

**NORTH STAR ACADEMY
MARQUETTE, MICHIGAN**

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

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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, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Academy, as of June 30, 2021, 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.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2021, 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

Board of Education of the
North Star Academy

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, PLLC
Certified Public Accountants

October 22, 2021

North Star Academy

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, 2021. 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 (\$1,824,267). Net position is comprised of 100% governmental activities.
- During the year, the Academy expenses were \$2,829,740, while revenues from all sources totaled \$3,088,721 resulting in an increase in net position of \$258,981.
- The General Fund reported an increase of \$312,181. This is \$65,655 more than the forecasted increase of \$246,526. This was a result of the combined overall expenditures being \$122,154 less than the overall final budget and the overall revenue being \$56,364 less than the overall final budget, other financing sources being \$122 less than the overall final budget, and other financial uses being \$13 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 *Academy-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 academy-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 – *Academy-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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The Academy as a Whole

Table 1 provides a summary of the Academy's net position as of June 30, 2021 and 2020.

**Table 1
Net Position**

	Governmental Activities – 2021	Governmental Activities – 2020
Current and other assets	\$1,512,748	\$1,260,137
Capital assets, net	3,009,333	3,099,096
Total Assets	<u>4,522,081</u>	<u>4,359,233</u>
Deferred outflows of resources	<u>1,127,136</u>	<u>1,364,119</u>
Current liabilities	591,912	651,428
Long-term liabilities	6,280,989	6,587,809
Total Liabilities	<u>6,872,901</u>	<u>7,239,237</u>
Deferred inflows of resources	<u>600,583</u>	<u>567,363</u>
Net Position:		
Net investment in capital assets	1,363,230	1,288,636
Restricted	41,045	42,313
Unrestricted	<u>(3,228,542)</u>	<u>(3,414,197)</u>
Total Net Position	<u>(\$1,824,267)</u>	<u>(\$2,083,248)</u>

The Academy's net position was (\$1,824,267) at June 30, 2021. Net investment in capital assets totaling \$1,363,230, 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 (\$3,228,542) was unrestricted.

The (\$3,228,542) 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 2021 and 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

**Table 2
Statement of Activities**

	Governmental Activities – 2021	Governmental Activities – 2020
Revenues:		
Program Revenues:		
Charges for services	\$4,347	\$12,349
Operating grants and contributions	1,134,692	1,077,599
General Revenues:		
State sources not restricted to specific program	1,946,218	1,942,944
Investment earnings	509	7,053
Gain/(loss) on disposal of assets	-	(218)
Other	2,955	4,052
Total Revenues	<u>3,088,721</u>	<u>3,043,779</u>
Program Expenses:		
Instruction	1,393,838	1,513,720
Supporting services	1,115,425	1,135,832
Food service activities	109,471	140,688
Community services	1,176	5,990
Capital outlay	-	-
Other services	-	150
Depreciation	89,763	89,015
Interest on retirement of debt	120,067	131,650
Total Expenses	<u>2,829,740</u>	<u>3,017,045</u>
Increase (decrease) in net position	258,981	26,734
Net position, July 1	(2,083,248)	(2,131,005)
Prior period adjustment	-	21,023
Net Position, July 1, as restated	<u>(2,083,248)</u>	<u>(2,109,982)</u>
Net Position, Ending	<u>(\$1,824,267)</u>	<u>(\$2,083,248)</u>

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$2,829,740. Certain activities were partially funded from those who benefited from the programs, \$4,347, or by other governments and organizations that subsidized certain programs with grants and categorical, \$1,134,692. We paid for the remaining "public benefit" portion of our governmental activities with \$1,946,218 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 \$258,981.

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

- Net change in governmental fund balances of \$312,127.
- Depreciation charged to expense of (\$89,763).
- Capital outlay purchases of \$0.
- Net book value of disposed assets of \$0.
- Proceeds from debt issues of \$0.
- Principal payments on debt of \$164,357.
- Changes in pension and OPEB expense of (\$127,740) related to the Academy's proportionate share of net pension and net OPEB liability and related items.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

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	\$1,393,838	\$566,202
Supporting services	1,115,425	956,537
Food service activities	109,471	(4,819)

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 \$920,836, an increase of \$312,127 from the beginning of the year.

The increase of \$312,127 in the combined fund balance is the net effect of an increase in the General Fund of \$312,181, an increase in the School Activities Fund of \$780 and a decrease in the Food Service Fund of \$834. 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	Percent
Total	\$2,488,836	\$3,012,509	\$523,673	21.04%

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

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

- By \$523,673 or 21.04% more than the original budget.

The increase in budgeted revenue can be attributed mainly to grants. Grants are recognized on the financial statements once the Academy receives formal notice of the award and approval from the State. Hence, no grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget.

BUDGETED EXPENDITURES:

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

	Original Budget	Final Budget	Increase (Decrease)	
			Amount	Percent
Total	<u>\$2,583,877</u>	<u>\$2,771,771</u>	<u>\$187,894</u>	<u>7.27%</u>

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

- By \$187,894 or 7.27% more than the original budget.

The increase in the budgeted expenditures can be attributed mainly to grants. Grants are recognized on the financial statements once the Academy receives formal notice of the award and approval from the State. Hence, no grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget.

ACTUAL REVENUES:

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

	Final Budget	Actual	Variance Positive (Negative)	
			Amount	Percent
Total	<u>\$3,012,509</u>	<u>\$2,956,145</u>	<u>(\$56,364)</u>	<u>(1.87%)</u>

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

- By \$56,364 or 1.87% less than the final budget.

Revenues less than the budget due to grants that were carried over into the next fiscal year. When grants are awarded the full amount of the award is budgeted. Some grants, if not fully spent, are able to be carried forward into the next fiscal year. Those revenues will then be recognized when the grant has been spent in the next fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

ACTUAL EXPENDITURES:

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

	Final Budget	Actual	Variance Positive (Negative)	
			Amount	Percent
Total	\$2,771,771	\$2,649,617	\$122,154	4.41%

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

- By \$122,154 or 4.41% less than the final budget.

Expenditures were less than final budget due to grants that were carried over into the next fiscal year. When grants are awarded the full amount of the award is budgeted. Some grants, if not fully spent, are able to be carried forward into the next fiscal year. Also, the Board of Education anticipates that approximately one percentage of the budget will be unspent at the end of each fiscal year due to conservative budgeting. This results in the Academy's budgeted expenditures being greater than actual expenditures on an annual basis. The Board is made aware of this amount prior to amending and adopting the budgets.

ENROLLMENT

The Academy's 2020-2021 State aid blended membership enrollment from the fall count totaled 218. This is a decrease of thirty students from the previous year. The Academy has decreased in the previous couple of years and expects a slight increase 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)
2020-2021	218	(30)
2019-2020	248	(18)
2018-2019	266	(26)
2017-2018	292	27
2016-2017	265	(7)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021 and 2020, the Academy had \$3,009,333 and \$3,099,096 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 – 2021	Governmental Activities – 2020
Land	\$470,000	\$470,000
Buildings and improvements	2,266,080	2,332,513
Site improvements	246,308	266,415
Furniture and equipment	26,945	30,168
Total	<u>\$3,009,333</u>	<u>\$3,099,096</u>

The Academy made no capital asset purchases or disposals during the year.

Further information on capital assets can be found in the notes to the financial statements.

Debt

At June 30, 2021, the Academy had \$1,646,103 in outstanding debt as depicted in Table 5 below.

**Table 5
Outstanding Debt at Year-End**

	Governmental Activities – 2021	Governmental Activities – 2020
Qualified school construction bond	\$621,175	\$724,705
Notes payable	1,019,214	1,077,184
Lease payable	5,714	8,571
Total	<u>\$1,646,103</u>	<u>\$1,810,460</u>

The Academy made \$164,357 in principal payments during the current year. No new debt was issued by the Academy in the current year.

We present more detailed information about our long-term debt in the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Our board and administration consider many factors when setting the Academy's fiscal year 2022 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 2022 fiscal year budget was adopted in June 2021, based on an estimate of students that will be enrolled in October 2021. Approximately 62% of total General Fund revenues are from foundation allowance. Under State law, the Academy cannot assess property tax revenue. As a result, the Academy's funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2021-2022 school year, we anticipate that the fall student count will be slightly more than the estimates used in creating the 2022 fiscal year budget. The Academy had assumed a \$300 per pupil increase in the foundation allowance. The actual foundation allowance for 2021-2022 will be an increase of \$589 per pupil. 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, 2021

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 52,965
Investments	779,398
Receivables:	
Accounts receivable	483
Due from other governmental units	653,899
Inventories	-
Deposits on hand	12,700
Prepaid expenses	13,303
Non-current Assets:	
Capital Assets:	
Land and construction in progress	470,000
Other capital assets, net	2,539,333
	<u>4,522,081</u>
TOTAL ASSETS	4,522,081
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to proportionate share of net pension liability	531,718
District's contributions made subsequent to pension measurement date	307,746
Deferred outflows related to proportionate share of net OPEB liability	223,889
District's contributions made subsequent to OPEB measurement date	63,783
	<u>1,127,136</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,127,136
LIABILITIES	
Current Liabilities:	
Accounts payable	14,177
Accrued liabilities	166,018
Unearned revenue	51,697
Due to other governmental units	28,756
State anticipation note	331,264
Non-current Liabilities:	
Portion due or payable within one year:	
Notes payable	61,569
Bonds payable	103,529
Lease Payable	2,857
Portion due or payable after one year:	
Notes payable	957,645
Bonds payable	517,646
Lease Payable	2,857
Proportionate share of net pension liability	3,994,245
Proportionate share of net OPEB liability	640,641
	<u>6,872,901</u>
TOTAL LIABILITIES	6,872,901
TOTAL DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to proportionate share of net pension liability	96,369
Deferred inflows related to proportionate share of net OPEB liability	504,214
	<u>600,583</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	600,583
NET POSITION	
Net investment in capital assets	1,363,230
Restricted	41,045
Unrestricted	(3,228,542)
	<u>(1,824,267)</u>
TOTAL NET POSITION	\$ (1,824,267)

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

North Star Academy
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2021

	General Fund	Non-Major Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 15,164	\$ 37,801	\$ 52,965
Investments	779,398	-	779,398
Accounts receivable	-	483	483
Due from other governmental units	653,306	593	653,899
Due from other funds	1,303	-	1,303
Inventories	-	-	-
Deposits on hand	12,700	-	12,700
Prepaid expenses	13,303	-	13,303
	TOTAL ASSETS	38,877	1,514,051
DEFERRED OUTFLOWS OF RESOURCES			
	-	-	-
	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 38,877	\$ 1,514,051
	\$ 1,475,174	\$ 38,877	\$ 1,514,051
LIABILITIES			
Accounts payable	\$ 14,177	\$ -	\$ 14,177
Accrued liabilities	166,018	-	166,018
Unearned revenue	51,697	-	51,697
Due to other governmental units	28,756	-	28,756
Due to other funds	-	1,303	1,303
State anticipation note	331,264	-	331,264
	TOTAL LIABILITIES	1,303	593,215
DEFERRED INFLOWS OF RESOURCES			
	-	-	-
FUND BALANCES			
Non-spendable	26,003	-	26,003
Restricted	-	15,042	15,042
Committed	-	22,532	22,532
Assigned	29,875	-	29,875
Unassigned	827,384	-	827,384
	TOTAL FUND BALANCES	37,574	920,836
	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 38,877	\$ 1,514,051
	\$ 1,475,174	\$ 38,877	\$ 1,514,051

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, 2021

Total Fund Balances for Governmental Funds \$ 920,836

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	<u>(892,583)</u>	3,009,333

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	531,718	
District's contributions made subsequent to pension measurement date	307,746	
Proportionate share of net pension liability	(3,994,245)	
Deferred inflows related to proportionate share of net pension liability	<u>(96,369)</u>	(3,251,150)

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	223,889	
District's contributions made subsequent to OPEB measurement date	63,783	
Proportionate share of net OPEB liability	(640,641)	
Deferred inflows related to proportionate share of net OPEB liability	<u>(504,214)</u>	(857,183)

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	(517,646)	
Land/building loan - current	(61,569)	
Land/building loan - long term	(957,645)	
Lease payable - current	(2,857)	
Lease payable - long term	<u>(2,857)</u>	<u>(1,646,103)</u>

Net Position of Governmental Activities		<u><u>\$ (1,824,267)</u></u>
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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, 2021

	General Fund	Non-Major Governmental Funds	Total
REVENUES:			
Local sources	\$ 218,325	\$ 22,633	\$ 240,958
State sources	2,356,418	5,808	2,362,226
Federal sources	381,402	104,135	485,537
	TOTAL REVENUES	132,576	3,088,721
EXPENDITURES:			
Instruction	1,300,768	-	1,300,768
Supporting services	1,063,249	17,506	1,080,755
Community services	1,176	-	1,176
Food service activities	-	109,471	109,471
Facilities Acquisition, Construction, and Improvement	-	-	-
Debt service	284,424	-	284,424
Other	-	-	-
	TOTAL EXPENDITURES	126,977	2,776,594
	EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,599	312,127
OTHER FINANCING SOURCES (USES):			
Loan proceeds	-	-	-
Other sources	-	-	-
Transfers in	5,666	13	5,679
Transfers (out)	(13)	(5,666)	(5,679)
	TOTAL OTHER FINANCING SOURCES (USES)	(5,653)	-
	NET CHANGE IN FUND BALANCES	(54)	312,127
Fund Balance, July 1	571,081	37,628	608,709
	FUND BALANCE, JUNE 30	\$ 37,574	\$ 920,836

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, 2021

Net Change in Fund Balances - Total Governmental Funds **\$ 312,127**

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	\$ (89,763)	
Capital outlay	-	
Net book value of disposed capital assets	-	(89,763)

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. -

Repayment of loans is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 164,357

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	(235,191)	
OPEB expense	107,451	(127,740)

Change in Net Position of Governmental Activities **\$ 258,981**

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

NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

Academy-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 academy-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

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

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:

Governmental Funds

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 academy-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 academy-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 academy-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 academy-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 academy-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 academy-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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. 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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. 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 academy-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

Academy-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 academy-wide statements.

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

Revenues

Academy-Wide Statements

In the academy-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

Academy-Wide Statements

In the academy-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 academy-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 October 22, 2021, 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	\$52,965
Investments	779,398
Total	<u>\$832,363</u>

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 \$52,965 and the bank balance was \$90,936. The bank balance is categorized as follows:

Amount insured by the FDIC	\$90,936
Amount uncollateralized and uninsured	-
Total	<u>\$90,936</u>

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, 2021, 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
<i>Equity securities:</i>				
Michigan Liquid Asset Fund	\$779,398 *	\$-	\$779,398	\$-
Total	\$779,398	\$-	\$779,398	\$-

*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 \$653,899. Of that balance, \$429,967 is due from the State of Michigan for State Aid and \$223,932 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	\$-	\$-	\$-
School Activities Fund	1,303	-	1,303
Total Due From	\$1,303	\$-	\$1,303

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 OUT TO OTHER FUNDS			
	General Fund	Food Service Fund	School Activities Fund	Total Transfers In
General Fund	\$-	\$5,666	\$-	\$5,666
Food Service Fund	13	-	-	13
School Activities Fund	-	-	-	-
Total Transfers Out	<u>\$13</u>	<u>\$5,666</u>	<u>\$-</u>	<u>\$5,679</u>

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 7/01/2020	Additions	Disposals	Balance at 6/30/2021
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land	\$470,000	\$-	\$-	\$470,000
Subtotal	<u>470,000</u>	<u>-</u>	<u>-</u>	<u>470,000</u>
Capital assets being depreciated:				
Buildings and improvements	2,988,987	-	-	2,988,987
Site improvements	402,137	-	-	402,137
Furniture and equipment	40,792	-	-	40,792
Subtotal	<u>3,431,916</u>	<u>-</u>	<u>-</u>	<u>3,431,916</u>
Less accumulated depreciation:				
Buildings and improvements	(656,474)	(66,433)	-	(722,907)
Site improvements	(135,722)	(20,107)	-	(155,829)
Furniture and equipment	(10,624)	(3,223)	-	(13,847)
Total Accumulated Depreciation	<u>(802,820)</u>	<u>(89,763)</u>	<u>-</u>	<u>(892,583)</u>
Governmental Activities Capital Assets, Net	<u>\$3,099,096</u>	<u>(\$89,763)</u>	<u>-</u>	<u>\$3,009,333</u>

NOTE F – ACCRUED LIABILITIES:

A summary of accrued liabilities at June 30, 2021 is as follows:

Accrued wages	\$121,639
Accrued fringes	43,228
Other accrued expenses	1,151
Total	<u>\$166,018</u>

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, 2021, is as follows:

	Balance 6/30/20	Additions	Deductions	Balance 6/30/21
State Anticipation Note:				
2019-2020	\$422,514	\$-	(\$422,514)	\$-
2020-2021	-	407,153	(75,889)	331,264
Total	<u>\$422,514</u>	<u>\$407,153</u>	<u>(\$498,403)</u>	<u>\$331,264</u>

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 \$407,153 and bears interest. The total amount of the principal and interest was payable in August 2021 but was subsequently renewed from August 2021 with a maturity of August 2022. 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 6/30/2020	Additions	Deductions	Balance 6/30/2021	Due in One year
Governmental Activities:					
Bonds Payable:					
Qualified School					
Construction Bond	\$724,705	\$-	(\$103,530)	\$621,175	\$103,529
Notes Payable:					
2018 Refinancing Note	1,077,184	-	(57,970)	1,019,214	61,569
Lease Payable:					
Telephone Equipment	8,571	-	(2,857)	5,714	2,857
Total	<u>\$1,810,460</u>	<u>\$-</u>	<u>(\$164,357)</u>	<u>\$1,646,103</u>	<u>\$167,955</u>

NOTE H – LONG-TERM DEBT (Continued):

Long-term debt at June 30, 2021 consists of the following:

**Qualified School Construction Bond
June 30, 2021**

Fiscal Year	November 1	May 1		Total
	Interest	Interest	Principal	
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	8,024	8,024	103,529	119,577
2027	4,012	4,012	103,530	111,554
Total	\$84,248	\$84,248	\$621,175	\$789,671

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, 2021**

Fiscal Year	Interest	Principal	Total
2022	\$59,807	\$61,569	\$121,376
2023	46,910	957,645	1,004,555
Total	\$106,717	\$1,019,214	\$1,125,931

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, 2021**

Fiscal Year	Interest	Principal	Total
2022	\$-	\$2,857	\$2,857
2023	-	2,857	2,857
Total	\$-	\$5,714	\$5,714

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, 2021, the aggregate maturities of long-term debt are as follows:

NOTE H – LONG-TERM DEBT (Continued):

	Interest	Principal	Total
2022	\$107,949	\$167,955	\$275,904
2023	87,028	1,064,031	1,151,059
2024	32,094	103,529	135,623
2025	24,070	103,529	127,599
2026	16,048	103,529	119,577
2027	8,024	103,530	111,554
Total	<u>\$275,213</u>	<u>\$1,646,103</u>	<u>\$1,921,316</u>

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, 2021, 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
Prepays	13,303	-	-	13,303
Restricted:				
Food service	-	-	15,042	15,042
Committed:				
School activities	-	22,532	-	22,532
Assigned:				
FY21/22 budget shortfall	29,875	-	-	29,875
Unassigned	827,384	-	-	827,384
Total Fund Balances	<u>\$883,262</u>	<u>\$22,532</u>	<u>\$15,042</u>	<u>\$920,836</u>

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 92 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, 2021, 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 2020 - August 2021.

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:

Grant Assistance

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.

Contributions

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

Employer contributions to the 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, 2019 valuation will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

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

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0-4.0%	19.41%
Member Investment Plan	3.0-7.0%	19.41%
Pension Plus	3.0-6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the Academy were \$319,545 for the year ended September 30, 2020.

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

At June 30, 2021, the Academy reported a liability of \$3,994,245 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. The 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, 2020, the Academy's proportion was 0.01162771 percent, which was a decrease of 0.00018801 percent from its proportion measured as of September 30, 2019.

For the year ended June 30, 2021, the Academy recognized pension expense of \$573,160. At June 30, 2021, 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	\$61,029	(\$8,525)
Changes of assumptions	442,601	-
Net difference between projected and actual earnings on pension plan investments	16,782	-
Changes in proportion and differences between the employer contributions and proportionate share of contributions	11,306	(87,844)
Subtotal	<u>531,718</u>	<u>(\$96,369)</u>
Employer contributions subsequent to the measurement date	<u>307,746</u>	
Total	<u>\$839,464</u>	

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

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

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)	
Year Ended September 30	Amount
2021	\$213,494
2022	134,361
2023	66,287
2024	21,207
Total	<u>\$435,349</u>

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, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans	6.80% net of investment expenses
- Pension Plus	6.80% net of investment expenses
- Pension Plus 2	6.00% net of investment expenses
Projected Salary Increases	2.75 – 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
- Retirees	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
- Active members	RP-2014 Male and Female 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, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4892
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at 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, 2020, are summarized in the following table:

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

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

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

Rate of Return

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

<u>1% Decrease</u>	<u>Current Single Discount Rate Assumption</u>	<u>1% Increase (Non-Hybrid/Hybrid)</u>
<u>5.80% / 6.80% / 5.00%*</u>	<u>6.80% / 6.80% / 6.00%*</u>	<u>7.80% / 7.80% / 7.00%*</u>
\$5,169,872	\$3,994,245	\$3,019,912

* 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 (MPERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS Comprehensive Annual Financial Report, available on the ORS website at Michigan.gov/ORSSchools.

Payables to the Michigan Public Schools Employees' Retirement System (MPERS)

At June 30, 2021, the Academy reported a payable of \$28,756 for the outstanding amount of contributions to the pension and OPEB plan required for the year ended June 30, 2021.

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 MPERS had the option to increase, maintain, or stop their contributions to the pension fund as of the transition date. Members of MPERS 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 MPERS. 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 MPERS. 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, 2021, was \$56,097 which consisted of \$19,408 from the Academy and \$36,689 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, 2021, was \$19,766 which consisted of \$9,883 from the Academy and \$9,883 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, 2019, valuation will be amortized over a 19-year period beginning October 1, 2019, and ending September 30, 2038.

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

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.00%	8.09%
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, 2020.

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

At June 30, 2021, the Academy reported a liability of \$640,641 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. The 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, 2020, the Academy's proportion was 0.01195836 percent, which was a decrease of 0.00008413 percent from its proportion measured as of October 1, 2019.

For the year ended June 30, 2021, the Academy recognized OPEB expense of (\$22,156). At June 30, 2021, 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	\$ -	(\$477,338)
Changes of assumptions	211,232	-
Net difference between projected and actual earnings on OPEB plan investments	5,347	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,310	(26,876)
Subtotal	<u>223,889</u>	<u>(\$504,214)</u>
Employer contributions subsequent to the measurement date	<u>63,783</u>	
Total	<u>\$287,672</u>	

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future OPEB Expenses)	
Year Ended September 30	Amount
2021	(\$75,254)
2022	(67,773)
2023	(56,869)
2024	(46,012)
2025	(34,417)
Total	<u>(\$280,325)</u>

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% net of investment expenses
Healthcare Cost Trend Rate:	7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 120
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: 5.6018

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 5.24%. 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	Current Discount Rate	1% Increase
5.95%	6.95%	7.95%
\$822,977	\$640,641	\$487,103

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):

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
\$481,253	\$640,641	\$821,926

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2020 MPSERS Comprehensive Annual Financial Report, available on the ORS website at Michigan.gov/ORSSchools.

NOTE P – SINGLE AUDIT:

The Academy's audited financial statements report a total of \$485,537 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, 2021.

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

None.

Other Recently Issued Accounting Pronouncements

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. GASB 90 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. This statement defines when a majority equity interest should be measured using the equity method or measured at fair value. It further establishes when a governmental unit is required report a legally separate organization as a component unit due to ownership of a majority interest in the legally separate organization. This Statement 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. 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 does not have equity interests that meet the criteria for GASB 90; therefore, GASB 90 is not applicable to the Academy.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. GASB 93 will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. 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

NOTE Q – NEW GASB STANDARDS (Continued):

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. 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. This Statement was originally effective for periods beginning after June 15, 2019. However, under GASB 95, the effective date was postponed by one year, to periods beginning after June 15, 2020. The Academy does not have agreements that meet the criteria for GASB 93; therefore, GASB 93 is not applicable to the Academy.

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.

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 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 R – UPCOMING STANDARDS (Continued):

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.
- 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.

NOTE R – UPCOMING STANDARDS (Continued):

- 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):

GASB 94: Public-Private and Public-Public Partnerships and Availability Payment 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 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 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 assets (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.

GASB 95: Postponement of the Effective Dates of Certain Authoritative Guidance *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*

NOTE R – UPCOMING STANDARDS (Continued):

- 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.

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.

NOTE R – UPCOMING STANDARDS (Continued):

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 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

As the world and the nation continue to respond to COVID-19 pandemic schools in Michigan have mostly gone back to in-person instruction. Local school districts are working with the local health officials and other area schools to develop a cohesive response tailored to the local environment. The new Delta variant of the COVID-19 virus is an area of concern as it has infected both vaccinated and unvaccinated individuals. Vaccination rates continue to increase, but the vaccines are still only available to individuals ages 12 and older. The authorization of a vaccine for use on individuals less than 12 years of age is anticipated to happen sometime in the fall.

During the year the President and Congress passed the American Rescue Plan Act in effort to continue to assist individuals, States, and local governments with the negative impacts COVID-19 has had. Part of the Act continues funding to certain programs, increases funding to existing programs, and creates new programs. As with the previous school year, schools who participated in the National School Lunch Program (NSLP), National School Breakfast Program (SBP), and the Summer Food Service Program are again able to offer free breakfast and lunch to all students. Funding for the Elementary and Secondary School Emergency Relief (ESSER) fund was expanded, and the granting period was extended.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Academy's proportion of net pension liability	0.0116278%	0.0118157%	0.0120941%	0.0120807%	0.0117083%	0.0116911%	0.0115600%
Academy's proportionate share of net pension liability	\$ 3,994,245	\$ 3,912,969	\$ 3,635,699	\$ 3,130,631	\$ 2,921,118	\$ 2,855,559	\$ 2,546,889
Academy's covered-employee payroll	\$ 1,077,057	\$ 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	370.85%	366.44%	342.69%	300.99%	288.91%	296.93%	268.70%
Plan fiduciary net position as a percentage of total pension liability	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%
Notes to Required Supplementary Information:							
Changes in benefit terms:	<i>NONE</i>						
Changes in assumptions:	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>

2020 - Recognition period for liabilities decreased from 4.4977 to 4.4892

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>			
Statutorily required contributions	\$ 346,811	\$ 322,807	\$ 321,111	\$ 304,735	\$ 344,277	\$ 329,249	\$ 250,431			
Contributions in relation to statutorily required contributions	<u>346,811</u>	<u>322,807</u>	<u>321,111</u>	<u>304,735</u>	<u>344,277</u>	<u>329,249</u>	<u>250,431</u>			
Contributions deficiency (excess)	<u>\$ -</u>									
Academy's covered-employee payroll	\$ 1,055,949	\$ 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	32.84%	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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>					
Academy's proportion of net OPEB liability	0.0119584%	0.0120425%	0.0123265%	0.0121811%					
Academy's proportionate share of net OPEB liability	\$ 640,641	\$ 864,380	\$ 979,826	\$ 1,078,696					
Academy's covered-employee payroll	\$ 1,077,057	\$ 1,067,835	\$ 1,060,939	\$ 1,040,099					
Academy's proportionate share of net OPEB liability as a percentage of covered-employee payroll	59.48%	80.95%	92.35%	103.71%					
Plan fiduciary net position as a percentage of total OPEB liability	59.44%	48.46%	42.95%	36.39%					

Notes to Required Supplementary Information:

Changes in benefit terms:	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>
Changes in assumptions:	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>NONE</i>

2020 - Healthcare Cost Trend Rate decreased from 7.5% to 7.0%
- Recognition period for liabilities decreased from 5.7101 to 5.6018

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>						
Statutorily required contributions	\$ 80,433	\$ 78,457	\$ 79,705	\$ 75,786						
Contributions in relation to statutorily required contributions	80,433	78,457	79,705	75,786						
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -						
Academy's covered-employee payroll	\$ 1,055,949	\$ 1,071,681	\$ 1,084,156	\$ 1,041,730						
Contributions as a percentage of covered-employee payroll	7.62%	7.32%	7.35%	7.27%						

North Star Academy
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	\$ 248,850	\$ 239,518	\$ 218,325	\$ (9,332)	\$ (21,193)
State sources	2,197,725	2,366,383	2,356,418	168,658	(9,965)
Federal sources	42,261	406,608	381,402	364,347	(25,206)
TOTAL REVENUES	2,488,836	3,012,509	2,956,145	523,673	(56,364)
EXPENDITURES:					
Instruction:					
Basic programs	1,086,613	1,150,215	1,068,329	(63,602)	81,886
Added needs	165,183	232,665	232,439	(67,482)	226
Total Instruction	1,251,796	1,382,880	1,300,768	(131,084)	82,112
Supporting Services:					
Pupil services	106,314	113,951	112,579	(7,637)	1,372
Instructional staff	27,752	73,503	73,523	(45,751)	(20)
General administration	235,789	244,345	239,989	(8,556)	4,356
School administration	202,965	203,258	209,822	(293)	(6,564)
Business services	85,540	79,940	75,670	5,600	4,270
Operation and maintenance	209,111	204,023	168,046	5,088	35,977
Transportation	167,400	168,810	168,646	(1,410)	164
Central	13,500	15,451	14,974	(1,951)	477
Other	-	-	-	-	-
Total Supporting Services	1,048,371	1,103,281	1,063,249	(54,910)	40,032
Community Services:					
Community services	-	1,900	1,176	(1,900)	724
Total Community Services	-	1,900	1,176	(1,900)	724
Facilities Acquisition, Construction, and Improvement:					
Capital Outlay	-	-	-	-	-
Total Facilities Acquisition, Construction, and Improvement	-	-	-	-	-
Debt Service:					
Principal payments	163,643	163,643	164,356	-	(713)
Interest payments	120,067	120,067	120,068	-	(1)
Total Debt Service	283,710	283,710	284,424	-	(714)
Other:					
Other expenses	-	-	-	-	-
Total Other	-	-	-	-	-
TOTAL EXPENDITURES	2,583,877	2,771,771	2,649,617	(187,894)	122,154
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(95,041)	240,738	306,528	335,779	65,790
OTHER FINANCING SOURCES (USES):					
Loan proceeds	-	-	-	-	-
Other sources	-	-	-	-	-
Transfers in	-	5,788	5,666	5,788	(122)
Transfers (out)	(7,815)	-	(13)	7,815	(13)
TOTAL OTHER FINANCING SOURCES (USES)	(7,815)	5,788	5,653	13,603	(135)
NET CHANGE IN FUND BALANCE	(102,856)	246,526	312,181	349,382	65,655
Fund Balance, July 1	571,081	571,081	571,081	-	-
FUND BALANCE, JUNE 30	\$ 468,225	\$ 817,607	\$ 883,262	\$ 349,382	\$ 65,655

OTHER SUPPLEMENTAL INFORMATION

North Star Academy

NON-MAJOR GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2021

	Special Revenue Funds		Total
	School Activities Fund	Food Service Fund	Non-major Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 23,835	\$ 13,966	\$ 37,801
Accounts receivable	-	483	483
Due from other governmental units	-	593	593
Due from other funds	-	-	-
Inventory	-	-	-
TOTAL ASSETS	<u>23,835</u>	<u>15,042</u>	<u>38,877</u>
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 23,835</u>	<u>\$ 15,042</u>	<u>\$ 38,877</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Due to other funds	1,303	-	1,303
Due to other governmental units	-	-	-
TOTAL LIABILITIES	<u>1,303</u>	<u>-</u>	<u>1,303</u>
DEFERRED INFLOWS OF RESOURCES	-	-	-
FUND BALANCES			
Non-spendable	-	-	-
Restricted	-	15,042	15,042
Committed	22,532	-	22,532
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>22,532</u>	<u>15,042</u>	<u>37,574</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 23,835</u>	<u>\$ 15,042</u>	<u>\$ 38,877</u>

North Star Academy

NON-MAJOR GOVERNMENTAL FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2021

	Special Revenue Funds		Total Non-major Governmental Funds
	School Activities Fund	Food Service Fund	
REVENUES:			
Local sources	\$ 18,286	\$ 4,347	\$ 22,633
State sources	-	5,808	5,808
Federal sources	-	104,135	104,135
	<u>18,286</u>	<u>114,290</u>	<u>132,576</u>
TOTAL REVENUES			
	<u>18,286</u>	<u>114,290</u>	<u>132,576</u>
EXPENDITURES:			
School activities	17,506	-	17,506
Food service activities	-	109,471	109,471
Capital outlay	-	-	-
	<u>17,506</u>	<u>109,471</u>	<u>126,977</u>
TOTAL EXPENDITURES			
	<u>17,506</u>	<u>109,471</u>	<u>126,977</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>780</u>	<u>4,819</u>	<u>5,599</u>
OTHER FINANCING SOURCES (USES):			
Other sources	-	-	-
Transfers in	-	13	13
Transfers (out)	-	(5,666)	(5,666)
	<u>-</u>	<u>(5,653)</u>	<u>(5,653)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
	<u>-</u>	<u>(5,653)</u>	<u>(5,653)</u>
NET CHANGE IN FUND BALANCE	780	(834)	(54)
Fund Balance, July 1	21,752	15,876	37,628
	<u>21,752</u>	<u>15,876</u>	<u>37,628</u>
FUND BALANCE, JUNE 30	<u>\$ 22,532</u>	<u>\$ 15,042</u>	<u>\$ 37,574</u>

North Star Academy

SCHOOL ACTIVITIES FUND

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

For the Year Ended June 30, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
School activities	\$ 30,000	\$ 18,286	\$ (11,714)
State sources	-	-	-
Federal sources	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	30,000	18,286	(11,714)
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
School activities	30,000	17,506	12,494
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	30,000	17,506	12,494
	<hr/>	<hr/>	<hr/>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	-	780	780
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):			
Other sources	-	-	-
Transfers in	-	-	-
Transfers (out)	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	-	780	780
	<hr/>	<hr/>	<hr/>
Fund Balance, July 1	21,752	21,752	-
	<hr/>	<hr/>	<hr/>
FUND BALANCE, JUNE 30	\$ 21,752	\$ 22,532	\$ 780
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

North Star Academy

FOOD SERVICE FUND

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

For the Year Ended June 30, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Food service activities	\$ 4,000	\$ 4,347	\$ 347
State sources	5,807	5,808	1
Federal sources	111,000	104,135	(6,865)
TOTAL REVENUES	120,807	114,290	(6,517)
EXPENDITURES:			
Food Service Activities:			
Salaries	17,875	17,654	221
Employee benefits	12,155	11,535	620
Purchased services	57,000	56,178	822
Supplies and materials	25,700	23,350	2,350
Capital outlay	-	-	-
Dues and fees	800	754	46
Other	-	-	-
TOTAL EXPENDITURES	113,530	109,471	4,059
EXCESS REVENUES OVER (UNDER) EXPENDITURES	7,277	4,819	(2,458)
OTHER FINANCING SOURCES (USES):			
Other sources	-	-	-
Transfers in	-	13	13
Transfers (out)	(5,788)	(5,666)	122
TOTAL OTHER FINANCING SOURCES (USES)	(5,788)	(5,653)	135
NET CHANGE IN FUND BALANCE	1,489	(834)	(2,323)
Fund Balance, July 1	15,876	15,876	-
FUND BALANCE, JUNE 30	\$ 17,365	\$ 15,042	\$ (2,323)

COMPLIANCE SECTION



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, 2021, and the related notes to the financial statements, which collectively comprise the Academy basic financial statements and have issued our report thereon dated October 22, 2021.

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.

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

Board of Education of the
North Star Academy

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, PLLC
Certified Public Accountants

October 22, 2021

COMMUNICATIONS SECTION



North Star Academy
Report to Management
For the Year Ended June 30, 2021

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, 2021, 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, PLLC
Certified Public Accountants

October 22, 2021



North Star Academy
Communication with Those Charged with Governance
For the Year Ended June 30, 2021

October 22, 2021

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, 2021. 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 July 6, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Academy are described in the footnotes to the financial statements. Newly adopted GASB standards are disclosed in the notes to the financial statements. 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 (MPERS) 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 (MPERS) 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 MPERS' Comprehensive Annual Financial Report of the Fiscal Year Ended September 30, 2020.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 22, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the 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*.

Other Matters

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

Board of Education of the
North Star Academy

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, PLLC
Certified Public Accountants