summarized in the following table:

Investment Category	**Target Allocation***	**Long-term Expected Real Rate of Return***
Domestic Equity Pools	25.0%	5.4%
Private Equity Pools	16.0%	9.1%
International Equity	15.0%	7.5%
Fixed Income Pools	10.5%	-0.7%
Real Estate and Infrastructure Pools	10.0%	5.4%
Absolute Return Pools	9.0%	2.6%
Real Return/Opportunistic Pools	12.5%	6.1%
Short Term Investment Pools	2.0%	-1.3%
Total	**100.0%**	

* Long term rates of return are net of administrative expenses and 2.0% inflation.

9) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3% for pension and 27.14% for OPEB. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate – Pension

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

Discount Rate – OPEB

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

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

The following presents the Academy'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 Academy'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 5.8%/5.8%/5.0%	**Current Single Discount Rate Assumption 6.8%/6.8%/6.0%**	**1% Increase 7.8% /7.8%/7.0%**
Academy's proportionate share of the net pension liability	$398,438	$278,681	$179,394

* 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.

9) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the Academy's proportionate share of the net OPEB liability to changes in the discount rate
The following presents the Academy's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the Academy'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 5.95%	Discount Rate 6.95%	1% Increase 7.95%
Academy's proportionate share of the net other postemployment benefit liability	$30,878	$16,618	$4,515

Sensitivity of the Academy's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate
The following presents the Academy's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the Academy'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
Academy proportionate share of the net other postemployment benefit liability	$4,045	$16,818	$30,764

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 Academy 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 $61,923 for the year ended June 30, 2022. The contract was terminated in August 2021.

As of June 30, 2022, $86,856 is due from the RSA Foundation. The RSA Foundation agreed to pay $97,019 towards the financing of the Academy's land contract. The funds were collected by the Academy in July 2022. In addition, the RSA Foundation will pay for certain Academy expenses. The amount due to the RSA Foundation for these expenses is $10,163 as of June 30, 2022.

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 Academy is involved in various pending or threatened legal actions. The Academy believe that any ultimate liability arising from these actions will not have a material adverse effect on its financial position.

13) UPCOMING ACCOUNTING PRONOUNCEMENTS

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. 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.

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 Academy is evaluating the impact that the above pronouncements will have on its financial reporting.

14) CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the Academy implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Governmental Accounting Standards Board (GASB) 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.

There was no material impact on the Academy's financial statement after the adoption of GASB Statement 87.

REQUIRED SUPPLEMENTARY

INFORMATION

RISING STARS ACADEMY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts			
	Original	Final	Actual	Variance With Final Budget
REVENUES				
Local Sources	$200	$210,483	$111,347	($99,136)
State Sources	1,432,788	1,177,751	1,227,017	49,266
Federal Sources	105,530	122,475	149,079	26,604
Interdistrict Sources	67,994	72,129	74,116	1,987
Total Revenues	$1,606,512	$1,582,838	$1,561,559	($21,279)
EXPENDITURES				
Instruction	870,910	619,144	647,436	(28,292)
Instructional Staff	2,000	3,290	3,290	0
General Administration	123,346	112,417	111,123	1,294
School Administration	134,036	136,813	132,303	4,510
Business Administration	44,829	44,148	42,614	1,534
Operation & Maintenance of Plant	269,192	402,169	294,284	107,885
Transportation	82,484	126,521	127,382	(861)
Support Services - Other	16,232	34,842	35,282	(440)
Total Expenditures	$1,543,029	$1,479,344	$1,393,714	$85,630
Excess of Revenues Over Expenditures	$63,483	$103,494	$167,845	$64,351
OTHER FINANCING SOURCES (USES)				
Outgoing Transfers and Other Transactions	(110,922)	(198,750)	(197,981)	769
Net Change in Fund Balance	($47,439)	($95,256)	($30,136)	$65,120
FUND BALANCE - BEGINNING OF YEAR			301,739	
FUND BALANCE - END OF YEAR			$271,603	

RISING STARS ACADEMY
BUDGETARY COMPARISON SCHEDULE
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts			
	Original	Final	Actual	Variance With Final Budget
REVENUES				
Local Sources	$0	$0	$10,109	$10,109
State Sources	6,838	6,838	22,185	15,347
Federal Sources	1,700,000	321,835	264,567	(57,268)
Total Revenues	$1,706,838	$328,673	$296,861	($31,812)
EXPENDITURES				
Food Service	1,518,250	512,556	454,630	57,926
Excess of Revenues Over Expenditures	$188,588	($183,883)	($157,769)	$26,114
OTHER FINANCING SOURCES (USES)				
Outgoing Transfers and Other Transactions	(3,750)	(3,750)	0	3,750
Net Change in Fund Balance	$184,838	($187,633)	($157,769)	$29,864
FUND BALANCE - BEGINNING OF YEAR			283,189	
FUND BALANCE - END OF YEAR			$125,420	

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 DETERMINTED AS OF 9/30 OF EACH FISCAL YEAR)

	2021	2020	2019	2018	2017	2016	2015	2014
Reporting unit's proportion of net pension liability (%)	0.00118%	0.00119%	0.00070%	0.00005%	0.00000%	0.00000%	0.00000%	0.00000%
Reporting unit's proportionate share of net pension liability	$278,681	$409,956	$233,383	$16,164	$0	$0	$0	$0
Reporting unit's covered-employee payroll	$101,084	$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	275.69%	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	72.60%	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 DETERMINTED AS OF 6/30 OF EACH FISCAL YEAR)

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	$35,344	$32,797	$18,721	$1,464	$0	$0	$0	$0
Contributions in relation to statutorily required contributions	35,344	32,797	18,721	1,464	0	0	0	0
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0
Reporting unit's covered-employee payroll	$122,654	$102,959	$114,875	$83,334	$0	$0	$0	$0
Contributions as a percentage of covered-employee payroll	28.82%	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 DETERMINTED AS OF 9/30 OF EACH FISCAL YEAR)

	2021	2020	2019	2018	2017
Reporting unit's proportion of net OPEB liability (%)	0.00109%	0.00127%	0.00115%	0.00010%	0.00000%
Reporting unit's proportionate share of net OPEB liability	$16,618	$67,910	$82,698	$7,764	$0
Reporting unit's covered-employee payroll	$101,084	$114,875	$102,125	$8,333	$0
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	16.44%	59.12%	80.98%	93.17%	0.00%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	87.33%	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 DETERMINTED AS OF 6/30 OF EACH FISCAL YEAR)

	2022	2021	2020	2019	2018
Statutorily required contributions	$8,082	$8,956	$7,911	$634	$0
Contributions in relation to statutorily required contributions	8,082	8,956	7,911	634	0
Contribution deficiency (excess)	$0	$0	$0	$0	$0
Reporting unit's covered-employee payroll	$122,654	$102,959	$114,875	$83,334	$0
Contributions as a percentage of covered-employee payroll	6.59%	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.

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.

General Fund	Final Budget	Actual	Variance With Final Budget
Instruction	$619,144	$647,436	($28,292)
Transportation	126,521	127,382	(861)
Support Services - Other	34,842	35,282	(440)

PENSION

Benefit changes – there were no changes of benefit terms for the year ended September 30, 2021

Changes in assumptions – the assumption changes for the year ended September 30, 2021 were:

* The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.50% to 2.00%. While this assumption change had no impact on the Actuarial Accrued Liability, it did result in an increase in employer contribution requirements.

* The Non-Hybrid and Pension Plus plan investment return assumptions were lowered from 6.80% to 6.00%. This assumption change increased the Actuarial Accrued Liability as of the valuation date and the fiscal year 2024 employer contribution.

OPEB

Benefit changes – there were no changes of benefit terms for the year ended September 30, 2021

Changes in assumptions – the assumption changes for the year ended September 30, 2021 were:

* The medical and prescription drug trend rates used in the valuation were re-set to better reflect anticipated future experience. The change in medical and drug trend rates increased the Actuarial Accrued Liability and increased the actuarially computed employer contribution.

* The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.50% to 2.00%. While this assumption change had no impact on the Actuarial Accrued Liability, it increased the actuarially computed employer contribution.

* The investment return assumption was lowered from 6.95% to 6.00%. This change in investment return assumption increased the Actuarial Accrued Liability.

Lewis & Knopf CPAs, PC

October 27, 2022

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, 2022, 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 27, 2022.

<u>Internal Control Over Financial Reporting</u>

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 or significant deficiencies may exist that were not identified.

<u>Report on Compliance and Other Matters</u>

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*.

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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 & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Lewis & Knopf CPAs, PC

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 though 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: The prior year non-compliance finding has been resolved with MDE in this current year. The Academy is required to pay back the July 2021 RSA Foundation invoice of $103,290 to MDE. MDE resolved to take back the funds through federal cash reimbursement requests. As of June 30, 2022, $58,863 had been paid back to MDE and $44,427 is due back to MDE as of June 30, 2022.

The District did not qualify for a single audit in the 2021-2022 year.

October 27, 2022

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, 2022. 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 17, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Rising Stars Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2021-2022 year. During the fiscal year, the Academy implemented Governmental Accounting Standards Board Statement No. 87, *Leases*. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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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 27, 2022.

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.

<u>Other Matters</u>

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.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Lewis & Knopf
CPAs, PC