NORTH STAR ACADEMY
MARQUETTE, MICHIGAN

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
North Star Academy
3030 Wright Street
Marquette, Michigan 49855

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Education of the
North Star Academy

Opinions

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

Change in Account Principle

As described in Note T to the financial statements, in fiscal year 2019-2020, the Academy adopted new accounting guidance, GASB No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The other supplemental information, as listed on the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Board of Education of the
North Star Academy

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2020, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Anderson, Tackman & Company, PLC
Certified Public Accountants

November 5, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of North Star Academy (Academy) financial performance provides an overview of the Academy's financial activities for the year ended June 30, 2020. Please read it in conjunction with the financial statements, which begin as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- Net position for the Academy as a whole was reported at ($2,083,248). Net position is comprised of 100% governmental activities.
- During the year, the Academy expenses were $3,017,045, while revenues from all sources totaled $3,043,779, resulting in an increase in net position of $26,734.
- The General Fund reported an increase of $161,788. This is $125,533 more than the forecasted increase of $36,255. This was a result of the combined overall expenditures being $32,547 less than the overall final budget and the overall revenue being $93,861 more than the overall final budget, other financing sources being $17 less than the overall final budget, and other financial uses being $858 more than forecasted.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy financially as a whole. The *District-wide Financial Statements* Statement of Net Position and the Statement of Activities, as listed in the table of contents, provide information about the activities the Academy as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail, as listed in the table of contents. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the Academy's operations in more detail than the district-wide statements by providing information about the Academy's most significant fund (as listed in notes to the financial statements), with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the Academy acts solely as an agent for the benefit of students and parents.

Reporting the Academy as a Whole – *District-wide Financial Statements*

Our analysis of the Academy as a whole begins below. One of the most important questions asked about the Academy's finances is "As a whole, what is the Academy's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Academy as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Academy's net position and changes in it. The Academy's net position, the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources, is one way to measure the Academy's financial health, or financial position.

Over time, increases or decreases in the Academy's net position – as reported in the Statement of Activities – is an indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety of the Academy and the condition of the Academy's capital assets, to assess the overall financial health of the Academy.

The Statement of Net Position and Statement of Activities report the governmental activities for the Academy, which encompass all the Academy's services, including instruction, supporting services, community services, athletics, and food services. Unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Reporting the Academy's Most Significant Funds – ***Fund Financial Statements***

Our analysis of the Academy's major funds begins on the pages below. The fund financial statements begin as listed in the table of contents and provide detailed information on the most significant funds – not the Academy as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Academy's Board has established other funds to help it control and manage money for particular purposes. The Academy's two kinds of funds - *Governmental* and *Proprietary* – use the following accounting methods.

- *Governmental Funds* – All of the Academy's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the Academy's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

The Academy as a Whole

Table 1 provides a summary of the Academy's net position as of June 30, 2020 and 2019.

Table 1
Net Position

	Governmental Activities – 2020	Governmental Activities – 2019
Current and other assets	$1,260,137	$1,109,444
Capital assets, net	3,099,096	3,164,048
Total Assets	4,359,233	4,273,492
Deferred outflows of resources	1,364,119	1,378,429
Current liabilities	651,428	700,151
Long-term liabilities	6,587,809	6,575,355
Total Liabilities	7,239,237	7,275,506
Deferred inflows of resources	567,363	507,420
Net Position:		
Net investment in capital assets	1,288,636	1,204,218
Restricted	42,313	13,799
Unrestricted	(3,414,197)	(3,349,022)
Total Net Position	($2,083,248)	($2,131,005)

The Academy's net position was ($2,083,248) at June 30, 2020. Net investment in capital assets totaling $1,288,636, compares the original cost, less depreciation of the Academy's capital assets to long-term debt, including accreted interest on capital appreciation bonds, used to finance the acquisition of those assets. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Academy's ability to use those net position for day-to-day operations. The remaining amount of net position of ($3,414,197) was unrestricted.

The ($3,414,197) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the Academy as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net position for fiscal years 2020 and 2019.

Table 2
Statement of Activities

	Governmental Activities – 2020	Governmental Activities – 2019
Revenues:		
Program Revenues:		
Charges for services	$12,349	$17,260
Operating grants and contributions	1,077,599	951,968
General Revenues:		
State sources not restricted to specific program	1,942,944	2,072,549
Investment earnings	7,053	7,943
Gain/(loss) on disposal of assets	(218)	-
Other	4,052	4,254
Total Revenues	3,043,779	3,053,974
Program Expenses:		
Instruction	1,513,720	1,478,438
Supporting services	1,135,832	1,188,879
Food service activities	140,688	119,841
Community services	5,990	4,567
Capital outlay	-	-
Other services	150	1,430
Depreciation	89,015	86,721
Interest on retirement of debt	131,650	142,677
Total Expenses	3,017,045	3,022,553
Increase (decrease) in net position	26,734	31,421
Net position, July 1	(2,131,005)	(2,162,426)
Prior period adjustment	21,023	-
Net Position, July 1, as restated	(2,109,982)	(2,162,426)
Net Position, Ending	($2,083,248)	($2,131,005)

As reported in the Statement of Activities, the cost of all of our governmental activities this year was $3,017,045. Certain activities were partially funded from those who benefited from the programs, $12,349, or by other governments and organizations that subsidized certain programs with grants and categorical, $1,077,599. We paid for the remaining "public benefit" portion of our governmental activities with $1,942,944 in State Aid, and with our other revenues, such as interest and general entitlements.

The Academy experienced an increase in net position for the year of $26,734.

Key reasons for the change in net position were as follows:

- Net change in governmental fund balances of $178,393.
- Depreciation charged to expense of ($89,015).
- Capital outlay purchases of $24,281.
- Net book value of disposed assets of ($218).
- Proceeds from debt issues of ($8,571).
- Principal payments on debt of $157,941.
- Changes in pension and OPEB expense of ($236,077) related to the Academy's proportionate share of net pension and net OPEB liability and related items.

Table 3 presents the cost of each of the Academy's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the Academy's operation.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	$1,513,720	$802,881
Supporting services	1,135,832	966,390
Food service activities	140,688	(23,027)

The net cost shows the financial burden that was placed on the State by each of these functions. Since unrestricted State aid constitute the vast majority of the Academy's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the Academy and balance those needs with State-prescribed available financial resources.

THE ACADEMY'S FUNDS

As noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources that the State and others provide to it and may provide more insight into the Academy's overall financial health.

As the Academy completed the year, its governmental funds (as presented in the balance sheet as listed in the table of contents) reported a combined fund balance of $608,709, an increase of $178,393 from the beginning of the year.

The increase of $178,393 in the combined fund balance is the net effect of an increase in the General Fund Balance of $161,788, an increase in the School Activities Fund Balance of $729 and an increase in the Food Service Fund Balance of $15,876. The increase in the General Fund Balance was mainly a result of the administration and Board of Education making an effort to increase fund balance to eliminate the need to borrow to meet cash flow needs.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Academy's Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

BUDGETED REVENUES:

General Fund Revenues changed from Original to Final Budget during the year as follows:

	Original Budget	Final Budget	Increase (Decrease) Amount	Increase (Decrease) Percent
Total	$2,837,940	$2,753,259	($84,681)	(2.98%)

The Academy's final budgeted revenues differed from the original budget as follows:

- By $84,681 or 2.98% less than the original budget.

The decrease in budgeted revenue can be attributed mainly to State Aid. Student enrollment was significantly less that originally projected.

BUDGETED EXPENDITURES:

General Fund Expenditures changed from the Original to Final budget during the year as follows:

	Original Budget	Final Budget	Increase (Decrease) Amount	Increase (Decrease) Percent
Total	$2,715,308	$2,733,601	$18,293	0.67%

The Academy's final budgeted expenditures differed from the original budget as follows:

- By $18,293 or 0.67% more than the original budget.

The increase in the budgeted expenditures can be attributed mainly to grants. Grants are budgeted as they are awarded. Thus, grant budgets are added over the course of the year increasing the budged expenditures.

ACTUAL REVENUES:

The General Fund Actual Revenues differed from the Final Budget as follows:

	Final Budget	Actual	Variance Positive (Negative) Amount	Variance Positive (Negative) Percent
Total	$2,753,259	$2,847,120	$93,861	3.41%

The Academy's final budgeted revenues differed from the actual revenues as follows:

- By $93,861 or 3.41% more than the final budget.

The revenues in excess of the budget can be attributed to state aid. When amending the final budget for the year the Academy assumed a state aid per pupil proration of $650. Actual proration ended up being $175 per pupil.

ACTUAL EXPENDITURES:

General Fund Actual Expenditures differed from the Final budget as follows:

	Final Budget	Actual	Variance Positive (Negative) Amount	Variance Positive (Negative) Percent
Total	$2,733,601	$2,701,054	$32,547	1.19%

The Academy's final budgeted expenditures differed from the actual expenditures as follows:

- By $32,547 or 1.19% less than the final budget.

ENROLLMENT

The Academy's 2019-2020 State aid blended membership enrollment from the fall count totaled 247. This is a decrease of nineteen students from the previous year. The Academy has decreased since the previous year and expects a slight decrease in the coming year. A decline in birth rate and students attending online schools due to COVID-19 are factors in the decline in enrollment.

Enrollment changes over the last five years can be illustrated as follows:

Fiscal Year	(Fall) Student FTE	Increase (Decrease) in Student Enrollment (FTE)
2019-2020	247	(19)
2018-2019	266	(26)
2017-2018	292	27
2016-2017	265	(7)
2015-2016	272	(9)

Student enrollment is important to the financial health of the Academy because State funding is based on a per pupil formula.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020 and 2019, the Academy had $3,099,096 and $3,164,048 invested in a variety of capital assets including land, buildings and furniture and equipment. (See Table 4 below)

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities – 2020	Governmental Activities – 2019
Land	$470,000	$470,000
Buildings and improvements	2,332,513	2,389,075
Site improvements	266,415	286,522
Furniture and equipment	30,168	18,451
Total	$3,099,096	$3,164,048

The Academy purchased playground equipment and a new phone system during the year. We also disposed of the old telephone system during the year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At June 30, 2020, the Academy had $1,810,460 in outstanding debt as depicted in Table 5 below.

Table 5
Outstanding Debt at Year-End

	Governmental Activities – 2020	Governmental Activities – 2019
Qualified school construction bond	$724,705	$828,235
Notes payable	1,077,184	1,131,595
Lease payable	8,571	-
Total	$1,810,460	$1,959,830

During the year the Academy entered into a lease agreement for new telephone equipment. We present more detailed information about our long-term debt in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Our board and administration consider many factors when setting the Academy's fiscal year 2020 budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2021 fiscal year budget was adopted in June 2020, based on an estimate of students that will be enrolled in September 2020. Approximately 72% of total General Fund revenues are from the foundation allowance. Under State law, the Academy cannot assess property tax revenue. As a result, the academy funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2020-2021 school year, we anticipate that the fall student count will be less than the estimates used in creating the 2021 fiscal year budget. The Academy had assumed a $650 per pupil proration for the 2020-2021 fiscal year. Schools have now been informed that there will be no proration. This will help offset the revenue reduction due to lower than anticipated student enrollment. Once the final student count and related per pupil funding is validated, State law requires the Academy to amend the budget, if actual academy resources are not sufficient to fund original appropriations.

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designated to provide the Academy's citizens, customers, and investors and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the North Star Academy, 3030 Wright Street, Marquette, Michigan, 49855.

North Star Academy

STATEMENT OF NET POSITION

June 30, 2020

		Governmental Activities
ASSETS		
Current Assets:		
Cash and cash equivalents	$	70,716
Investments		581,394
Receivables:		
Accounts receivable		17,773
Due from other governmental units		563,817
Inventories		-
Deposit on hand		12,700
Prepaid expenses		13,737
Non-current Assets:		
Capital Assets:		
Land and construction in progress		470,000
Other capital assets, net		2,629,096
TOTAL ASSETS		4,359,233
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to proportionate share of net pension liability		815,969
District's contributions made subsequent to pension measurement date		289,323
Deferred outflows related to proportionate share of net OPEB liability		195,851
District's contributions made subsequent to OPEB measurement date		62,976
TOTAL DEFERRED OUTFLOWS OF RESOURCES		1,364,119
LIABILITIES		
Current Liabilities:		
Accounts payable		13,967
Accrued liabilities		167,231
Unearned revenue		23,238
Due to other governmental units		24,478
State anticipation note		422,514
Non-current Liabilities:		
Portion due or payable within one year:		
Notes payable		57,970
Bonds payable		103,529
Lease Payable		2,143
Portion due or payable after one year:		
Notes payable		1,019,214
Bonds payable		621,176
Lease Payable		6,428
Proportionate share of net pension liability		3,912,969
Proportionate share of net OPEB liability		864,380
TOTAL LIABILITIES		7,239,237
TOTAL DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to proportionate share of net pension liability		208,282
Deferred inflows related to proportionate share of net OPEB liability		359,081
TOTAL DEFERRED INFLOWS OF RESOURCES		567,363
NET POSITION		
Net investment in capital assets		1,288,636
Restricted		42,313
Unrestricted		(3,414,197)
TOTAL NET POSITION	$	(2,083,248)

The accompanying notes are an integral part of these financial statements.

North Star Academy

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

Function / Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
Instruction	$ 1,513,720	$ -	$ 710,839	$ -	$ (802,881)
Supporting services	1,135,832	-	169,442	-	(966,390)
Food service activities	140,688	12,349	151,366	-	23,027
Community services	5,990	-	3,788	-	(2,202)
Capital outlay	-	-	-	-	-
Other services	150	-	-	-	(150)
Unallocated depreciation	89,015	-	-	-	(89,015)
Interest on retirement of debt	131,650	-	42,164	-	(89,486)
TOTAL GOVERNMENTAL ACTIVITIES	$ 3,017,045	$ 12,349	$ 1,077,599	$ -	(1,927,097)
		General revenues:			
		State of Michigan aid, unrestricted			1,942,944
		Interest and investment earnings			7,053
		Gain/(loss) on disposal of capital assets			(218)
		Other			4,052
				TOTAL GENERAL REVENUES	1,953,831
				CHANGE IN NET POSITION	26,734
		Net Position, July 1, as restated			(2,109,982)
				NET POSITION, JUNE 30	$ (2,083,248)

The accompanying notes are an integral part of these financial statements.

North Star Academy

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2020

	General Fund	Non-Major Governmental Funds	Total
ASSETS			
Cash and cash equivalents	$ 46,118	$ 24,598	$ 70,716
Investments	581,394	-	581,394
Accounts receivable	16,497	1,276	17,773
Due from other governmental units	551,237	12,580	563,817
Due from other funds	-	-	-
Inventories	-	-	-
Deposit on hand	12,700	-	12,700
Prepaid expenses	13,737	-	13,737
TOTAL ASSETS	1,221,683	38,454	1,260,137
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 1,221,683	$ 38,454	$ 1,260,137
LIABILITIES			
Accounts payable	$ 13,141	$ 826	$ 13,967
Accrued liabilities	167,231	-	167,231
Unearned revenue	23,238	-	23,238
Due to other governmental units	24,478	-	24,478
Due to other funds	-	-	-
State anticipation note	422,514	-	422,514
TOTAL LIABILITIES	650,602	826	651,428
DEFERRED INFLOWS OF RESOURCES	-	-	-
FUND BALANCES			
Non-spendable	26,437	-	26,437
Restricted	-	15,876	15,876
Committed	-	21,752	21,752
Assigned	102,856	-	102,856
Unassigned	441,788	-	441,788
TOTAL FUND BALANCES	571,081	37,628	608,709
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 1,221,683	$ 38,454	$ 1,260,137

The accompanying notes are an integral part of these financial statements.

North Star Academy

GOVERNMENTAL FUNDS

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2020

Total Fund Balances for Governmental Funds		$ 608,709
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of capital assets	$ 3,901,916	
Accumulated depreciation	(802,820)	3,099,096
Proportionate share of net pension liability and related deferred outflows and inflows is not due and payable in the current period and is not reported in the funds.		
Deferred outflows related to proportionate share of net pension liability	815,969	
District's contributions made subsequent to pension measurement date	289,323	
Proportionate share of net pension liability	(3,912,969)	
Deferred inflows related to proportionate share of net pension liability	(208,282)	(3,015,959)
Proportionate share of net OPEB liability and related deferred outflows and inflows is not due and payable in the current period and is not reported in the funds.		
Deferred outflows related to proportionate share of net OPEB liability	195,851	
District's contributions made subsequent to OPEB measurement date	62,976	
Proportionate share of net OPEB liability	(864,380)	
Deferred inflows related to proportionate share of net OPEB liability	(359,081)	(964,634)
Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of:		
Bonds payable - current	(103,529)	
Bonds payable - long term	(621,176)	
Land/building loan - current	(57,970)	
Land/building loan - long term	(1,019,214)	
Lease payable - current	(2,143)	
Lease payable - long term	(6,428)	(1,810,460)
Net Position of Governmental Activities		$ (2,083,248)

The accompanying notes are an integral part of these financial statements.

North Star Academy

GOVERNMENTAL FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2020

	General Fund	Non-Major Governmental Funds	Total
REVENUES:			
Local sources	$ 325,760	$ 61,611	$ 387,371
State sources	2,346,546	4,535	2,351,081
Federal sources	174,814	130,731	305,545
TOTAL REVENUES	2,847,120	196,877	3,043,997
EXPENDITURES:			
Instruction	1,340,507	-	1,340,507
Supporting services	1,055,769	32,433	1,088,202
Community services	5,327	-	5,327
Food service activities	-	140,688	140,688
Facilities Acquisition, Construction, and Improvement	9,710	-	9,710
Debt service	289,591	-	289,591
Other	150	-	150
TOTAL EXPENDITURES	2,701,054	173,121	2,874,175
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	146,066	23,756	169,822
OTHER FINANCING SOURCES (USES):			
Loan proceeds	8,571	-	8,571
Other sources	-	-	-
Transfers in	8,009	858	8,867
Transfers (out)	(858)	(8,009)	(8,867)
TOTAL OTHER FINANCING SOURCES (USES)	15,722	(7,151)	8,571
NET CHANGE IN FUND BALANCES	161,788	16,605	178,393
Fund Balance, July 1, as restated	409,293	21,023	430,316
FUND BALANCE, JUNE 30	$ 571,081	$ 37,628	$ 608,709

The accompanying notes are an integral part of these financial statements.

North Star Academy

GOVERNMENTAL FUNDS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds		$ 178,393
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. This is the amount by which depreciation exceeded capital outlays in the current period.		
Depreciation expense	$ (89,015)	
Capital outlay	24,281	
Net book value of disposed capital assets	(218)	(64,952)
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position.		(8,571)
Repayment of loans is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		157,941
Change in proportionate share of net pension liability reported in the statement of activities does not require the use of current resources, and therefore, is not reported in the fund statements until it is due for payment.		
Pension expense	(296,744)	
OPEB expense	60,667	(236,077)
Change in Net Position of Governmental Activities		$ 26,734

The accompanying notes are an integral part of these financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the North Star Academy (the Academy) conform to accounting principles generally accepted in the United States of America as applicable to academies. The following is a summary of the more significant policies:

REPORTING ENTITY

In evaluating how to define the Academy, for financial reporting purposes, management has considered all potential component units by applying the criteria set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Academy and/or its constituents, or whether the activity is conducted within the geographic boundaries of the Academy and is generally available to its constituents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the Academy is able to exercise oversight responsibilities.

Based upon the application of these criteria, the financial statements of the Academy contain all the funds and account groups controlled by the Academy's Board of Education as no other entity meets the criteria to be considered a component unit of the Academy nor is the Academy a component unit of another entity.

BASIS OF PRESENTATION

District-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the Academy as a whole. They include all funds of the Academy except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the Academy's district-wide activities are considered to be governmental activities.

Fund Financial Statements:

The accounts of the Academy are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the Academy are considered major if it meets the following criteria:

a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and

b. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The Academy reports the General Fund as its only major governmental fund in accordance with the above criteria. The funds of the Academy are described below:

<u>Governmental Funds</u>

General Fund – The General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects), such as the Food Service Fund and School Activities Fund.

Capital Projects Fund – Capital Projects Funds are used to record bond proceeds or other revenue to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the district-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (a) below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Accounting

In the district-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

Cash and Cash Equivalents
The Academy cash and cash equivalents as reported in the Statement of Net Position are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with maturities of three months or less. The fair value measurement of investments is based on the hierarchy established by generally accepted accounting principles, which has three levels based on the valuation inputs used to measure an asset's fair value.

Investments
Investments are carried at market value.

Receivables
All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due From and To Other Funds
Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventory
Inventories are stated at cost, on a first-in, first-out basis, which approximates market value. Inventory recorded in the General Fund consist of centrally warehoused teaching and operating supplies for the Academy. The Food Service Fund consists of food and paper goods. For other funds, expenditures are recorded at the time of use.

Capital Assets
Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities' column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Academy does not have infrastructure-type assets.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Depreciation of all exhaustible capital assets is recorded as an unallocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	20 – 50 years
Site improvements	10 – 20 years
Furniture and equipment	5 – 20 years
Buses and other vehicles	5 – 10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Deferred Outflows of Resources
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports the following in this category:

> On the district-wide financial statements, changes in assumptions, differences between expected and actual experience and changes in proportion and differences between employer contributions and proportionate share of contributions for the pension and/or OPEB plan create a deferred outflow of resources.
>
> On the district-wide financial statements, the Academy's contributions made into the pension and/or OPEB plan subsequent to the plan's fiscal year end creates a deferred outflow of resources.

Long-Term Debt
In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

Compensated Absences
The Academy's policies regarding compensated absences does not permit employees to accumulate earned but unused vacation and sick leave.

Pension
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Postemployment Benefits Other Than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School 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.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and governmental funds balance sheet 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 government reports the following in this category:

> On the district-wide financial statements, the net difference between projected and actual pension and/or OPEB plan investment earnings, differences between expected and actual experience, changes in assumptions and changes in proportion and differences between employer contributions and proportionate share of contributions create a deferred inflow of resources.

Equity Classification

District-Wide Statements

Equity is classified as net position and displayed in three components:

a. Net investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

b. Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation. These amounts are derived from the fund financial statements by combining non-spendable and restricted fund balance classifications.

c. Unrestricted Net Position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, and unassigned. Proprietary fund equity is classified the same as the district-wide statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Revenues
District-Wide Statements

In the district-wide Statement of Activities, revenues are segregated by activity (governmental or business-type) and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

Fund Statements

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the Academy's policy to use the restricted resources first.

Expenses/Expenditures
District-Wide Statements

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type) and are classified by function.

Fund Statements

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

Interfund Activity
As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Position.

Budgets and Budgetary Accounting
The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
b. Public hearings are conducted to obtain public comments.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c. Prior to July 1, the budget is approved by the Board of Education.
d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.
e. All annual appropriations lapse at fiscal yearend.

Use of Estimates
The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

Subsequent Events
Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through November 5, 2020, the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents
The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and fiduciary funds from the Statement of Net Position.

	Primary Government
Cash and cash equivalents	$70,716
Investments	581,394
Total	$652,110

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. State law does not require, and the Academy does not have, a deposit policy for custodial credit risk. The carrying amounts of the Academy's deposits with financial institutions were $70,716 and the bank balance was $111,892. The bank balance is categorized as follows:

Amount insured by the FDIC	$111,892
Amount uncollateralized and uninsured	-
Total	$111,892

Investments
Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2020, the Academy had the following investments.

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

Investments	Fair Value	Fair Value Measurements Using Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Equity securities:				
Michigan Liquid Asset Fund	$581,394 *	$-	$581,394	$-
Total	$581,394	$-	$581,394	$-

*All investments mature within one year

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Academy's investments. The Academy does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk
Michigan statutes authorize the Academy to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The Academy has no investment policy that would further limit its investment choices and has no investments for which ratings are required. The Academy's investments are in accordance with statutory authority.

NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governments totaled $563,817. Of that balance, $372,610 is due from the State of Michigan for State Aid and $191,207 due from other governmental units for the operation of special programs and grant projects.

NOTE D – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The Academy reports interfund balances between some of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables are as follows:

DUE TO OTHER FUNDS	DUE FROM OTHER FUNDS General Fund	Food Service Fund	Total Due To
General Fund	$-	$-	$-
Food Service Fund	-	-	-
Total Due From	$-	$-	$-

NOTE D – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued):

All 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 system, and (3) payments between funds are made. See table below.

TRANSFERS IN FROM OTHER FUNDS	TRANSFERS OUT TO OTHER FUNDS: General Fund	Food Service Fund	School Activities Fund	Total Transfers In
General Fund	$-	$8,009	$-	$8,009
Food Service Fund	858	-	-	858
School Activities Fund	-	-	-	-
Total Transfers Out	$858	$8,009	$-	$8,867

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE E – CAPITAL ASSETS:

Capital assets activity of the Academy's governmental activities was as follows:

	Balance at 7/01/2019	Additions	Disposals	Balance at 6/30/2020
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land	$470,000	$-	$-	$470,000
Subtotal	470,000	-	-	470,000
Capital assets being depreciated:				
Buildings and improvements	2,979,277	9,710	-	2,988,987
Site improvements	402,137	-	-	402,137
Furniture and equipment	34,925	14,571	(8,704)	40,792
Subtotal	3,416,339	24,281	(8,704)	3,431,916
Less accumulated depreciation:				
Buildings and improvements	(590,202)	(66,272)	-	(656,474)
Site improvements	(115,615)	(20,107)	-	(135,722)
Furniture and equipment	(16,474)	(2,636)	8,486	(10,624)
Total Accumulated Depreciation	(722,291)	(89,015)	8,486	(802,820)
Governmental Activities Capital Assets, Net	$3,164,048	($64,734)	($218)	$3,099,096

NOTE F – ACCRUED LIABILITIES:

A summary of accrued liabilities at June 30, 2020 is as follows:

Accrued wages	$123,882
Accrued fringes	43,349
Other accrued expenses	-
Total	$167,231

NOTE G – SHORT TERM DEBT:

The Academy utilizes short-term borrowing secured with pledged state aid for cash flow purposes due to the timing of state aid payments. A summary of changes in short-term debt for the year ended June 30, 2020 is as follows:

	Balance 6/30/19	Additions	Deductions	Balance 6/30/20
State Anticipation Note:				
2018-2019	$480,105	$-	($480,105)	$-
2019-2020	-	475,000	(52,486)	422,514
Total	$480,105	$475,000	($532,591)	$422,514

The Academy signed a State Aid Anticipation Note, secured by its payments from a financial institution. The State Anticipation Note has a face value of $480,105 and bears interest. The total amount of the principal and interest was payable in August 2019 but was subsequently renewed from August 2019 with a maturity of August 2020. Principal and interest are payable monthly on this new note. This note was used for operations during the summer months. The balance is carried as a current liability in the financial statements.

NOTE H – LONG-TERM DEBT:

The following is a summary of the long-term debt activity for the year:

	Balance 6/30/2019	Additions	Deductions	Balance 6/30/2020	Due in One year
Governmental Activities:					
Bonds Payable:					
Qualified School Construction Bond	$828,235	$-	($103,530)	$724,705	$103,529
Notes Payable:					
2018 Refinancing Note	1,131,595	-	(54,411)	1,077,184	57,970
Lease Payable:					
Telephone Equipment	-	8,571	-	8,571	2,143
Total	$1,959,830	$8,571	($157,941)	$1,810,460	$163,642

NOTE H – LONG-TERM DEBT (Continued):

Long-term debt at June 30, 2020 consists of the following:

Qualified School Construction Bond
June 30, 2020

	November 1	May 1		
Fiscal Year	Interest	Interest	Principal	Total
2021	$28,082	$28,082	$103,529	$159,693
2022	24,071	24,071	103,529	151,671
2023	20,059	20,059	103,529	143,647
2024	16,047	16,047	103,529	135,623
2025	12,035	12,035	103,529	127,599
2026-2027	12,036	12,036	207,060	231,132
Total	$112,330	$112,330	$724,705	$949,365

Qualified School Construction Bond originally issued for $1,760,000 and dated May 20, 2010 matures annually as scheduled above on May 1, 2011 through May 1, 2027 and bear interest at a rate of 2.34% per annum. Interest is paid semi-annually on May 1 and November 1 each year.

2018 Refinance Note Payable
June 30, 2020

Fiscal Year	Interest	Principal	Total
2021	$63,403	$57,970	$121,373
2022	59,807	61,569	121,376
2023	46,910	957,645	1,004,555
Total	$170,120	$1,077,184	$1,247,304

Notes payable originally issued for $1,191,242 for the purpose of refinancing the Academy's real estate and construction notes dated April 20, 2018 matures monthly as scheduled above on May 20, 2018 through April 20, 2023 bearing an interest rate of 5.95% per month. Monthly required payments are $10,114 with a final balloon payment on April 20, 2023.

Telephone Equipment Lease
June 30, 2020

Fiscal Year	Interest	Principal	Total
2021	$-	$2,143	$2,143
2022	-	2,857	2,857
2023	-	2,857	2,857
2024	-	714	714
Total	$-	$8,571	$8,571

Lease payable originally issued for $14,571 to purchase new telephone equipment to be in compliance with multi-line telephone system 911 service provisions of PA 30 of 2019. The lease has monthly payments of $238 bearing a promotional interest rate of 0.00% per month beginning October 2020 and extending through September 2023. There is not penalty for early payment. At the end of the lease period the Academy has the option to purchase the equipment for $1.

As of June 30, 2020, the aggregate maturities of long-term debt are as follows:

NOTE H – LONG-TERM DEBT (Continued):

	Interest	Principal	Total
2021	$119,567	$163,642	$283,209
2022	107,949	167,955	275,904
2023	87,028	1,064,031	1,151,059
2024	32,094	104,243	136,337
2025	24,070	103,529	127,599
2026-2027	24,072	207,060	231,132
Total	$394,780	$1,810,460	$2,205,240

NOTE I – FUND BALANCES – GOVERNMENTAL FUNDS:

Fund balances of the governmental funds are classified as follows:

Non-spendable — amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of Board of Education. Board of Education is the highest level of decision-making authority for the Board of Education. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by Board of Education.

Assigned — amounts intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The Superintendent and Finance Committee may request amounts to be assigned, but only the Board of Education may assign amounts for a specific purpose. Residual amounts in governmental funds other than the General Fund are assigned. Also, an appropriation of the existing fund balance to cover current year expenditures is considered an assignment of fund balance.

Unassigned — all other spendable amounts.

As of June 30, 2020, fund balances are composed of the following:

	General Fund	School Activities Fund	Food Service Fund	Total Governmental Funds
Non-spendable:				
Inventories	$-	$-	$-	$-
Deposits on hand	12,700	-	-	12,700
Prepaids	13,737	-	-	13,737
Restricted:				
Food service	-	-	15,876	15,876
Committed:				
School activities	-	21,752	-	21,752
Assigned:				
FY20/21 budget shortfall	102,856	-	-	102,856
Unassigned	441,788	-	-	441,788
Total Fund Balances	$571,081	$21,752	$15,876	$608,709

NOTE I – FUND BALANCES – GOVERNMENTAL FUNDS (Continued):

The Board of Education establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget or a Board policy. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Education through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Academy considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Academy considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

NOTE J – ECONOMIC DEPENDENCY:

The Academy receives approximately 88 percent of its revenues through State and Federal sources to be used for providing elementary education to students.

NOTE K – FOUNDATION REVENUE AND CONTINGENCY RECEIVABLE AND PAYABLE:

The State of Michigan currently uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to academies based on information supplied by the academies. For the year ended June 30, 2020, the foundation allowance was based the blended pupil membership counts taken in February and October.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2019 - August 2020.

The Academy also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

NOTE L – CONTINGENT LIABILITIES:

<u>Grant Assistance</u>
The Academy has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Academy.

NOTE L – CONTINGENT LIABILITIES (Continued):

Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The Academy was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Academy joined together with other units and created a public entity risk pool currently operating as a common risk management and insurance program. The Academy pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $75,000 for each insured event.

The Academy continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Academy is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

NOTE M – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:

Plan Description

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

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

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

The System's financial statements are available online at www.michigan.gov/orsschools.

Benefits Provided

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

NOTE M – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

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

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

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

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

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0-4.0%	18.25%
Member Investment Plan	3.0-7.0%	18.25%
Pension Plus	3.0-6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the Academy were $313,889 for the year ended September 30, 2019.

<u>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>
At June 30, 2020, the Academy reported a liability of $3,912,969 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. The Academy's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2019, the Academy's proportion was 0.01181572 percent, which was a decrease of 0.00027836 percent from its proportion measured as of September 30, 2018.

For the year ended June 30, 2020, the Academy recognized pension expense of $610,085. At June 30, 2020, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE M – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	$17,539	($16,317)
Changes of assumptions	766,162	-
Net difference between projected and actual earnings on pension plan investments	-	(125,404)
Changes in proportion and differences between the employer contributions and proportionate share of contributions	32,268	(66,561)
Subtotal	815,969	($208,282)
Employer contributions subsequent to the measurement date	289,323	
Total	$1,105,292	

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

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

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)

Year Ended September 30	Amount
2020	$256,199
2021	193,779
2022	113,517
2023	44,192
Total	$607,687

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

NOTE M – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2018
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans	6.80%
- Pension Plus	6.80%
- Pension Plus 2	6.00%
Projected Salary Increases	2.75 – 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members

Mortality:

- Retirees	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
- Active members	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

- 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 annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4977
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018, are summarized in the following table:

NOTE M – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

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

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

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

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

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents the Academy's proportionate share of the net pension liability calculated using a discount rate of 6.80 % (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease 5.80% / 6.80% / 5.00%*	Current Single Discount Rate Assumption 6.80% / 6.80% / 6.00%*	1% Increase (Non-Hybrid/Hybrid) 7.80% / 7.80% / 7.00%*
$5,087,110	$3,912,969	$2,939,566

* Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus Plan, and Pension Plus 2 Plan

NOTE M – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public Schools Employees' Retirement System (MPSERS)
At June 30, 2020, the Academy reported a payable of $24,478 for the outstanding amount of contributions to the pension and OPEB plan required for the year ended June 30, 2020.

NOTE N – EMPLOYEE RETIREMENT SYSTEM – DEFINED CONTRIBUTION PLANS:

Employees of the Academy who began working for a Michigan public school July 1, 2010, or later, are members of the Pension Plus plan or Defined Contribution (DC) plan, defined contribution pension plans. Under Public Act 300 of 2012, eligible members of MPSERS had the option to increase, maintain, or stop their contributions to the pension fund as of the transition date. Members of MPSERS who elected to stop their contributions became participants in the DC plan as of their transition date.

Pension Plus Plan
The Pension Plus Plan is administered by Voya Financial. Benefit terms, including employer contribution requirements are established and may be amended by MPSERS. Within the plan employees have three options to choose from: 1) Pension Plus with Premium Subsidy, 2) Pension plus to DC with PHF, and 3) Basic/MIP to DC with Premium Subsidy. The Academy's required to contribute ranges 1% to 4% of annual salary for plan members based on the type of plan the employee is participating in. Employees are permitted to make contributions up to applicable Internal Revenue Service Code limits. Employees are considered 100% vested for their own contributions; for employer contributions employees are considered 100% vested after four years of service. Employees are eligible to receive benefits from the Plan in accordance with IRS regulations for 401(k) plans.

Defined Contribution Plan
The Defined Contribution Plan is a defined contribution plan under sections 401(k) and section 457 of the Internal Revenue Code and is administered by Voya Financial. Benefit terms, including employer contribution requirements are established and may be amended by MPSERS. Employee contributions are 8% of wages with the employer matching contributions dollar for dollar on the first 2% of wages and 50 cents on the dollar on the next 6% of wages. Employee contributions are made into the 457 Plan while employer matching contributions are made in the 401(k) Plan. Employees are considered 100% vested for their own contributions; for employer contributions employees are considered 100% vested after four years of service. Employees are eligible to receive benefits and make contributions to the Plan in accordance with IRS regulations for 401(k) and 457 plans.

The total amount contributed to the Plan for the year ended June 30, 2020 was $55,406 which consisted of $20,354 from the Academy and $35,052 from employees.

Personal Healthcare Fund
The Personal Healthcare Fund (PHF) is a personal, portable defined contribution plan under sections 401(k) and section 457 of the Internal Revenue Code and is administered by Voya Financial. Employee contributions are 2% of wages with the employer matching 2%. Employees are considered 100% vested for their own contributions; for employer contributions employees are considered 100% vested after four years of service. Employees are eligible to receive benefits

NOTE N – EMPLOYEE RETIREMENT SYSTEM – DEFINED CONTRIBUTION PLANS (Continued):

and make contributions to the Plan in accordance with IRS regulations for 401(k) and 457 plans.

The total amount contributed to the Plan for the year ended June 30, 2020 was $21,186 which consisted of $10,593 from the Academy and $10,593 from employees.

NOTE O – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):

Plan Description

The MPSERS Plan, as previously described in the Defined Benefit Plan footnote, includes an Other Post-Employment Benefits component as part of the cost of the Plan. The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended). All information related to the OPEB component of the Plan is the same except as noted below:

Benefits Provided

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

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending 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 were deposited into their 401(k) account.

NOTE O – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued):

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

Employer OPEB 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 portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

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

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.00%	7.93%
Personal Healthcare Fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from the Academy were $82,685 for the year ended September 30, 2019.

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

At June 30, 2020, the Academy reported a liability of $864,380 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. The Academy's proportion of the net OPEB liability was determined by dividing each employers' statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2019, the Academy's proportion was 0.01204249 percent, which was a decrease of 0.00028339 percent from its proportion measured as of October 1, 2018.

For the year ended June 30, 2020, the Academy recognized OPEB expense of $18,603. At June 30, 2020, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTE O – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued):

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	$ -	($317,165)
Changes of assumptions	187,294	-
Net difference between projected and actual earnings on OPEB plan investments	-	(15,032)
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,557	(26,884)
Subtotal	195,851	($359,081)
Employer contributions subsequent to the measurement date	62,976	
Total	$258,827	

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

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future OPEB Expenses)

Year Ended September 30	Amount
2020	($43,746)
2021	(43,746)
2022	(36,213)
2023	(25,227)
2024	(14,298)
Total	($163,230)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

NOTE O – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued):

Summary of Actuarial Assumptions

Investment Rate of Return:	6.95%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 12
Other Assumptions:	
Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.7101

Rate of Return

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

1% Decrease 5.95%	**Current Discount Rate 6.95%**	**1% Increase 7.95%**
$1,060,291	$864,380	$699,868

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

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

NOTE O – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued):

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$692,893	$864,380	$1,060,268

OPEB Plan Fiduciary Net Position
Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2019 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

NOTE P – SINGLE AUDIT:

The Academy's audited financial statements report a total of $305,545 in federal expenditures. As this amount is less than the single audit threshold of $750,000, the Academy is not required to have an audit in accordance with Uniform Guidance for the fiscal year ended June 30, 2020.

NOTE Q – NEW GASB STANDARDS:

Management of the Academy has reviewed the following pronouncements released by the Governmental Accounting Standards Board (GASB) that are effective in the current fiscal year for applicability. Pronouncements deemed applicable to the Academy by management are described below in *Recently Issued and Adopted Accounting Pronouncements*; pronouncements not applicable are described in *Other Recently Issued Accounting Pronouncements*.

Recently Issued and Adopted Accounting Pronouncements
In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The Statement identifies four types of fiduciary funds that should be reported, as applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. It also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This statement was originally effective for periods beginning after December 15, 2018. However, under GASB 95, the effective date was postponed by one year, to periods beginning after December 15, 2019. The Academy has activities that meet the criteria for GASB 84; therefore, GASB 84 is applicable to the Academy. The Academy opted to implement in the current year following the original effective date. The adoption of GASB 84 required the Academy to record a prior period adjustment for the beginning equity of the School Activities now required to be reported as a special revenue fund (see Note T for more information).

Other Recently Issued Accounting Pronouncements
None

NOTE R – UPCOMING STANDARDS:

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the Academy in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the Academy.

NOTE R – UPCOMING STANDARDS (Continued):

GASB 87: Leases
Originally effective for fiscal years beginning after December 15, 2019; postponed by GASB 95 to fiscal years beginning after June 15, 2021 (Academy's fiscal year 2022)

This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB 89: Accounting for Interest Cost incurred before the end of a Construction Period
Originally effective for fiscal years beginning after December 15, 2019; postponed by GASB 95 to fiscal years beginning after December 15, 2020 (Academy's fiscal year 2022)

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that was previously accounted for in accordance with the requirements of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statement prepared using the economic resources measurement focus.

GASB 90: Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61
Originally effective for fiscal years beginning after December 15, 2018; postponed by GASB 95 to fiscal years beginning after December 15, 2019 (Academy's fiscal year 2021)

This statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority interest in a legally separate organization results in a government being financially accountable for a legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit.

NOTE R – UPCOMING STANDARDS (Continued):

GASB 91: Conduit Debt Obligations
Originally effective for fiscal years beginning after December 15, 2020; postponed by GASB 95 to fiscal years beginning after December 15, 2021 (Academy's fiscal year 2023)

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for account and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having *all* of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.

NOTE R – UPCOMING STANDARDS (Continued):

- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

GASB 92: Omnibus 2020
Originally effective for fiscal years beginning after June 15, 2020; postponed by GASB 95 to fiscal years beginning after June 15, 2021 (Academy's fiscal year 2022)

This Statement enhances comparability of accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases,* and Implementation Guide No. 2019-
- 3, *Leases,* for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities,* to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

NOTE R – UPCOMING STANDARDS (Continued):

<u>GASB 93: Replacement of Interbank Offered Rates</u>
Originally effective for fiscal years beginning after June 15, 2019; postponed by GASB 95 to fiscal years beginning after June 15, 2020 (Academy's fiscal year 2021)

Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) – notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing the fallback provisions related to the reference rate.

Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, Leases, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

The objective of this statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedge item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedge expected transactions is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended.

Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

<u>GASB 94: Public-Private and Public-Public Partnerships and Availability Payment Arrangements</u>
Effective for fiscal years beginning after June 15, 2022 (Academy's fiscal year 2023)

The requirements of this Statement will improve financial reporting by establishing the definitions of public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose

NOTE R – UPCOMING STANDARDS (Continued):

important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs.

Under this Statement, a PPP is defined as an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial assets, such as infrastructure or other capital assts (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Under this Statement a PPP meets the definition of a service concession arrangement (SCA) if: (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

<u>GASB 95: Postponement of the Effective Dates of Certain Authoritative Guidance</u>
Effective for fiscal years beginning after June 15, 2018 until below GASBs implemented (beginning with Academy's fiscal year 2020)

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

The Academy chose to implement GASB 84 according to the original implementation date (see Note Q).

NOTE R – UPCOMING STANDARDS (Continued):

GASB 96: Subscription-Based Information Technology Arrangements
Effective for fiscal years beginning after June 15, 2022 (Academy's fiscal year 2023)

The requirements of this Statement will improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) for government end users (governments) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. 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.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

GASB 97: Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No. 14 and No. 84, and a Supersession of GASB Statement No. 32
Effective for fiscal years beginning after June 15, 2021 (Academy's fiscal year 2022)

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement

NOTE R – UPCOMING STANDARDS (Continued):

No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively.

This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

NOTE S – SUBSEQUENT EVENTS:

COVID-19
In response to the COVID-19 pandemic the Governor of the State of Michigan enacted Executive Order 2020-65, which suspended in-person K-12 instruction for the remainder of the 2019-2020 school year. Schools who participated in the National School Lunch Program (NSLP), National School Breakfast Program (SBP), and the Summer Food Service Program were permitted to continue serving meals during the mandatory shut down (given certain safeguards were in effect to limit exposure and potential spread of the virus).

The Federal Government passed the Coronavirus Aid, Relief, and Economic Security Action (CARES Act) to assist the national, state, and local economy as a result of the COVID-19 pandemic. As part of the CARES Act there was $13.2 billion in Elementary and Secondary School Emergency Relief (ESSER) funds, of which, the Michigan Department of Education received nearly $390 million.

School districts began receiving CARES Act funding at the end of fiscal year 2019-2020. Due to the impact that the COVID-19 pandemic had on the State's economy the Michigan Department of Education and Michigan Department of Treasury are likely to continue making adjustments to the Foundation Allowance and State Aid. It is anticipated that the reduction in State sources will be partially offset by an increase in Federal sources.

Under the *MI Safe Schools: Michigan's 2020-21 Return to School Roadmap* (the Roadmap) there are six phases for restarting schools. Under the Roadmap, schools in Phases 1-3 are only allowed to perform remote learning; Phase 4 allows in-person instruction with safety protocols; Phase 5 allows in-person instruction with minimal required safety protocols; and Phase 6 allows in-person instruction with no required safety protocols. At the beginning of the 2020-21 school year, Region 8 (the Upper Peninsula) was in Phase 4. In the upcoming weeks it is unknown if the Academy will move up or down on the Roadmap.

As the Academy re-engages in in-person learning it is unknown what the future impact of the COVID-19 pandemic will have on the operations of the Academy. Currently, the Academy is able to offer free breakfast and lunch to all students through June 30, 2021.

For additional details on the Executive Orders and other information related to COVID-19 and the State of Michigan's response please refer to: https://www.michigan.gov/coronavirus/.

NOTE T – NET POSITION/FUND BALANCE RESTATEMENT:

The following net position/fund balance restatement was made resulting from the adoption of GASB No. 84. The adjustment records the beginning fund balance of the School Activities Fund as listed below:

		Special Revenue Funds
	Governmental Activities	School Activities Fund
Net position/fund balance, beginning of year	($2,131,005)	$-
Prior period adjustment:		
Fund balance, under GASB 84, beginning of year	21,023	21,023
Net position/fund balance, beginning of year, as restated	($2,109,982)	$21,023

REQUIRED SUPPLEMENTAL INFORMATION

North Star Academy

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

For the Plan Year Ended September 30

	2019	2018	2017	2016	2015	2014				
Academy's proportion of net pension liability	0.0118157%	0.0120941%	0.0120807%	0.0117083%	0.0116911%	0.0115600%				
Academy's proportionate share of net pension liability	$ 3,912,969	$ 3,635,699	$ 3,130,631	$ 2,921,118	$ 2,855,559	$ 2,546,889				
Academy's covered-employee payroll	$ 1,067,835	$ 1,060,939	$ 1,040,099	$ 1,011,065	$ 961,697	$ 947,844				
Academy's proportionate share of net pension liability as a percentage of covered-employee payroll	366.44%	342.69%	300.99%	288.91%	296.93%	268.70%				
Plan fiduciary net position as a percentage of total pension liability	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%				

Notes to Required Supplementary Information:	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*
Changes in benefit terms:	*2019*	*2018*	*NONE*	*NONE*	*NONE*	*NONE*
Changes in assumptions:						

2019 - Investment rate of return for MIP and Basic Plans reduced from 7.05% to 6.80%
- Recognition period for liabilities increased from 4.5304 to 4.4977

2018 - Investment rate of return for MIP and Basic Plans reduced from 7.5% to 7.05 %
- Projected salary increases reduced to 2.75% - 11.55%, including wage inflation at 2.75%
- Mortality tables updated to RP-2014 Male and Female Healthy Annuitant
- Recognition period for liabilities increased from 4.5188 to 4.5304

North Star Academy

SCHEDULE OF THE ACADEMY'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

For the Fiscal Year Ended June 30

	2020	2019	2018	2017	2016	2015				
Statutorily required contributions	$ 322,807	$ 321,111	$ 304,735	$ 344,277	$ 329,249	$ 250,431				
Contributions in relation to statutorily required contributions	322,807	321,111	304,735	344,277	329,249	250,431				
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -				
Academy's covered-employee payroll	$ 1,071,681	$ 1,084,156	$ 1,041,730	$ 1,035,291	$ 1,008,411	$ 1,003,964				
Contributions as a percentage of covered-employee payroll	30.12%	29.62%	29.25%	33.25%	32.65%	24.94%				

North Star Academy

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES OPEB

For the Plan Year Ended September 30

	2019	**2018**	**2017**							
Academy's proportion of net OPEB liability	0.0120425%	0.0123265%	0.0121811%							
Academy's proportionate share of net OPEB liability	$ 864,380	$ 979,826	$ 1,078,696							
Academy's covered-employee payroll	$ 1,067,835	$ 1,060,939	$ 1,040,099							
Academy's proportionate share of net OPEB liability as a percentage of covered-employee payroll	80.95%	92.35%	103.71%							
Plan fiduciary net position as a percentage of total OPEB liability	48.46%	42.95%	36.39%							

Notes to Required Supplementary Information:

Changes in benefit terms:	*NONE*	*NONE*	*NONE*
Changes in assumptions:	*2019*	*2018*	*NONE*

2019 - See pension assumptions
- Investment rate of return reduced from 7.15% to 6.95%
- Recognition period for liabilities increased from 5.6018 to 5.7101

2018 - See pension assumptions
- Healthcare Cost Trend rate 7.5% Year 1 graded to 3.0% Year 12 (compared to 3.5% Year 12)
- Recognition period for liabilities increased from 5.4744 to 5.6018

North Star Academy

SCHEDULE OF THE ACADEMY'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES OPEB

For the Fiscal Year Ended June 30

	2020	2019	2018							
Statutorily required contributions	$ 82,685	$ 79,705	$ 75,786							
Contributions in relation to statutorily required contributions	82,685	79,705	75,786							
Contributions deficiency (excess)	$ -	$ -	$ -							
Academy's covered-employee payroll	$ 1,071,681	$ 1,084,156	$ 1,041,730							
Contributions as a percentage of covered-employee payroll	7.72%	7.35%	7.27%							

North Star Academy

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2020

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (GAAP Basis)	Variances Positive (Negative) Original Budget to Final Budget	Variances Positive (Negative) Final Budget to Actual
REVENUES:					
Local sources	$ 273,313	$ 342,261	$ 325,760	$ 68,948	$ (16,501)
State sources	2,516,492	2,231,923	2,346,546	(284,569)	114,623
Federal sources	48,135	179,075	174,814	130,940	(4,261)
TOTAL REVENUES	2,837,940	2,753,259	2,847,120	(84,681)	93,861
EXPENDITURES:					
Instruction:					
Basic programs	1,170,828	1,100,974	1,068,264	69,854	32,710
Added needs	165,965	263,160	272,243	(97,195)	(9,083)
Total Instruction	1,336,793	1,364,134	1,340,507	(27,341)	23,627
Supporting Services:					
Pupil services	90,225	123,018	120,309	(32,793)	2,709
Instructional staff	29,733	74,349	74,023	(44,616)	326
General administration	273,049	254,072	259,406	18,977	(5,334)
School administration	207,058	199,403	196,730	7,655	2,673
Business services	79,640	79,982	76,836	(342)	3,146
Operation and maintenance	208,900	207,868	201,119	1,032	6,749
Transportation	177,829	109,825	109,734	68,004	91
Central	12,500	15,813	17,612	(3,313)	(1,799)
Other	-	-	-	-	-
Total Supporting Services	1,078,934	1,064,330	1,055,769	14,604	8,561
Community Services:					
Community services	4,990	5,836	5,327	(846)	509
Total Community Services	4,990	5,836	5,327	(846)	509
Facilities Acquisition, Construction, and Improvement:					
Capital Outlay	5,000	9,710	9,710	(4,710)	-
Total Facilities Acquisition, Construction, and Improvement	5,000	9,710	9,710	(4,710)	-
Debt Service:					
Principal payments	157,941	157,941	157,941	-	-
Interest payments	131,650	131,650	131,650	-	-
Total Debt Service	289,591	289,591	289,591	-	-
Other:					
Other expenses	-	-	150	-	(150)
Total Other	-	-	150	-	(150)
TOTAL EXPENDITURES	2,715,308	2,733,601	2,701,054	(18,293)	32,547
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	122,632	19,658	146,066	(102,974)	126,408
OTHER FINANCING SOURCES (USES):					
Loan proceeds	-	8,571	8,571	8,571	-
Other sources	-	-	-	-	-
Transfers in	-	8,026	8,009	8,026	(17)
Transfers (out)	(21,933)	-	(858)	21,933	(858)
TOTAL OTHER FINANCING SOURCES (USES)	(21,933)	16,597	15,722	38,530	(875)
NET CHANGE IN FUND BALANCE	100,699	36,255	161,788	(64,444)	125,533
Fund Balance, July 1	409,293	409,293	409,293	-	-
FUND BALANCE, JUNE 30	$ 509,992	$ 445,548	$ 571,081	$ (64,444)	$ 125,533

OTHER SUPPLEMENTAL INFORMATION

North Star Academy

NON-MAJOR GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2020

	Special Revenue Funds		**Total**
	School Activities Fund	Food Service Fund	**Non-major Governmental Funds**
ASSETS			
Cash and cash equivalents	$ 21,752	$ 2,846	$ 24,598
Accounts receivable	-	1,276	1,276
Due from other governmental units	-	12,580	12,580
Due from other funds	-	-	-
Inventory	-	-	-
TOTAL ASSETS	21,752	16,702	38,454
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 21,752	$ 16,702	$ 38,454
LIABILITIES			
Accounts payable	$ -	$ 826	$ 826
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Due to other governmental units	-	-	-
TOTAL LIABILITIES	-	826	826
DEFERRED INFLOWS OF RESOURCES	-	-	-
FUND BALANCES			
Non-spendable	-	-	-
Restricted	-	15,876	15,876
Committed	21,752	-	21,752
Unassigned	-	-	-
TOTAL FUND BALANCES	21,752	15,876	37,628
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 21,752	$ 16,702	$ 38,454

North Star Academy

NON-MAJOR GOVERNMENTAL FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2020

	Special Revenue Funds		**Total**
	School Activities Fund	Food Service Fund	**Non-major Governmental Funds**
REVENUES:			
Local sources	$ 33,162	$ 28,449	$ 61,611
State sources	-	4,535	4,535
Federal sources	-	130,731	130,731
TOTAL REVENUES	33,162	163,715	196,877
EXPENDITURES:			
School activities	32,433	-	32,433
Food service activities	-	140,688	140,688
Capital outlay	-	-	-
TOTAL EXPENDITURES	32,433	140,688	173,121
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	729	23,027	23,756
OTHER FINANCING SOURCES (USES):			
Other sources	-	-	-
Transfers in	-	858	858
Transfers (out)	-	(8,009)	(8,009)
TOTAL OTHER FINANCING SOURCES (USES)	-	(7,151)	(7,151)
NET CHANGE IN FUND BALANCE	729	15,876	16,605
Fund Balance, July 1, as restated	21,023	-	21,023
FUND BALANCE, JUNE 30	$ 21,752	$ 15,876	$ 37,628

North Star Academy

SCHOOL ACTIVITIES FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2020

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
School activities	$ 31,000	$ 33,162	$ 2,162
State sources	-	-	-
Federal sources	-	-	-
TOTAL REVENUES	31,000	33,162	2,162
EXPENDITURES:			
School activities	31,000	32,433	(1,433)
TOTAL EXPENDITURES	31,000	32,433	(1,433)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	-	729	729
OTHER FINANCING SOURCES (USES):			
Other sources	-	-	-
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
NET CHANGE IN FUND BALANCE	-	729	729
Fund Balance, July 1, as restated	21,023	21,023	-
FUND BALANCE, JUNE 30	$ 21,023	$ 21,752	$ 729

North Star Academy

FOOD SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2020

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Food service activities	$ 26,010	$ 28,449	$ 2,439
State sources	4,745	4,535	(210)
Federal sources	140,000	130,731	(9,269)
TOTAL REVENUES	170,755	163,715	(7,040)
EXPENDITURES:			
Food Service Activities:			
Salaries	18,627	18,436	191
Employee benefits	12,294	12,271	23
Purchased services	80,585	74,031	6,554
Supplies and materials	39,685	35,159	4,526
Capital outlay	-	-	-
Dues and fees	800	791	9
Other	-	-	-
TOTAL EXPENDITURES	151,991	140,688	11,303
EXCESS REVENUES OVER (UNDER) EXPENDITURES	18,764	23,027	4,263
OTHER FINANCING SOURCES (USES):			
Other sources	-	-	-
Transfers in	-	858	858
Transfers (out)	(8,026)	(8,009)	17
TOTAL OTHER FINANCING SOURCES (USES)	(8,026)	(7,151)	875
NET CHANGE IN FUND BALANCE	10,738	15,876	5,138
Fund Balance, July 1	-	-	-
FUND BALANCE, JUNE 30	$ 10,738	$ 15,876	$ 5,138

COMPLIANCE SECTION

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
102 W. Washington St. Suite 109 Marquette, MI 49855 Phone: (906) 225-1166 www.atccpa.com

PARTNERS
Daniel E. Bianchi, CPA
Michael A. Grentz, CPA
William C. Sheltrow, CPA

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 Education of the
North Star Academy
3030 Wright Street
Marquette, Michigan 49855

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 the North Star Academy (the Academy), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Academy basic financial statements and have issued our report thereon dated November 5, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the 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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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

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

Board of Education of the
North Star Academy

Compliance and Other Matters

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

Purpose of this Report

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

Anderson, Tackman & Company, PLC
Certified Public Accountants

November 5, 2020

COMMUNICATIONS SECTION

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
102 W. Washington St. Suite 109 Marquette, MI 49855 Phone: (906) 225-1166 www.atccpa.com

PARTNERS
Daniel E. Bianchi, CPA
Michael A. Grentz, CPA
William C. Sheltrow, CPA

North Star Academy
Report to Management
For the Year Ended June 30, 2020

To the Board of Education and Management of the
North Star Academy
3030 Wright Street
Marquette, Michigan 49855

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Star Academy (the Academy) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the 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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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

This communication is intended solely for the information and use of the management, Board of Education, others within the organization, and the Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLC
Certified Public Accountants

November 5, 2020

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
102 W. Washington St. Suite 109 Marquette, MI 49855 Phone: (906) 225-1166 www.atccpa.com

PARTNERS
Daniel E. Bianchi, CPA
Michael A. Grentz, CPA
William C. Sheltrow, CPA

North Star Academy
Communication with Those Charged with Governance
For the Year Ended June 30, 2020

November 5, 2020

To the Board of Education of the
North Star Academy
3030 Wright Street
Marquette, Michigan 49855

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Star Academy (the Academy) for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *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 15, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Academy are described in the footnotes to the financial statements. Newly adopted GASB standards are disclosed in the notes to the financial statements. As described in Note T to the financial statements the Academy implemented GASB Statement No. 84. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Management's estimate of accumulated depreciation is based on historical cost. Depreciation is calculated using the straight-line method. We evaluated the key factors and assumptions used to develop the current years depreciation expense and accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

> Management's estimate of the Academy's proportionate share of Net Pension Liability and Net OPEB Liability is based on an actuarial performed for the Michigan Public Employees' Retirement System (MPSERS) to determine its liability. We evaluated the key factors and assumptions used to develop the Academy's proportionate share of Net Pension Liability and Net OPEB Liability, based on information provided by the Michigan Department of Technology, Management and Budget Office of Retirement Services, in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's allocation of the Academy's pension and OPEB contributions subsequent to the measurement date is based contribution rates set by the Office of Retirement Services. We evaluated the key factors and assumptions used to develop the allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

> The disclosure of the Academy's proportionate share of the Defined Benefit Pension Plan includes significant actuarial assumptions used in calculating the valuation. Gabriel, Roeder, Smith & Company was the actuarial company hired by the Retirement Board of the Michigan Public Employees' Retirement System (MPSERS) and the Michigan Department of Technology, Management and Budget Office of Retirement Services for preparation of the annual actuarial valuation. A full listing of the actuarial assumptions used can be found MPSERS' Comprehensive Annual Financial Report of the Fiscal Year Ended September 30, 2019.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 5, 2020.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Our consideration of internal control was for the limited purpose described in a separate letter 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. However, material weaknesses may exist that have not been identified.

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

<u>Other Matters</u>

We applied certain limited procedures to the Required Supplementary Information (RSI), as listed in the table of contents. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on Other Supplemental Information as listed in the table of contents, 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 the Academy and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Anderson, Tackman & Company, PLC
Certified Public Accountants