

RISING STARS ACADEMY

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

JUNE 30, 2023

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October 27, 2023

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, 2023, 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, 2023, 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 2023 the Academy adopted new accounting guidance, GASB Statement No. 96, *Subscription-based IT Arrangements*. 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, 2023, 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

RISING STARS ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS

As management of Rising Stars Academy, we offer readers of the Academy's financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2023.

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 \$618,707 (net position).
- * The Academy's total net position decreased by \$199,043. The decrease was primarily due net change in pension and OPEB obligations.
- * The general fund had a decrease in fund balance of \$82,190. At the end of the year, unassigned fund balance for the general fund was \$189,413, or 14%, of total general fund expenditures.
- * The food service fund had a decrease in fund balance of \$37,899. The food service fund was a major fund for the year.
- * The Academy did not qualify for a single audit for the June 30, 2023 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.

RISING STARS ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS

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

Fund Financial Statements

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

RISING STARS ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF NET POSITION:

The following table provides a summary of the Academy's net position as of June 30, 2023 and 2022.

| <u>NET POSITION SUMMARY</u> | | |
|-----------------------------------------------------------------------|--------------------|--------------------|
| | <u>2023</u> | <u>2022 *</u> |
| <u>ASSETS</u> | | |
| Other Assets | \$412,960 | \$493,218 |
| Capital Assets | 1,006,221 | 1,051,752 |
| <u>TOTAL ASSETS</u> | \$1,419,181 | \$1,544,970 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | |
| | 289,763 | 265,733 |
| <u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u> | \$1,708,944 | \$1,810,703 |
| <u>LIABILITIES</u> | | |
| Other Liabilities | 621,836 | 391,494 |
| Long-Term Liabilities | 360,308 | 414,877 |
| Total Liabilities | \$982,144 | \$806,371 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | |
| | 108,093 | 186,582 |
| <u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u> | \$1,090,237 | \$992,953 |
| <u>NET POSITION</u> | | |
| Net Investment in Capital Assets | 645,913 | 636,875 |
| Restricted | 87,521 | 125,420 |
| Unrestricted | (114,727) | 55,455 |
| <u>TOTAL NET POSITION</u> | \$618,707 | \$817,750 |
| * The 2022 figures have not been updated for the adoption of GASB 96. | | |

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, \$87,521 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 2023.

RISING STARS ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2023 and 2022, the Academy wide results of operations were:

| | <u>2023</u> | <u>2022 *</u> |
|-----------------------------------------------------------------------|--------------------|--------------------|
| <u>REVENUES</u> | | |
| <u>Program Revenues</u> | | |
| Operating Grants | \$340,779 | \$487,762 |
| <u>General Revenues:</u> | | |
| State Sources - Unrestricted | 1,077,117 | 1,249,202 |
| Other General Revenues | 21,028 | 121,456 |
| Total General Revenues | <u>\$1,098,145</u> | <u>\$1,370,658</u> |
| Total Revenues | \$1,438,924 | \$1,858,420 |
| <u>EXPENSES</u> | | |
| Instruction & Instructional Support | 830,313 | 682,438 |
| Support Services | 595,517 | 672,414 |
| Food Service | 160,606 | 454,630 |
| Depreciation/Amortization | 51,531 | 46,847 |
| Total Expenses | <u>\$1,637,967</u> | <u>\$1,856,329</u> |
| <u>CHANGE IN NET POSITION</u> | <u>(\$199,043)</u> | <u>\$2,091</u> |
| * The 2022 figures have not been updated for the adoption of GASB 96. | | |

The Academy's net position decreased by \$199,043 during the current fiscal year. The decrease 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 115 in the 2021-2022 year to 100 in the 2022-2023 year.

During the fiscal year ended June 30, 2023, the Academy amended the budget of the General Fund twice. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Academy's general fund original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

RISING STARS ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS

General Fund

The general fund actual revenue and other financing sources was \$1,316,217. That amount is less than the final budget estimate of \$1,428,307. The variance was \$112,090, or 8% of final budget. The variance was due to a new business manager not accurately anticipating all end of year revenues.

The actual expenditures and other financing uses of the general fund were \$1,398,407 which is more than the final budget estimate of \$1,304,546. The variance was \$93,861, or 7% of final budget. The variance was due to a new business manager not accurately anticipating all end of year expenses.

The general fund had total revenues of \$1,316,217 and total expenditures of \$1,398,407 with a net decrease in fund balance of \$82,190 and an ending fund balance of \$189,413.

Food Service Fund

The food service fund actual revenue and other financing sources was \$122,707. That amount is more than the final budget estimate of \$95,865. The variance was \$26,842, or 28% of final budget.

The actual expenditures and other financing uses of the food service fund were \$160,606 which is more than the final budget estimate of \$154,953. The variance was \$5,653, or 4% of final budget.

The food service fund had total revenues of \$122,707 and total expenditures of \$160,606 with a net decrease in fund balance of \$37,899 and an ending fund balance of \$87,521.

Capital Asset and Debt Administration

A. **Capital Assets**

The Academy's investment in capital assets for its governmental activities as of June 30, 2023 amounted to \$1,006,221 (net of accumulated depreciation/amortization). Capital assets at fiscal year-end included the following:

| | <u>Capital Assets</u> <u>(Net of Depreciation/Amortization)</u> | |
|-----------------------------------------|--------------------------------------------------------------------|---------------------------|
| | <u>2023</u> | <u>2022 *</u> |
| Land | \$80,000 | \$80,000 |
| Buildings and Improvements | 654,773 | 663,621 |
| Equipment and Furniture | 222,691 | 253,738 |
| Vehicles | 48,757 | 54,393 |
| <u>Total capital assets, net</u> | <u>\$1,006,221</u> | <u>\$1,051,752</u> |

* The 2022 figures have not been updated for the adoption of GASB 96.

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

RISING STARS ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS

B. Debt

At the end of the current fiscal year, the Academy had total long-term debt outstanding of \$360,308. Long-term debt at fiscal year-end included the following:

| | Long-Term Debt | |
|-----------------------|----------------|-----------|
| | 2023 | 2022 * |
| Installment Contracts | \$360,308 | \$414,877 |

* The 2022 figures have not been updated for the adoption of GASB 96.

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 has projected growth in student enrollment. Therefore, the 2023-24 budget was passed using projections based on the 2022-23 fiscal year with a conservative growth in revenue. The Academy expects to amend its budget once the student counts are solidified. Items used for the budget are:

- * Foundation allowance of \$9,150.
- * Student enrollment at 105 students.
- * 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.

* Retirement Rate

The continuing cost of health insurance to current and potential retirees continues to drive the rate increase the Michigan School Employees Retirement System recommends to the legislature for approval. For 2023-2024, the rate is anticipated to increase to 31.34% effective October 1, 2023. Additionally, the District will be required to pay 16.89%, for all wages earned October 1, 2023 and later, for the Unfunded Actuarial Accrued Liability (UAAL).

The Rising Stars Academy' 2023/2024 adopted budget is as follows:

| | |
|------------------------|-------------|
| <u>REVENUE</u> | \$1,451,079 |
| <u>EXPENDITURES</u> | 1,279,895 |
| <u>NET OVER BUDGET</u> | \$171,184 |

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, 2023

| | Governmental Activities |
|----------------------------------------------------------------------------|----------------------------|
| <u>ASSETS</u> | |
| Cash and Cash Equivalents | \$187,517 |
| Due from Other Governmental Units | 224,756 |
| Prepaid Expenditures | 687 |
| Capital Assets, Non-Depreciable - Land | 80,000 |
| Capital Assets, Net of Accumulated Depreciation/Amortization | 926,221 |
| Total Assets | \$1,419,181 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | |
| Related to Pensions | 209,747 |
| Related to Postemployment Benefits | 80,016 |
| Total Deferred Outflows of Resources | \$289,763 |
| <u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u> | \$1,708,944 |
| <u>LIABILITIES</u> | |
| Accounts Payable | 19,965 |
| Due to RSA Foundation | 3,163 |
| Due to Other Governmental Units | 6,667 |
| Accrued Expenses | 78,677 |
| Salaries Payable | 24,485 |
| Unearned Revenue | 3,069 |
| Non-Current Liabilities - Due Within One Year | 56,933 |
| Non-Current Liabilities - Due in More Than One Year | 303,375 |
| Net Pension Liability | 457,886 |
| Net Other Postemployment Benefits Liability | 27,924 |
| Total Liabilities | \$982,144 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | |
| Related to State Aid Funding for Pension and Other Postemployment Benefits | 36,655 |
| Related to Pensions | 5,067 |
| Related to Other Postemployment Benefits | 66,371 |
| Total Deferred Inflows of Resources | \$108,093 |
| <u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u> | \$1,090,237 |
| <u>NET POSITION</u> | |
| <u>NET POSITION</u> | |
| Net Investment in Capital Assets | 645,913 |
| Restricted | 87,521 |
| Unrestricted | (114,727) |
| Total | (114,727) |
| <u>TOTAL NET POSITION</u> | \$618,707 |

See notes to the financial statements.

RISING STARS ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

| <u>FUNCTIONS/PROGRAMS</u> | <u>Expenses</u> | <u>Program Revenue Operating Grants and Contributions</u> | <u>Governmental Activities Net (Expense) Revenue & Change in Net Position</u> |
|----------------------------------------------|---------------------------|---------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| Governmental Activities: | | | |
| Instruction | \$830,313 | \$219,698 | (\$610,615) |
| Support Services | 595,517 | 0 | (595,517) |
| Food Service | 160,606 | 121,081 | (39,525) |
| Depreciation/Amortization - Unallocated | 51,531 | 0 | (51,531) |
| <u>Total Governmental Activities:</u> | <u>\$1,637,967</u> | <u>\$340,779</u> | <u>(\$1,297,188)</u> |
| General Revenues: | | | |
| State Sources - Unrestricted | | | 1,077,117 |
| Other General Revenues | | | 21,028 |
| Total General Revenues and Transfers | | | <u>\$1,098,145</u> |
| Change in Net Position | | | (\$199,043) |
| Net Position - Beginning of Year | | | <u>817,750</u> |
| <u>Net Position - End of Year</u> | | | <u>\$618,707</u> |

See notes to the financial statements.

RISING STARS ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

| | General Fund | Food Service Fund | Total Governmental Funds |
|--------------------------------------------|------------------|-------------------------|--------------------------------|
| <u>ASSETS</u> | | | |
| Cash and Cash Equivalents | \$187,517 | \$0 | \$187,517 |
| Due from Other Funds | 0 | 81,426 | 81,426 |
| Due from Other Governmental Units | 214,460 | 10,296 | 224,756 |
| Prepaid Expenditures | 687 | 0 | 687 |
| <u>TOTAL ASSETS</u> | <u>\$402,664</u> | <u>\$91,722</u> | <u>\$494,386</u> |
| <u>LIABILITIES</u> | | | |
| Accounts Payable | \$15,764 | \$4,201 | \$19,965 |
| Due to RSA Foundation | 3,163 | 0 | 3,163 |
| Due to Other Funds | 81,426 | 0 | 81,426 |
| Due to Other Governmental Units | 6,667 | 0 | 6,667 |
| Accrued Expenses | 78,677 | 0 | 78,677 |
| Salaries Payable | 24,485 | 0 | 24,485 |
| Unearned Revenue | 3,069 | 0 | 3,069 |
| Total Liabilities | \$213,251 | \$4,201 | \$217,452 |
| <u>FUND BALANCES</u> | | | |
| Non-Spendable | | | |
| Prepaid Expenditures | 687 | 0 | 687 |
| Restricted | | | |
| Food Service | 0 | 87,521 | 87,521 |
| Unassigned | 188,726 | 0 | 188,726 |
| Total Fund Balances | \$189,413 | \$87,521 | \$276,934 |
| <u>TOTAL LIABILITIES AND FUND BALANCES</u> | <u>\$402,664</u> | <u>\$91,722</u> | <u>\$494,386</u> |

See notes to the financial statements.

RISING STARS ACADEMY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2023

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|------------------|
| Total Governmental Fund Balances: | | \$276,934 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Deferred Outflows of Resources - Related to Pensions | | 209,747 |
| Deferred Outflows of Resources - Related to Postemployment Benefits | | 80,016 |
| Deferred Inflows Related to State Aid Funding for Pension and Other Postemployment Benefits | | (36,655) |
| Deferred Inflows of Resources - Related to Pensions | | (5,067) |
| Deferred Inflows of Resources - Related to Other Postemployment Benefits | | (66,371) |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental resources and therefore are not reported as assets in governmental funds. | | |
| Capital Assets | \$1,335,430 | |
| Less: Accumulated Depreciation/Amortization | (329,209) | |
| Capital Assets, Net of Accumulated Depreciation/Amortization | | 1,006,221 |
| 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 | | (360,308) |
| Net Pension Liability | | (457,886) |
| Net Other Postemployment Benefits Liability | | (27,924) |
| <u>TOTAL NET POSITION -</u> | | |
| <u>GOVERNMENTAL ACTIVITIES</u> | | <u>\$618,707</u> |

See notes to the financial statements.

RISING STARS ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

| | <u>General Fund</u> | <u>Food Service Fund</u> | <u>Total Governmental Funds</u> |
|-------------------------------------------|-------------------------|----------------------------------|-----------------------------------------|
| <u>REVENUES</u> | | | |
| Local Sources | \$21,028 | \$0 | \$21,028 |
| State Sources | 1,075,491 | 1,626 | 1,077,117 |
| Federal Sources | 143,038 | 121,081 | 264,119 |
| Interdistrict Sources | 76,660 | 0 | 76,660 |
| Total Revenues | <u>\$1,316,217</u> | <u>\$122,707</u> | <u>\$1,438,924</u> |
| <u>EXPENDITURES</u> | | | |
| Instruction | 760,007 | 0 | 760,007 |
| Support Services | 567,010 | 0 | 567,010 |
| Outgoing Transfers and Other Transactions | 71,390 | 0 | 71,390 |
| Food Service | 0 | 160,606 | 160,606 |
| Total Expenditures | <u>\$1,398,407</u> | <u>\$160,606</u> | <u>\$1,559,013</u> |
| Net Change in Fund Balance | (\$82,190) | (\$37,899) | (\$120,089) |
| <u>FUND BALANCE - BEGINNING OF YEAR</u> | <u>271,603</u> | <u>125,420</u> | <u>397,023</u> |
| <u>FUND BALANCE - END OF YEAR</u> | <u>\$189,413</u> | <u>\$87,521</u> | <u>\$276,934</u> |

See notes to the financial statements.

RISING STARS ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Total net change in fund balances - governmental funds (\$120,089)

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 | \$6,000 | |
| Depreciation/Amortization Expense | <u>(51,531)</u> | |
| Total | | (45,531) |

Payments on Installment Contracts 54,569

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 | (19,731) |
| Pension Related Items | (68,040) |
| OPEB Related Items | <u>(221)</u> |

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (\$199,043)

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

Academy-wide and Fund Financial Statements

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The Academy reports the following major governmental fund:

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

The Academy reports the following fund type:

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

Assets, Liabilities, and Net Position or Equity

Receivables - The Academy considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. The entire balance of accounts receivable at June 30, 2023 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.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred Outflows - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Academy has two items that qualify for reporting in this category. They are the pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Academy has three items that qualifies for reporting in this category. The first is restricted state aid funding deferred to offset deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

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

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

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

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

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Leases And Subscription Based It Arrangements (SBITA)

Lessee/subscriber: The District is a lessee for a noncancelable lease/subscription of office equipment and an IT arrangement. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The District recognizes a lease/SBITA liability and an intangible right-to-use lease/SBITA asset in the government-wide financial statements.

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

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

- * The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITA.
- * The lease/SBITA term includes the noncancelable period of the lease/subscription. Lease/SBITA payments included in the measurement of the lease/SBITA liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

Lease/SBITA assets are reported with other capital assets and lease/SBITA liabilities are reported with long-term obligations on the statement of net position. The District did not have any items to report as capital assets and lease liabilities as of June 30, 2023.

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.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

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, 2023. The Academy does not consider these amendments to be significant.

2) DEPOSITS AND INVESTMENTS

As of June 30, 2023, the Academy had no investments.

As of June 30, 2023 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, 2023, \$0 of the Academy's bank balance of \$195,942 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 \$187,517.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

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.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

3) RECEIVABLES – DUE FROM OTHER GOVERNMENTAL UNITS

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

| <u>GOVERNMENTAL ACTIVITIES</u> | <u>AMOUNT</u> |
|--------------------------------------|-------------------|
| State Aid | \$ 195,065 |
| Federal Grants | 28,380 |
| Other | 1,311 |
| | |
| <u>TOTAL GOVERNMENTAL ACTIVITIES</u> | <u>\$ 224,756</u> |

4) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

| | Balance Beginning | Additions | Deductions | Balance Ending |
|---------------------------------------------|----------------------|------------|------------|-------------------|
| <u>GOVERNMENTAL ACTIVITIES</u> | | | | |
| Land | \$80,000 | \$0 | \$0 | \$80,000 |
| Buildings and Improvements | 707,862 | 0 | 0 | 707,862 |
| Equipment and Furniture | 473,006 | 6,000 | 0 | 479,006 |
| Vehicles | 78,562 | 0 | 10,000 | 68,562 |
| Totals at Historical Cost | \$1,339,430 | \$6,000 | \$10,000 | \$1,335,430 |
| Less: Accumulated Depreciation/Amortization | | | | |
| Buildings and Improvements | (44,241) | (8,848) | 0 | (53,089) |
| Equipment and Furniture | (219,268) | (37,047) | 0 | (256,315) |
| Vehicles | (24,169) | (5,636) | (10,000) | (19,805) |
| Total Accumulated Depreciation | (\$287,678) | (\$51,531) | (\$10,000) | (\$329,209) |
| | | | | |
| <u>GOVERNMENTAL ACTIVITIES</u> | | | | |
| <u>CAPITAL ASSETS - NET</u> | \$1,051,752 | (\$45,531) | \$0 | \$1,006,221 |

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 | \$ 1,335,430 |
| Less: Accumulated Depreciation | (329,209) |
| Less: Related Long-Term Liabilities | (360,308) |
| | |
| <u>NET INVESTMENT IN CAPITAL ASSETS</u> | <u>\$ 645,913</u> |

5) SHORT-TERM DEBT

The Academy has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit. The Academy entered into no short-term financing arrangements during the fiscal year ended June 30, 2023.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

6) GENERAL LONG-TERM DEBT

The following is a summary of long-term obligations for the Academy for the year ended June 30, 2023:

| <u>Governmental Activities:</u> | <u>Balance</u> | | | <u>Balance</u> | <u>Amount Due</u> |
|-------------------------------------------------------|------------------|------------------|-------------------|----------------|--------------------|
| | <u>Beginning</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending</u> | <u>in One Year</u> |
| Notes from Direct Borrowings and Direct Placements | \$414,877 | \$0 | \$54,569 | \$360,308 | \$56,933 |

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. \$ 11,230

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). 349,078

TOTAL NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS \$ 360,308

The Academy's outstanding notes from direct borrowings and direct placements related to governmental activities of \$360,308 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, 2023 are as follows:

| | Notes from Direct Borrowings and Direct Placements | | |
|---------------|---------------------------------------------------------------|-----------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| June 30, 2024 | \$56,933 | \$14,061 | \$70,994 |
| June 30, 2025 | 59,477 | 11,734 | 71,211 |
| June 30, 2026 | 58,099 | 9,343 | 67,442 |
| June 30, 2027 | 59,293 | 6,846 | 66,139 |
| June 30, 2028 | 61,888 | 4,251 | 66,139 |
| June 30, 2029 | <u>64,618</u> | <u>1,521</u> | <u>66,139</u> |
| TOTAL | <u>\$360,308</u> | <u>\$47,756</u> | <u>\$408,064</u> |

Interest expense (all funds) for the year ended June 30, 2023 was \$16,821.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

7) INTERFUND ACTIVITY

Interfund balances at June 30, 2023 consisted of the following:

| DUE FROM | DUE TO |
|-----------------|-----------------|
| | Food Service |
| General Fund | \$81,426 |

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 | \$87,521 |
|--------------|----------|

9) PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) (System) 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. MPERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.michigan.gov/orsschools.

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 option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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 of Michigan Investment Board serves as the investment fiduciary and custodian for the System.

Benefits Provided – Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by MPERS is as follows:

| <u>Plan Name</u> | <u>Plan Type</u> | <u>Plan Status</u> |
|------------------------------|----------------------|--------------------|
| Basic | Defined Benefit | Closed |
| Member Investment Plan (MIP) | Defined Benefit | Closed |
| Pension Plus | Hybrid | Closed |
| Pension Plus 2 | Hybrid | Open |
| Defined Contribution | Defined Contribution | Open |

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

9) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided – Pension

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. 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.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension 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 February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

* Basic plan members: 4% contribution

* Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

9) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Reform 2012 (Continued)

Option 3 - Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k)-account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: The Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided - Other Postemployment Benefit (OPEB)

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 health care 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 January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

9) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Retiree Healthcare Reform of 2012

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 September 3, 2012 or were on an approved professional services or military leave of absence on September 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 February 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 will be deposited into their 401(k) accounts.

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through their 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the Defined Contribution plan are not required to make additional contributions.

Employer Contributions

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

Employer contributions to the 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 normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2022 were determined as of the September 30, 2019 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2019 are amortized over an 17-year period beginning October 1, 2021 and ending September 30, 2038.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

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

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

| | Pension | Other Postemployment Benefit |
|--------------------------------------|-----------------|------------------------------------|
| October 1, 2022 – September 30, 2023 | 13.75% - 20.16% | 7.21% - 8.07% |
| October 1, 2021 – September 30, 2022 | 13.73% - 20.14% | 7.23% - 8.09% |

The District's pension contributions for the year ended June 30, 2023 were equal to the required contribution total. Total pension contributions were approximately \$59,000. Of the total pension contributions approximately \$59,000 was contributed to fund the Defined Benefit Plan and approximately \$0 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2023 were equal to the required contribution total. Total OPEB contributions were approximately \$10,000. Of the total OPEB contributions approximately \$10,000 was contributed to fund the Defined Benefit Plan and approximately \$0 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

Pension Liabilities

The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

| <u>MPSERS (Plan) Non-University Employers</u> | <u>September 30, 2021</u> | <u>September 30, 2022</u> |
|-----------------------------------------------|---------------------------|---------------------------|
| Total Pension Liability | \$86,392,473,395 | \$95,876,795,620 |
| Plan Fiduciary Net Position | 62,717,060,894 | 58,268,076,344 |
| Net Pension Liability | \$23,675,412,501 | \$37,608,719,276 |
| Proportionate Share | 0.00118% | 0.00122% |
| Net Pension Liability for the District | \$278,681 | \$457,886 |

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

For the year ended June 30, 2023, the District recognized pension expense of \$125,202.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

9) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
(Continued)

At June 30, 2023, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred (Inflows) of Resources</u> |
|------------------------------------------------------------------------------------------------------------------|-------------------------------------------|--------------------------------------------|
| Differences Between Actual and Expected Experience | \$4,580 | (\$1,024) |
| Changes of Assumptions | 78,681 | 0 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 1,074 | 0 |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | 72,281 | (4,043) |
| Employer Contributions Subsequent to the Measurement Date | <u>53,131</u> | <u>0</u> |
| <u>TOTAL</u> | <u>\$209,747</u> | <u>(\$5,067)</u> |

\$53,131, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending Sept. 30,</u> | <u>Amount</u> |
|------------------------------|---------------|
| 2023 | \$73,488 |
| 2024 | 33,678 |
| 2025 | 17,109 |
| 2026 | 27,274 |

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

9) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

| <u>MPSERS (Plan) Non-University Employers</u> | <u>September 30, 2021</u> | <u>September 30, 2022</u> |
|--------------------------------------------------------------|---------------------------|---------------------------|
| Total Other Postemployment Benefits Liability | \$12,046,393,511 | \$12,522,713,324 |
| Plan Fiduciary Net Position | 10,520,015,621 | 10,404,650,683 |
| Net Other Postemployment Benefits Liability | \$1,526,377,890 | \$2,118,062,641 |
| Proportionate Share | 0.00109% | 0.00132% |
| Net Other Postemployment Benefits Liability for the District | \$16,618 | \$27,924 |

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$8,614.

At June 30, 2023, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred (Inflows) of Resources</u> |
|------------------------------------------------------------------------------------------------------------------|-------------------------------------------|--------------------------------------------|
| Differences Between Actual and Expected Experience | \$0 | (\$54,693) |
| Changes of Assumptions | 24,890 | (2,027) |
| Net Difference Between Projected and Actual Earnings on OPEB Plan Investments | 2,182 | 0 |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | 45,411 | (9,651) |
| Employer Contributions Subsequent to the Measurement Date | 7,533 | 0 |
| <u>TOTAL</u> | <u>\$80,016</u> | <u>(\$66,371)</u> |

\$ 7,533, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

9) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year Ending Sept. 30,</u> | <u>Amount</u> |
|------------------------------|---------------|
| 2023 | \$8,345 |
| 2024 | 3,806 |
| 2025 | (6,994) |
| 2026 | (847) |
| 2027 | 1,318 |
| Thereafter | 484 |

Actuarial Assumptions

Investment Rate of Return for Pension - 6.00% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, Pension Plus, and Pension Plus 2 Plan groups.

Investment Rate of Return for OPEB - 6.00% a year, compounded annually net of investment and administrative expenses.

Salary Increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 2.75%.

Inflation - 3.0%.

Mortality Assumptions:

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

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

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2021. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 valuation.

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan, and Pension Plus 2 Plan), and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB 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.

Cost of Living Pension Adjustments - 3.0% annual non-compounded for MIP members.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

9) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

Additional Assumptions for Other Postemployment Benefit Only - Applies to Individuals Hired Before September 4, 2012:

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 coverage 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.

The target asset allocation at September 30, 2022 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Investment Category</u> | <u>Target Allocation*</u> | <u>Long-term Expected Real Rate of Return*</u> |
|--------------------------------------|---------------------------|------------------------------------------------|
| Domestic Equity Pools | 25.0% | 5.1% |
| International Equity Pools | 15.0% | 6.7% |
| Private Equity Pools | 16.0% | 8.7% |
| Real Estate and Infrastructure Pools | 10.0% | 5.3% |
| Fixed Income Pools | 13.0% | -0.2% |
| Absolute Return Pools | 9.0% | 2.7% |
| Real Return/Opportunistic Pools | 10.0% | 5.8% |
| Short Term Investment Pools | 2.0% | -0.5% |
| Total | 100.00% | |

* Long term rates of return are net of administrative expenses and 2.2% inflation.

Rate of Return - For fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was (4.18)% and (4.99)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate - A single discount rate of 6.00% was used to measure the total pension liability. This discount rate was based on the expected rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

9) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

OPEB Discount Rate - A single discount rate of 6.00% 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 6.00%. 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 school districts 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 Net Pension Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.00%, as well as what the Reporting Unit'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 point higher than the current rate:

| | Pension | | |
|-------------------------------------------------------------|--------------------|----------------------|--------------------|
| | 1% Decrease | Discount Rate | 1% Increase |
| District's proportionate share of the net pension liability | \$604,240 | \$457,886 | \$337,284 |

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | Other Postemployment Benefit | | |
|----------------------------------------------------------------------------------|-------------------------------------|----------------------|--------------------|
| | 1% Decrease | Discount Rate | 1% Increase |
| District's proportionate share of the net other postemployment benefit liability | \$46,840 | \$27,924 | \$11,995 |

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate, as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | Other Postemployment Benefit | | |
|--------------------------------------------------------------------------------|-------------------------------------|---------------------------------------|--------------------|
| | Current | | |
| | 1% Decrease | Healthcare Cost Trend Rate | 1% Increase |
| District proportionate share of the net other postemployment benefit liability | \$11,693 | \$27,924 | \$46,144 |

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2022 Annual Comprehensive Financial Report.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

9) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

10) RELATED PARTY

As of June 30, 2023, \$3,163 is due to the RSA Foundation.

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

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of *GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

RISING STARS ACADEMY
NOTES TO FINANCIAL STATEMENTS

14) CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2023, the District implemented the following new pronouncement: *GASB Statement No. 96, Subscription-based Information Technology Arrangements*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. 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.

There was no material impact on the District's financial statement after the adoption of GASB Statement 96.

REQUIRED SUPPLEMENTARY
INFORMATION

RISING STARS ACADEMY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2023

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance With Final Budget</u> |
|-------------------------------------------|-------------------------|--------------------|--------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| <u>REVENUES</u> | | | | |
| Local Sources | \$200 | \$0 | \$21,028 | \$21,028 |
| State Sources | 1,253,912 | 1,124,720 | 1,075,491 | (49,229) |
| Federal Sources | 93,252 | 230,026 | 143,038 | (86,988) |
| Interdistrict Sources | 71,744 | 73,561 | 76,660 | 3,099 |
| Total Revenues | <u>\$1,419,108</u> | <u>\$1,428,307</u> | <u>\$1,316,217</u> | <u>(\$112,090)</u> |
| <u>EXPENDITURES</u> | | | | |
| Instruction | 586,804 | 694,007 | 760,007 | (66,000) |
| Instructional Staff | 3,290 | 12,857 | 3,107 | 9,750 |
| General Administration | 117,982 | 186,186 | 170,020 | 16,166 |
| School Administration | 134,213 | 71,909 | 102,615 | (30,706) |
| Business Administration | 34,148 | 3,349 | 3,300 | 49 |
| Operation & Maintenance of Plant | 220,789 | 141,592 | 150,619 | (9,027) |
| Transportation | 121,521 | 123,694 | 125,859 | (2,165) |
| Support Services - Other | 34,341 | 0 | 11,490 | (11,490) |
| Total Expenditures | <u>\$1,253,088</u> | <u>\$1,233,594</u> | <u>\$1,327,017</u> | <u>(\$93,423)</u> |
| Excess of Revenues Over Expenditures | \$166,020 | \$194,713 | (\$10,800) | (\$205,513) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Outgoing Transfers and Other Transactions | (100,965) | (70,952) | (71,390) | (438) |
| Net Change in Fund Balance | <u>\$65,055</u> | <u>\$123,761</u> | <u>(\$82,190)</u> | <u>(\$205,951)</u> |
| <u>FUND BALANCE - BEGINNING OF YEAR</u> | | | <u>271,603</u> | |
| <u>FUND BALANCE - END OF YEAR</u> | | | <u>\$189,413</u> | |

RISING STARS ACADEMY
BUDGETARY COMPARISON SCHEDULE
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2023

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance With Final Budget</u> |
|-------------------------------------------|-------------------------|-------------------|-------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| <u>REVENUES</u> | | | | |
| Local Sources | \$0 | \$0 | \$0 | \$0 |
| State Sources | 6,838 | 1,626 | 1,626 | 0 |
| Federal Sources | 186,199 | 94,239 | 121,081 | 26,842 |
| Total Revenues | <u>\$193,037</u> | <u>\$95,865</u> | <u>\$122,707</u> | <u>\$26,842</u> |
| <u>EXPENDITURES</u> | | | | |
| Food Service | 151,630 | 154,953 | 160,606 | (5,653) |
| Excess of Revenues Over Expenditures | <u>\$41,407</u> | <u>(\$59,088)</u> | <u>(\$37,899)</u> | <u>\$21,189</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Outgoing Transfers and Other Transactions | (3,750) | 0 | 0 | 0 |
| Net Change in Fund Balance | <u>\$37,657</u> | <u>(\$59,088)</u> | <u>(\$37,899)</u> | <u>\$21,189</u> |
| <u>FUND BALANCE - BEGINNING OF YEAR</u> | | | <u>125,420</u> | |
| <u>FUND BALANCE - END OF YEAR</u> | | | <u>\$87,521</u> | |

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

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---------------------------------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Reporting unit's proportion of net pension liability (%) | 0.00122% | 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 | \$457,886 | \$278,681 | \$409,956 | \$233,383 | \$16,164 | \$0 | \$0 | \$0 | \$0 |
| Reporting unit's covered-employee payroll | \$130,774 | \$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 | 350.14% | 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 | 60.77% | 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 DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--------------------------------------------------------------------|---------------|---------------|---------------|---------------|--------------|-------------|-------------|-------------|-------------|
| Statutorily required contributions | \$41,439 | \$35,344 | \$32,797 | \$18,721 | \$1,464 | \$0 | \$0 | \$0 | \$0 |
| Contributions in relation to statutorily required contributions | <u>41,439</u> | <u>35,344</u> | <u>32,797</u> | <u>18,721</u> | <u>1,464</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Contribution deficiency (excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Reporting unit's covered-employee payroll | \$124,202 | \$122,654 | \$102,959 | \$114,875 | \$83,334 | \$0 | \$0 | \$0 | \$0 |
| Contributions as a percentage of covered-employee payroll | 33.36% | 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 DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|------------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|----------|----------|
| Reporting unit's proportion of net OPEB liability (%) | 0.00132% | 0.00109% | 0.00127% | 0.00115% | 0.00010% | 0.00000% |
| Reporting unit's proportionate share of net OPEB liability | \$27,924 | \$16,618 | \$67,910 | \$82,698 | \$7,764 | \$0 |
| Reporting unit's covered-employee payroll | \$130,774 | \$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 | 21.35% | 16.44% | 59.12% | 80.98% | 93.17% | 0.00% |
| Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers) | 83.09% | 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 DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--------------------------------------------------------------------|---------------|--------------|--------------|--------------|-------------|-------------|
| Statutorily required contributions | \$10,043 | \$8,082 | \$8,956 | \$7,911 | \$634 | \$0 |
| Contributions in relation to statutorily required contributions | <u>10,043</u> | <u>8,082</u> | <u>8,956</u> | <u>7,911</u> | <u>634</u> | <u>0</u> |
| Contribution deficiency (excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Reporting unit's covered-employee payroll | \$124,202 | \$122,654 | \$102,959 | \$114,875 | \$83,334 | \$0 |
| Contributions as a percentage of covered-employee payroll | 8.09% | 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.

RISING STARS ACADEMY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY INFORMATION

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

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

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

During the year, Rising Star Academy had the following expenditure budget variances.

| <u>General Fund</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|------------------------------------------|--------------------------------|----------------------|----------------------------------------------|
| Instruction | \$694,007 | \$760,007 | (\$66,000) |
| School Administration | 71,909 | 102,615 | (30,706) |
| Operation & Maintenance | 141,592 | 150,619 | (9,027) |
| Transportation | 123,694 | 125,859 | (2,165) |
| Support Services - Other | 0 | 11,490 | (11,490) |
| Outgoing Transfers and Other Transaction | 70,952 | 71,390 | (438) |
| | | | |
| <u>Food Service Fund</u> | | | |
| Food Service | 154,953 | 160,606 | (5,653) |

PENSION

Benefit changes - there were no changes of benefit terms in 2022.

Changes of assumptions - the assumption changes for 2022 were:

- * Discount rate for MIP, Basic, and Pension Plus plans decreased to 6.00% from 6.80%.

OPEB INFORMATION

Benefit changes - there were no changes of benefit terms in 2022.

Changes of assumptions - the assumption changes for 2022 were:

- * Discount rate decreased to 6.00% from 6.95%.



October 27, 2023

**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, 2023, 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, 2023.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rising Stars Academy 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2023-001.

Rising Stars Academy Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Rising Stars Academy' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Rising Stars Academy' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

RISING STARS ACADEMY – FLINT, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2023-001

Finding Type – Material Weakness in Internal Control over Financial Reporting

Criteria or Specific Requirement: It is management's responsibility to prepare the financial statements in accordance with generally accepted accounting principles (GAAP) and implement adequate controls over financial reporting.

Condition: During the course of the audit, the auditors proposed material adjustments.

Cause: The District hired a new business manager during the 22-23 year and she is continuing to learn and understand school district accounting.

Effect: Prior to the audit adjustments, the financial statements were materially misstated and budget variances and violations could occur due to inadequate records and monitoring.

Recommendation: We recommend the business manager attend training and consult advisors as needed to ensure year-end records are appropriately adjusted.

Views of Responsible Officials and Planned Corrective Action: We are aware of this deficiency and believe it is due to having new business office staff. After additional training, the business manager will review required year-end adjustments to ensure all items are appropriately adjusted. We expect this situation to be corrected going forward beginning with the June 30, 2024 year.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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



RISING STARS

ACADEMY

October 30, 2023

To Whom It May Concern:

Finding 2023-001 – Material Adjustments

We are aware of this deficiency and believe it is due to the ongoing training for the business office. The business manager continues training through professional groups and gaining experience/knowledge through business office duties/functions. Improvement planned to be shown by the end of the fiscal year, June 30, 2024.

Sincerely,

Chantel Gaidica, Business Manager

23855 Lawrence Avenue, Center Line, MI 48015

586.806.6455 • www.rising-stars-academy.org • TAX ID 46-0834143



October 27, 2023

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, 2023. 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 21, 2023. 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. The application of existing policies was not changed during the 2022-2023 year. During the fiscal year, the District implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-based Information Technology Arrangements*. 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.

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, 2023.

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.

Other Matters

We applied certain limited procedures to required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Rising Stars Academy
Page 3
October 27, 2023

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