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Independent Auditor's Report

To the Board of Directors of
Detroit Edison Public School Academy

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining information of Detroit Edison Public School Academy, as of and for the year ended June 30, 2018, 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. 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 evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Members: A.I.C.P.A. and M.I.C.P.A.

To the Board of Directors
Detroit Edison Public School Academy

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Detroit Edison Public School Academy as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles 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 the budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Government Auditing 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Detroit Edison Public School Academy's basic financial statements. The nonmajor funds combining statement of revenues, expenditures, and changes in fund balances – special revenue funds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The nonmajor funds combining statement of revenues, expenditures, and changes in fund balances, statement of revenue and expenditures – budget and actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor funds combining statement of revenues, expenditures, and changes in fund balances, statement of revenue and expenditures – budget and actual are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors
Detroit Edison Public School Academy

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2018, on our consideration of Detroit Edison Public School Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Detroit Edison Public School Academy's internal control over financial reporting and compliance.

Wilkinson & Associates PC

October 16, 2018

**DETROIT EDISON
PUBLIC SCHOOL ACADEMY**

**Financial Report
with Supplemental Information
and Single Audit Report
June 30, 2018**

DETROIT EDISON PUBLIC SCHOOL ACADEMY

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Detroit Edison Public School Academy

Management's Discussion and Analysis

This section of Detroit Edison Public School Academy's annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2018. Please read it in conjunction with the Academy's basic financial statements, which immediately follow this section.

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 Detroit Edison Public School Academy financially as a whole. The Academy-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the Academy-wide financial statements by providing information about the Academy's most significant funds - the General Fund and Food Service Fund - with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the Academy acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

Academy-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information) Budgetary Information for Major Funds

Other Supplemental Information

Reporting the Academy as a Whole - Academy-wide Financial Statements

One of the most important questions asked about the Academy 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, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way to answer this question. The statements are prepared to include all assets and liabilities, 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 - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net assets (as reported in the statement of activities) are indicators 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 commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the school, to assess the overall health of the Academy.

The statement of net position and the statement of activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction, support services, food services, and community 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

The Academy's fund financial statements provide detailed information about the most significant fund - not the Academy as a whole. Some funds are required to be established by state law and by bond covenants. However, the Academy establishes other funds to help it control and manage money for particular purposes (the Food Services Fund and Community Service Fund, for example).

Governmental Funds - All of the Academy's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information helps determine the level of financial resources that can be spent in the near future to finance the Academy's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in the reconciliation.

The Academy as Trustee - Reporting the Academy's Fiduciary Responsibilities

The Academy is the trustee, or fiduciary, for its student activity funds. All of the Academy's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the Academy's other financial statements because the Academy cannot use these assets to finance its operations. The Academy is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Academy as a Whole

Recall that the statement of net assets provides the perspective of the Academy as a whole. Table I provides a summary of the Academy's net assets as of June 30, 2018 and 2017.

TABLE I

Governmental Activities

	30-Jun 2018	30-Jun 2017
Assets		
Current and other assets	\$ 3,198,179	\$ 2,999,336
Capital assets	19,441,645	20,444,673
Total assets	22,639,824	23,444,009
Deferred outflows Related to Pension	338,123	257,536
Deferred outflows Related to OPEB	18,577	-
Liabilities		
Current liabilities	3,162,757	2,823,996
Long-term liabilities	19,873,127	20,109,975
Total liabilities	\$ 23,035,884	\$ 22,933,972
Deferred Inflows Related To Pension	309,673	245,527
Deferred Inflows Related To OPEB	16,981	-
Revenue earned but not received	4,110	43,195
Net Position		
Invested in capital assets – Net of related debt	\$ (643,440)	\$ 147,630
Restricted For:		
Capital Projects	278,348	338,605
Food Service	-	-
Net Pension Liability	(1,462,586)	(1,444,098)
Net Pension Liability	(500,688)	-
Unrestricted (deficit)	1,958,242	1,436,714
Total net position	\$ (370,124)	\$ 478,851

The above analysis focuses on the net position. The change in net position (see Table 2) of the Academy's governmental activities is discussed below. The Academy's net position was \$(370,124) at June 30, 2018. Capital assets totaling \$(643,440) compares the original cost (less depreciation) of the Academy's capital assets to long-term debt used to finance the acquisition of those assets. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Academy's ability to use those net assets for day-to-day operations. The Academy has restricted net assets for capital projects of \$278,348 the remaining amount is unrestricted net assets of \$1,958,242 that is used in daily operations of the Academy.

The District implemented GASB 68, which required the District to recognize a significant actuarial long term liability in the amount of \$1,491,036. This fiscal year the District also implemented GASB 75, which also required the District to recognize a long term liability for Other Post-Employment Benefits related to MSPERS in the amount of \$502,284.

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 change in net position for fiscal years 2018 and 2017.

TABLE 2 Revenue

	Governmental Activities	
	2018	2017
Program Revenue:		
Charges for services	\$ 144,420	\$ 129,282
Federal grants and entitlements	1,451,244	1,133,520
State categorical	1,009,519	965,567
Local Revenues	335,380	316,352
General revenue:		
State foundation allowance	10,790,577	10,094,225
Other	1,103	1,135
Total revenue	\$ 13,732,243	\$ 12,640,081
Functions/Program Expenses		
Instruction	\$ 4,462,438	\$ 4,688,996
Support services	6,489,927	5,743,661
Food services	609,635	629,432
Community services	67,209	108,583
Sinking Fund Payment	298,974	298,974
Interest on long-term debt	1,085,756	1,110,647
Depreciation (unallocated)	1,048,103	1,040,216
Net Pension Expense	18,488	(97,239)
Net OPEB Expense	(8,194)	-
Total functions/program expenses	\$ 14,072,336	\$ 13,523,270
Prior Period Adjustment (OPEB)	\$ (508,882)	\$ -
Change in Net Position	\$ (848,975)	\$ (883,190)

As reported above, the cost of all governmental activities this year was \$13,732,243. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and other revenues of \$1,451,244.

The Academy experienced a decrease in net position of \$ 848,975 due to the implementation of GASB 75 to recognize the Net OPEB Expense (Note 11).

Detroit Edison Public School Academy

Management's Discussion and Analysis (Continued)

As discussed above, the net cost shows the financial burden by each of the functions. Since unrestricted state aid constitutes the vast majority of Academy operating revenue sources, the board of directors and administration must annually evaluate the needs of the Academy and balance those needs with state-prescribed available unrestricted resources.

The Academy's Funds

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

General Fund balance is available to fund costs related to allowable school operating purposes.

General Fund Budgetary Highlights

Over the course of the year, the Academy may revise its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted just before year end. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of the basic financial statements.

There were revisions made to the 2017-2018 General Fund original budget. Budgeted revenues were increased by \$725,641 due to an increase in pupil count, increase in foundation allowance and an increase in funding for Section 31a.

Budgeted expenditures were increased by \$603,829 as the costs anticipated and associated with increased pupil support, staff support and operations and maintenance was added to the Final Budget.

Significant variances between the final budget and actual amounts are disclosed in the notes to the financial statements.

Detroit Edison Public School Academy

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2018, the Academy had \$26,018,608 invested in a broad range of capital assets, including buildings land, leasehold improvements and furniture and equipment.

	<u>2018</u>	<u>2017</u>
Construction in progress	\$ -	\$ -
Land	622,840	622,840
Buildings	22,009,997	21,964,923
Building Improvements	1,266,444	1,266,443
Furniture and equipment	2,119,328	2,119,328
Total Capital Assets	<u>\$ 26,018,609</u>	<u>\$ 25,973,534</u>

This year's additions of \$45,075 is related to upgrading the exterior of the K8 building.

We will present more detailed information about our capital assets in the notes to the basic financial statements.

Debt

At the end of this year, the Academy has long-term debt outstanding of \$20,085,085. This includes long term financing of the high school, long term financing of the K-8 Building/Athletic Facility, the Academy's share of the MPSE's net pension liability and the Academy's share of MSPER's net OPEB liability.

More detailed information about long-term liabilities is included in the notes to the basic financial statements.

Detroit Edison Public School Academy

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The Academy considers many factors when determining the budget. One of the most important factors affecting the budget is student enrollment. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2018 fiscal year is 90 percent and 10 percent of the September 2017 and February 2018 student counts, respectively. The 2018/19 budget was adopted in June 2018, based on an estimate of students who will be enrolled in September 2018. Approximately 79 percent of total General Fund revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2019 school year, we anticipate that the fall student count will be close to the estimate used in creating the 2019 budget. Once the final student count and related per pupil funding are validated, state law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations.

Since the Academy's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to academies. The State periodically holds a revenue-estimating conference to estimate revenues. If the State estimated funds are not sufficient to fund the appropriation, the legislature must revise the appropriation or prorating of state aid will occur. The impact on the Academy of a possible State projected revenue shortfall is not known.

DETROIT EDISON PUBLIC SCHOOL ACADEMY

STATEMENT OF NET POSITION

June 30, 2018

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 3)	703,088
Investments (note 3)	-
Due From General Fund	-
Other receivables	
State aid	2,417,797
Other	36,582
Inventories and prepaid expenses	40,712
Capital assets, net of accumulated depreciation (Note 4)	<u>19,441,645</u>
Total assets	22,639,824
Deferred Outflows of Resources	
Deferred Outflows Related to Pension	338,123
Deferred Outflows Related to OPEB	<u>18,577</u>
Liabilities	
Accounts payable	357,158
Accrued payroll and benefits	90,414
Other Accrued Expenditures	62,251
Other Current Liabilities	216,308
State Aid Note	222,919
Due to Student Groups	8,429
Current portion of LTD	211,958
Net Pension Liability (Note 10)	1,491,036
Net OPEB Liability (Note 11)	502,284
Long-term liabilities	
Debt, net of premiums and discounts (Note 5)	19,873,127
Total liabilities	<u>23,035,884</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pension	309,673
Deferred Inflows Related to OPEB	16,981
Revenue earned but not received	<u>4,110</u>
Total Deferred Inflows of Resources	330,764
Net Assets	
Invested in capital assets, net of related debt	(643,440)
Restricted for	
Food service	-
Capital Projects	278,348
Net Pension Liability	(1,462,586)
Net OPEB Liability	(500,688)
Unrestricted	<u>1,958,242</u>
Total net position June 30, 2018	<u><u>(370,124)</u></u>

DETROIT EDISON PUBLIC SCHOOL ACADEMY

STATEMENT OF ACTIVITIES For the Twelve Months Ended June 30, 2018

		Program Revenues		Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenues and Change in Net Position
Functions/Programs				
Governmental activities				
Instruction	4,462,438	-	-	(4,462,438)
Support services	6,489,927	-	957,190	(5,532,737)
Food services	609,635	14,546	494,054	(101,035)
Community services	67,209	129,874	-	62,665
Debt Payments - Principal	-	-	-	-
Interest on long-term debt	1,085,756	-	-	(1,085,756)
Sinking Fund Payment	298,974	-	-	(298,974)
Depreciation (unallocated) (Note 4)	1,048,103	-	-	(1,048,103)
Net Pension Expense	18,488	-	-	(18,488)
Net OPEB Expense	(8,194)	-	-	8,194
	14,072,336	144,420	1,451,244	(12,476,672)
General revenues				
State aid				
Formula grants - unrestricted				10,790,577
Restricted				1,009,519
Investment earnings				1,103
Local Revenues				335,380
Deferred inflows of resources				
Net Transfers In (out)				-
				12,136,579
Prior Period Adjustments				(508,882)
Change in Net Position				(848,975)
Net Position - July 1, 2017				478,851
Net Position - June 30, 2018				(370,124)

See accompanying notes to financial statements

DETROIT EDISON PUBLIC SCHOOL ACADEMY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE TO GOVERNMENTAL NET POSITION

June 30, 2018

Total fund balances - governmental funds	2,236,590
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, not reported as assets in governmental funds:	
Cost of capital assets	26,018,609
Accumulated depreciation	(6,576,964)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds:	
Bonds payable (net of Set Asides)	(20,085,085)
Net Pension Liability	(1,462,586)
Net OPEB Liability	(500,688)
Accrued interest payable is not included as a liability in governmental activities	<hr/>
Total net position - governmental activities	<hr/> <hr/> <u>(370,124)</u>

See accompanying notes to financial statements

DETROIT EDISON PUBLIC SCHOOL ACADEMY

BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2018

ASSETS

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	424,740	278,348	703,088
Accounts receivables	36,582	-	36,582
Due from other funds	(10,819)	10,819	-
Due from other governmental entities	2,415,756	2,041	2,417,797
Prepaid expenses	40,712	-	40,712
	2,906,971	291,208	3,198,179
Total assets	2,906,971	291,208	3,198,179

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable	344,298	12,860	357,158
Accrued payroll and benefits	90,414	-	90,414
Other Accrued Expenditures	62,251	-	62,251
Due to other governmental funds (note 8)	-	-	-
Due to Student Activities	8,429	-	8,429
State Aid Note Payable	222,919	-	222,919
Deferred revenue	4,110	-	4,110
Other Current Liabilities	216,308	-	216,308
	948,729	12,860	961,589
Total liabilities	948,729	12,860	961,589

Fund Balances

Restricted			
Capital projects	-	278,348	278,348
Special Revenue Fund - Food service	-	-	-
Unassigned	1,958,242	-	1,958,242
	1,958,242	278,348	2,236,590
Total fund balances	1,958,242	278,348	2,236,590
Total liabilities and fund balances	2,906,971	291,208	3,198,179

See accompanying notes to financial statements

DETROIT EDISON PUBLIC SCHOOL ACADEMY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Twelve Months Ended June 30, 2018

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Interest/earnings on investments	631	472	1,103
Local Revenues	335,380	144,420	479,800
State aid	11,785,659	14,436	11,800,095
Federal aid	957,190	494,054	1,451,244
	13,078,860	653,382	13,732,242
Expenditures			
Instruction			
Basic Instruction	3,966,837		3,966,837
Added Needs	495,601	-	495,601
Support services			
Pupil	500,041	-	500,041
Instructional Staff	1,675,840	-	1,675,840
General Administration	1,044,236	-	1,044,236
School Administration	737,377	-	737,377
Business services	169,891	66,200	236,091
Operations and Maintenance	1,385,921	-	1,385,921
Pupil Transportation	169,726	-	169,726
Central Services	550,447	-	550,447
Athletics	190,247	-	190,247
Other Support Services	-	-	-
Food Services	-	609,635	609,635
Community services	6,461	-	6,461
Capital Outlay		45,075	45,075
Debt service			
Interest	1,085,756	-	1,085,756
Debt service	211,958	-	211,958
Sinking Fund	298,974	-	298,974
Custody and Care of Children	-	60,748	60,748
	12,489,313	781,658	13,270,971
Revenues Over (Under) Expenditures	589,547	(128,276)	461,271
Other Financing (Sources) Uses			
Proceeds from issuance of LTD	-	-	-
Operating transfers	68,019	(68,019)	-
	68,019	(68,019)	-
Net Change in Fund Balances	521,528	(60,257)	461,271
Fund Balance - July 1, 2017	1,436,714	338,605	1,775,319
Fund Balance - July 1, 2018	1,958,242	278,348	2,236,590

See accompanying notes to financial statements

DETROIT EDISON PUBLIC SCHOOL ACADEMY

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

For the Twelve Months Ended June 30, 2018

Total net change in fund balances - governmental funds	\$	461,271
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Depreciation expense		(1,048,103)
Capital outlay subject to capitalization		45,075
Prior period accumulated depreciation adjustment		-
Some expenses are recorded in the statement of activities when incurred; they are not reported in governmental funds until paid:		
Accrued liabilities		
Compensated absences		
Pension Related Items		(18,488)
Other Post Employment Benefits related items		8,194
Other Postemployment benefits prior period Adjustment to Fund Balance		(508,882)
Repayment of principal and issuance costs are an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt):		
Debt service principal		211,958
Capital lease expenditures		-
Decreases in severance liabilities are reported as expenditures when financial resources are used in the governmental funds		
Amortization of bond issuance costs in the statement of activities		-
Change in net position of governmental activities	\$	(848,975)

See accompanying notes to financial statements

**DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The Academy is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Oakland University is the authorizing body for the Academy and has contracted with the Academy to charter a public school academy through June 30, 2022. The Academy's board of directors is approved by the authorizing body and is authorized to manage the Academy and the property and affairs of the Academy. The Academy paid the Oakland University board of trustees 3 percent of the total state funds received as administrative fees. The total administrative fee for the year ended June 30, 2018 to the Oakland University board of trustees was approximately \$342,693.

The Academy has followed the guidelines of Governmental Accounting Standards Board Statement No. 14 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the Academy's financial statements only.

Academy-wide and Fund Financial Statements

The Academy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Academy. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Academy-wide activities are considered governmental activities.

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

**DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 1 - Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds and the fiduciary fund, even though the latter is excluded from the Academy-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

As a general rule, the effect of inter-fund activity has been eliminated from the Academy-wide financial statements.

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

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

The Academy reports the following major governmental funds:

General Fund - The General Fund is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note I - Summary of Significant Accounting Policies (Continued)

Food Service Fund - The Food Service Fund is a Special Revenue Fund that is used to record all activity related the Academy's food service program including breakfast and lunch. Any operating deficit generated by this fund is the responsibility of the General Fund.

Additionally, the Academy reports the following fund types:

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The Academy's Special Revenue Funds include the Athletics Fund and Community Service Fund. Any operating deficit generated by these activities is the responsibility of the General Fund.

Capital Projects Fund - This fund records the revenue and expenditures for the construction project related to the new high school.

Fiduciary Fund - The Academy presently maintains an Agency Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

Assets, Liabilities, and Net Position or Equity

Cash - Cash includes cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds."

All receivables, primarily intergovernmental receivables, are shown net of an allowance for uncollectible amounts. The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Inter-fund Balances - Inter-fund balances represent routine and temporary cash flow assistance from the General Fund.

Prepaid Costs - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Academy-wide and fund financial statements

Capital Assets - Capital assets, which include land, construction in progress, leasehold improvements and furniture and fixtures, are reported in the applicable governmental column in the Academy-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have infrastructure-type assets.

DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note I - Summary of Significant Accounting Policies (Continued)

Leasehold improvements and furniture and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	20-50 years
Leasehold improvements	5-20 years
Furniture and equipment	5-20 years

Long-term Obligations - In the Academy-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, the face amount of debt issued is reported as other financing sources. The Academy's long-term debt consists land, building and of capital lease obligations.

Fund Balance - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Pensions - 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. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

Other Post-Employment Benefits - For purposes of measuring the Net OPEB Liability, deferred outflows of resources, deferred inflows of resources, OPEB expense and additions to/deductions from the fiduciary net position related to MSPER's retiree healthcare fund. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

Comparative Data - Comparative data is not included in the Academy's financial statements.

**DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal yearend.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level; however, the governing body adopted a budget at a more detailed level than what is included in these statements.

State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law.

State law permits academies to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The Academy adjusted budgeted amounts during the year in response to actual and projected activity.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are tracked during the year utilizing an additional accounting program. Budget appropriations are considered to be spent once the goods are delivered or the services ordered.

Excess of Expenditures over Appropriations in Budgeted Funds - During the year, the Academy incurred expenditures in the General Fund, which in the aggregate were not in excess of the overall department amounts budgeted.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund -			
Staff Support	1,512,176	1,675,840	163,664
General Administration	1,029,649	1,044,236	14,587
Business	140,195	169,891	29,696
Operations and Maintenance	1,373,659	1,385,921	12,262
Pupil Transportation	156,000	169,726	13,726

DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 3 - Deposits

State statutes authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan; the Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy's deposits are in accordance with statutory authority.

The Academy has designated one bank for the deposit of its funds. The Academy's deposits consist solely of checking and/or savings accounts at a local bank. The Academy's cash is subject to custodial credit risk.

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The Academy's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the Academy's deposits; however, the academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

At year end, the Academy's deposits and investments were reported in the basic financial statements as a cash and cash equivalents of \$703,088 of which \$365,485 is covered by federal depository insurance.

**DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 - Capital Assets

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

	Balance 30-Jun-17	FY 2018 Additions	FY 2018 Disposals	FY 2018 Transfers	Balance June 30, 2018
Assets not being depreciated:					
Land	\$ 622,840		\$ -	\$ -	\$ 622,840
Construction in progress	-		-	-	-
Subtotal	<u>622,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>622,840</u>
Capital assets being depreciated:					
Buildings-ECE	10,747,529	-	-	-	10,747,529
Buildings-K8	7,819,879	45,075			7,864,954
Athletic Facility	3,397,514	-			3,397,514
Leasehold improvements	1,266,444	-	-	-	1,266,444
Furniture and equipment	2,119,328	-	-	-	2,119,328
Subtotal	<u>25,350,694</u>	<u>45,075</u>	<u>-</u>	<u>-</u>	<u>25,395,769</u>
Total capital assets	<u>\$ 25,973,534</u>	<u>\$ 45,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,018,609</u>
Accumulated depreciation:					
Buildings	2,998,137	840,489	-	-	3,838,626
Leasehold improvements	896,527	63,171	-	-	959,698
Furniture and equipment	1,634,197	144,443	-	-	1,778,640
Subtotal	<u>5,528,861</u>	<u>1,048,103</u>	<u>-</u>	<u>-</u>	<u>6,576,964</u>
Net capital assets being depreciated	<u>19,821,833</u>	<u>(1,003,028)</u>	<u>-</u>	<u>-</u>	<u>18,818,805</u>
Net capital assets	<u>\$ 20,444,673</u>	<u>\$ (1,003,028)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,441,645</u>

Depreciation expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

**DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 – Long-term Obligations

On May 16, 2013 a Loan and Security Agreement were entered into by Detroit Edison Public School Academy, a Michigan nonprofit corporation (“Borrower”) and New Markets Investment 61, LLC, a Delaware limited liability company (“Lender”). The Lender has funded the loan in the aggregate principal amount of \$10,010,000 for the Borrower to acquire the fee simple interest in land, to construct a high school, and to purchase furniture, fixtures and equipment in connect with the project.

On September 9, 2015 two separate Loan and Security Agreements were entered into by Detroit Edison Public School Academy, a Michigan nonprofit corporation (“Borrower”) and Capital Impact Partners, a District of Columbia non-profit corporation and IFF, an Illinois not-for-profit corporation (“Lender(s)"). The Lender(s) have funded the loan in the aggregate principal amount of \$10,600,000 for the Borrower to purchase the property previously leased by the Academy for its K8 program, to acquire land to construct the Athletic Facility and site improvements for a new football field.

The amount of principal and interest paid for debt service as of 2018 was \$1,596,689 which includes \$298,974 in sinking fund payments for future debt retirement.

As of June 30, 2018, the balance on the long-term debt obligations are as follows:

Chase Financing	\$ 10,010,000
Capital Impact Partners	5,797,926
IFF	<u>4,277,159</u>
 Total Long-Term Debt Obligation	 \$ 20,085,085
 Less Current Portion	 (211,958)
 Long Term Debt net of premiums and discounts	 <u><u>\$ 19,873,127</u></u>

**DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 - Long-term Obligations (continued)

The future principal and interest payments on long-term debt as of June 30, 2018 are as follows:

June	Principal	Governmental Activities		Total
		Interest	Sinking Fund	
2019	211,958	1,085,281	298,974	1,596,213
2020	8,037,961	725,851	49,829	8,813,641
2021	241,240	607,714		848,954
2022	257,077	591,877		848,954
2023-2040	11,336,850	6,350,208		17,687,058
	<u>20,085,085</u>	<u>9,360,931</u>	<u>348,803</u>	<u>29,794,820</u>

Note 7 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. To minimize risk, the Academy has purchased commercial insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inception.

Note 8 - Inter-fund Receivables and Payables

Inter-fund balances represent routine and temporary cash flow assistance from the General Fund until final 2017-2018 expenditures and cash receipts are received within each fund.

Inter-fund receivables and payables are composed of the following:

Fund Due From	Fund Due To	Total
General Fund	Community Service Fund	\$ 170
General Fund	Lunch Fund	\$ 10,819
		<u>\$ 10,989</u>

**DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 9 - State Aid Anticipation Note

During the fiscal year, the Academy borrowed \$1,200,000 in a state aid anticipation note. The note bore interest at a rate of 3.75 percent. The outstanding balance on the note of \$222,919 at June 30, 2018 was paid in full on August 20, 2018.

Note 10 - Pension Plan

Plan Description

The Michigan Public School Employees' Retirement System (System or MPERS) 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, re-codified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

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

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

**DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 10 - Pension Plan (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 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, 2016 valuation will be amortized over a 20-year period for the 2016 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year 2017.

Benefit Structure	Member	Employer	
		Universities	Non-Universities
Basic	0.0 - 4.0%	23.05%	19.03%
Member Investment Plan	3.0 - 7.0%	23.05%	19.03%
Pension Plus	3.0 - 6.4%	N/A	18.40%
Defined Contribution	0.0%	18.75%	15.27%

Required contributions to the pension plan from **Detroit Edison Public School Academy** were \$134,955 for the year ended September 30, 2017.

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

At June 30, 2018, *Detroit Edison Public School Academy* reported a liability of \$1,491,036 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. The *District's* proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2017, *Detroit Edison Public School Academy's* proportion was 0.00575373%, which was a decrease of 0.00008256% from its proportion measured as of September 30, 2016.

**DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 10 - Pension Plan (continued)

For the year ending June 30, 2018, Detroit Edison Public School Academy recognized pension expense of \$84,640. At June 30, 2018, *The District* reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 12,958	\$ (7,316)
Changes of Assumptions	163,355	-
Net difference between projected and actual earnings on pension plan investments		-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	57,968	(71,281)
Employer contributions subsequent to the measurement date	103,841	-
Total	338,122	(248,401)

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 ended June 30, 2019. 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 (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2018	(42,579)
2019	5,955
2020	27,932
2021	(5,428)

**DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 10 - Pension Plan (continued)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2016
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	
- MIP and Basic Plans (0. Non-Hybrid):	7.5%
- Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, 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: [4.5188 for non-university employers or 1.1222 for university employers]
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

**DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 10 - Pension Plan (continued)

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.6%
% Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
TOTAL	100.0%	

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

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. 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 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus 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.

**DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 10 - Pension Plan (continued)

Sensitivity of Detroit Edison Public School Academy’s proportionate share of the net pension liability to changes in the discount rate

The following presents Detroit Edison Public School Academy’s proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what **Detroit Edison Public School Academy’s** proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease (Non-Hybrid/Hybrid)* 6.5% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 8.5% / 8.0%
\$1,942,324	\$1,491,036	\$1,111,080

** University employers provide non-hybrid plans only. For non-university employers, the Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.*

**Michigan Public School Employees’ Retirement System (MPSERS)
Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees’ Retirement System (MPSERS)

At June 30, 2018, the District reported a payable of \$71,100 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018, consisting of pension and OPEB contributions payable plus any other amounts owed to the plans including the UAAL payments for July and August 2018.

Note 11 - Postemployment Benefits Other Than Pensions (OPEB)

General Information about the Michigan Public School Employees’ Retirement System (MPSERS) OPEB 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, re-codified 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.

DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 11 – Postemployment Benefits Other Than Pensions (OPEB)

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).

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

The System’s financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

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.

**DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 11 – Postemployment Benefits Other Than Pensions (OPEB)

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, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2017.

OPEB Contribution Rates

Benefit Structure	Member	Employer	
		Universities	Non-Universities
Premium Subsidy	3.00%	7.36%	5.91%
Personal Healthcare Fund (PHF)	0.00%	6.98%	5.69%

Required contributions to the OPEB plan from *Detroit Edison Public School Academy* were **\$44,159** for the year ended September 30, 2017.

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

At June 30, 2018, The District’s reported a liability of **\$502,284** for its proportionate share of the MPERS net OPEB liability. A prior period adjustment was needed to add the beginning OPEB liability of \$529,498 as of June 30, 2017. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. **Detroit Edison Public School Academy’s** proportion of the net OPEB liability was determined by dividing each employer’s statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, **The District’s** proportion was **0.0000567202** percent, there was no percent change from its proportion measured as of October 1, 2016.

**DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 11 – Postemployment Benefits Other Than Pensions (OPEB)

For the year ending June 30, 2018, The District recognized OPEB expense of \$33,626. At June 30, 2018, Detroit Edison Public School Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$(5,348)
Changes of Assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(11,633)
Changes in proportion and differences between employer contributions and proportionate share of contributions	132	-
Employer contributions subsequent to the measurement date	18,445	-
Total	18,577	(16,981)

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, 2019. 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 (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2018	(4,074)
2019	(4,074)
2020	(4,074)
2021	(4,074)
2022*	(553)
*Year 2022 (Column AA) is required only for non-university employers.	

**DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 11 – Postemployment Benefits Other Than Pensions (OPEB)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	7.5%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 12
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

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:

- Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, 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: [5.4744 for non-university employers or 1.4186 for university employers]
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

**DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 11 – Postemployment Benefits Other Than Pensions (OPEB)

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.6%
% Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
TOTAL	100.0%	
<i>*Long-term rates of return are net of administrative expenses and 2.3% inflation.</i>		

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. 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 7.5% 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 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District’s proportionate share of the net OPEB liability to changes in the discount rate

**DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 11 – Postemployment Benefits Other Than Pensions (OPEB)

The following presents Detroit Edison Public School Academy’s proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% 6.5%	Decrease	Current 7.5%	Discount Rate	1% 8.5%	Increase
\$588,320		\$502,284		\$429,267	

Sensitivity of the District’s proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

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

1% 6.5%	Decrease	Current Trend 7.5%	Healthcare Cost Rate	1% 8.5%	Increase
\$425,367		\$502,284		\$589,618	

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

{If significant changes had occurred that indicate that the disclosures included in the OPEB plan’s financial report generally did not reflect the facts and circumstances at the measurement date, the employer should disclose additional information, as required by paragraph 95 of Statement 75.}

Payables to the OPEB Plan

At June 30, 2018, the District reported a payable of \$19,314 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018, consisting of pension and OPEB contributions payable plus any other amounts owed to the plans including the UAAL payments for July and August 2018.

DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 12 – Loan Covenants

The Academy is subject to several loan covenants that relate to the debt on the High School building. In addition to other requirements, the loan covenants require the Academy to meet certain financial ratios on a quarterly and annual basis. The financial ratios measure the Academy's ability to meet its current and long-term debt obligations. The Academy is in full compliance with all but one of its loan covenants including those related to servicing the current debt obligations on a quarterly and yearly basis from its operational revenues.

For fiscal year ending June 30, 2015, the Academy was required to implement GASB 68 – Pension Liability Reporting. GASB 68 required the Academy to record a large liability for its proportionate share of the state retirement system's total pension liability as discussed in Note 1, Summary of Significant Accounting Policies: Adoption of New Standard, to these financial statements. This liability only affects the Academy-wide financial statements, not the fund financial statements. Because of this, the Academy's debt to net asset ratio is outside of the levels required by its loan covenant.

For fiscal year ending June 30, 2018 the Academy was required to implement GASB 75. The Governmental Accounting Standards Board (GASB) Statement No. 75 addresses postemployment benefits other than pensions (other post-employment benefits or OPEB), in the same way that GASB 68 addresses pension benefits. GASB 75 was issued in June 2015 to establish new accounting and financial reporting standards that require, for the first time, that the net liability for other postemployment benefits (OPEB) is reported in financial statements for employers with retirement plans across the country, including the Michigan Public School Employees Retirement System (MPERS). It replaces the requirements of GASB Statements No. 45 and 57.

It is important to note, the academy-wide financial statements factor in current depreciation, prior accumulated depreciation, and the net pension liability, which are all non-cash transactions. When calculated using the fund level financial statements, the debt to net asset ratio is in compliance with the loan covenant.

Note 13 – Subsequent Events

Subsequent events have been evaluated through October 16, 2018, which is the date the financial statements were available to be issued. Events after that date have not been evaluated to determine whether a change in the financial statements would be required.

REQUIRED SUPPLEMENTAL INFORMATION

See accompanying notes to financial statements

DETROIT EDISON PUBLIC SCHOOL ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - FOOD SERVICES FUND For the Twelve Months Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Over (Under) Final Budget
Revenues				
Local sources	\$ 70,500	\$ 10,500	\$ 14,546	\$ 4,046
State sources	6,780	8,000	14,436	6,436
Federal sources	464,389	514,389	494,054	(20,335)
Total revenues	541,669	532,889	523,036	(9,853)
Expenditures				
Food Services	603,841	616,831	609,635	(7,196)
Capital Outlay	-	-	-	-
Total expenditures	603,841	616,831	609,635	(7,196)
Other Financing (Sources) Uses				
Operating transfers - (in) out	(62,172)	(83,942)	(86,599)	(2,657)
Net Change in Fund Balance	-	-	-	-
Fund Balance - July 1, 2017	-	-	-	-
Fund Balance - July 1, 2018	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial statements

DETROIT EDISON PUBLIC SCHOOL ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - GENERAL FUND For the Twelve Months Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under) Final Budget</u>
Revenues				
Local sources	\$ 307,950	\$ 359,548	\$ 336,011	\$ (23,537)
State sources	11,333,035	11,795,802	11,740,214	(55,588)
Federal sources	670,778	882,054	957,190	75,136
Total revenues	12,311,763	13,037,404	13,033,415	(3,989)
Expenditures				
Instructional				
Basic Instruction	4,087,789	4,018,723	3,966,837	(51,886)
Added Needs	707,083	534,924	495,601	(39,323)
Supporting services				
Pupil Support	348,333	546,022	500,041	(45,981)
Staff Support	1,360,619	1,512,176	1,675,840	163,664
General Administration	1,178,832	1,029,649	1,044,236	14,587
School Administration	700,016	867,648	737,377	(130,271)
Business	153,038	140,195	169,891	29,696
Operations and Maintenance	1,178,811	1,373,659	1,385,921	12,262
Pupil Transportation	149,000	156,000	169,726	13,726
Central Services	376,129	610,224	550,447	(59,777)
Athletics	166,367	190,591	190,247	(344)
Community Services	8,000	8,000	6,461	(1,539)
Facility Acquisition	-	-	-	-
Debt Service				
Debt Service	-	211,958	211,958	-
Interest	1,267,681	1,085,756	1,085,756	-
Sinking Fund	298,974	298,974	298,974	-
Total expenditures	11,980,672	12,584,499	12,489,313	(95,186)
Other Financing (Sources) Uses				
Operating transfers - (in) out	77,172	(289,877)	22,574	312,451
Total other financing sources (use)	77,172	(289,877)	22,574	312,451
Net Change in Fund Balance	253,919	742,782	521,528	(221,254)
Fund Balance - July 1, 2017	1,472,044	1,436,714	1,436,714	-
Fund Balance - July 1, 2018	\$ 1,725,963	\$ 2,179,496	\$ 1,958,242	\$ (221,254)

See accompanying notes to financial statements

DETROIT EDISON PUBLIC SCHOOL ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - COMMUNITY SERVICE FUND For the Twelve Months Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Over (Under) Final Budget
Revenues				
Local sources	\$ 122,285	\$ 122,285	\$ 129,874	\$ 7,589
State sources	-	-	-	-
Intermediate sources	-	-	-	-
Federal sources	-	-	-	-
	122,285	122,285	129,874	7,589
Total revenues	122,285	122,285	129,874	7,589
Expenditures				
Community services				
Custody and Care of Children	123,940	122,285	60,748	(61,537)
Other Community services	-	-	-	-
	123,940	122,285	60,748	(61,537)
Total expenditures	123,940	122,285	60,748	(61,537)
Other Financing (Sources) Uses				
Operating transfers - (in) out	(27,785)	-	69,126	69,126
	26,130	-	-	-
Net Change in Fund Balance	26,130	-	-	-
Fund Balance - July 1, 2017	-	-	-	-
Fund Balance - July 1, 2018	\$ 26,130	\$ -	\$ -	\$ -

See accompanying notes to financial statements

Required Supplemental Information
Schedule of Detroit Edison Public School Academy's Pension Contributions
Michigan Public School Employee's Retirement System
Determined as of the Year Ended June 30, 2018

	2018
The Academy's proportionate share of net pension liability (as a %)	0.00575373%
The Academy's proportionate share of net pension liability	\$ 1,491,036
School District's covered employee payroll	\$ 321,175
Statutorily required contribution	\$ 134,955
Actual Contributions paid in relation to the statutorily required contribution	\$ 154,155
Contributions as a percentage of covered employee payroll	48.00%

See accompanying notes to financial statements

Required Supplemental Information
Schedule of Detroit Edison Public School Academy's OPEB Contributions
Michigan Public School Employee's Retirement System
Determined as of the Year Ended June 30, 2018

	2018
The Academy's proportionate share of net pension liability (as a %)	0.00567202%
The Academy's proportionate share of net pension liability	\$ 502,284
School District's covered employee payroll	\$ 321,175
Statutorily required contribution	\$ 44,159
Actual Contributions paid in relation to the statutorily required contribution	\$ 26,525
Contributions as a percentage of covered employee payroll	8.26%

See accompanying notes to financial statements

OTHER SUPPLEMENTAL INFORMATION

See accompanying notes to financial statements

DETROIT EDISON PUBLIC SCHOOL ACADEMY

OTHER SUPPLEMENTARY INFORMATION
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2018

ASSETS

	Special Revenue Funds		<u>Total</u>	Capital Projects Funds		<u>Total</u>	<u>Total</u>
	Cafeteria	Community	Special Revenue	HS Capital Projects	K8/Athletics Capital Projects Fund	Total Capital Projects	Non-Major
	Fund	Service Fund	Funds	Fund	Fund	Funds	Funds
Cash and cash equivalents	-	-	-	209,324	69,024	278,348	278,348
Investments	-	-	-	-	-	-	-
Accounts Receivables	-	-	-	-	-	-	-
Due from other funds	10,649	170	10,819	-	-	-	10,819
Due from other governmental Unit	2,041	-	2,041	-	-	-	2,041
Inventories	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-
Total assets	12,690	170	12,860	209,324	69,024	278,348	291,208

LIABILITIES AND FUND BALANCES

Accounts payable	12,690	170	12,860	-	-	-	12,860
Due to other funds	-	-	-	-	-	-	-
Total liabilities	12,690	170	12,860	-	-	-	12,860
Fund balances	-	-	-	209,324	69,024	278,348	278,348
Total liabilities and fund balances	12,690	170	12,860	209,324	69,024	278,348	291,208

See accompanying notes to financial statements

DETROIT EDISON PUBLIC SCHOOL ACADEMY

OTHER SUPPLEMENTARY INFORMATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Twelve Months Ended June 30, 2018

	Special Revenue Funds		Total	Capital Projects Funds		Total	Total
	Cafeteria	Community Service	Special Revenue	HS Capital Projects	K8/Athletics Capital Projects	Total Capital Projects	Non-Major
	Fund	Fund	Funds	Fund	Fund	Funds	Funds
Revenues							
Local sources							
Interest	-	-	-	431	40	471	471
Cafeteria sales	14,546	-	14,546	-	-	-	14,546
Other sources	-	129,874	129,874	-	-	-	129,874
State sources - state school aid	14,436	-	14,436	-	-	-	14,436
Federal sources	494,054	-	494,054	-	-	-	494,054
Total revenues	523,036	129,874	652,910	431	40	471	653,381
Expenditures							
Supporting services	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	45,075	45,075	45,075
Management Fees	-	-	-	64,000	2,200	66,200	66,200
Custody and Care of Children	-	60,748	60,748	-	-	-	60,748
Food Services	609,635	-	609,635	-	-	-	609,635
Total expenditures	609,635	60,748	670,383	64,000	47,275	111,275	781,658
Excess of Revenues Over (Under)							
Expenditures	(86,599)	69,126	(17,473)	(63,569)	(47,235)	(110,804)	(128,277)
Other Financing Sources (Uses)							
Proceeds from issuance of LTD	-	-	-	-	-	-	-
Prior Period Adjustment	-	-	-	-	-	-	-
Operating transfers - (out) in	86,599	(69,126)	17,473	(169,593)	220,139	50,546	68,019
Total other financing sources (uses)	86,599	(69,126)	17,473	(169,593)	220,139	50,546	68,019
Net Change in Fund Balances	-	-	-	(233,162)	172,904	(60,258)	(60,258)
Fund Balance - July 1, 2017	-	-	-	442,486	(103,881)	338,605	338,605
Fund Balance - July 1, 2018	-	-	-	209,324	69,024	278,348	278,348

See accompanying notes to financial statements

DETROIT EDISON PUBLIC SCHOOL ACADEMY

SUPPLEMENTAL INFORMATION

SINGLE AUDIT REPORT

JUNE 30, 2018

SECTION A

**DETROIT EDISON PUBLIC SCHOOL ACADEMY
SUPPLEMENTAL INFORMATION
SINGLE AUDIT REPORT**

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Detroit Edison Public School Academy
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued or (Deferred) Revenue at July 1, 2017	(Memo Only) Prior Year Expenditures	Current Year Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued or (Deferred) Revenue at June 30, 2018
Clusters:								
Child Nutrition Cluster:								
U.S. Department of Agriculture								
Passed through the Michigan Dept of Education:								
Cash Assistance:								
National School Lunch Program								
Grant Number 171970-1117 Breakfast	10.553	191,280	14,235	191,280			14,235	-
Grant Number 181970-1118 Breakfast	10.553	211,680	-	-	-	211,680	211,680	-
Grant Number 171960-1117 Lunch	10.555	275,710	21,916	297,627		-	21,916	-
Grant Number 181960-1118 Lunch	10.555	256,214	-		-	256,214	256,214	-
Total		934,884	36,151	488,907	-	467,894	504,045	-
Federal Commodities School Year 2017-2018	10.555	34,954	-	-	-	26,161	26,161	-
		34,954	-	-		26,161	26,161	-
Total Food and Nutrition Cluster		969,838	36,151	488,907	-	494,055	530,206	-
DEPARTMENT OF EDUCATION								
Passed through the Michigan Department of Education								
Office of Elementary and Secondary Education Program.								
Title I, Part A - Improving Basic Programs								
Grant# 171530 Project # 1617	84.010	508,370	(26,498)		-	31,202	57,700	-
Grant# 181530 Project # 1718	84.010	707,936	-		-	670,563	530,835	139,729
Total		1,216,306	(26,498)	-	-	701,765	588,535	139,729
Title II, Part A - Teacher/Principal Training								
Grant# 170520 Project # 1617	84.367	130,880	(16,198)	128,879	(21,979)	-	38,177	-
Grant# 180520 Project # 1718	84.367	107,017	-		-	101,706	53,146	48,560
Total		237,897	(16,198)	128,879	(21,979)	101,706	91,323	48,560
Title II, Part A - Teacher/Principal Training								
Grant# 180750 Project # 1718	84.424	10,000	-		-	10,000	10,000	-
Total		10,000	-	-	-	10,000	10,000	-
Total Office of Elementary and Secondary Education Cluster		1,464,203	(42,696)	128,879	(21,979)	813,471	689,858	188,289
DEPARTMENT OF EDUCATION								
Passed through the Michigan Department of Education								
Office of Elementary and Secondary Education Program.								
Wayne County RESA IDEA Flow through-Special Education								
Grants to State								
IDEA 17-18 Regular Flow through Grant	84.027A	83,153	-	-	-	83,153	-	83,153
Total Office of Elementary and Secondary Education Program.		83,153	-	-	-	83,153	-	83,153
TOTAL FEDERAL AWARDS		2,517,194	(6,545)	617,786	(21,979)	1,390,679	1,220,064	271,442

**DETROIT EDISON PUBLIC SCHOOL ACADEMY
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Detroit Edison Public School Academy under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Detroit Edison Public School Academy, it is not intended to, and does not, present the financial position, changes in net position, or cash flows, if applicable, of Detroit Edison Public School Academy. Pass-through entity identify numbers are presented where available.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 - INDIRECT COST RATE

Detroit Edison Public School Academy has elected to use the 10 percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – RECONCILIATION FUNDS STATEMENT – FEDERAL SOURCES

Total Expenditures per Schedule of Expenditures of Federal Awards	\$1,390,679
Add: Prior Year Deferred Revenue recognized in current year	42,696
Less: Current Year Unavailable Revenue - Title I	(4,110)
Less: Current Year Unavailable Revenue - Title II	-
Add: Current Year Adjustments	21,979
	21,979
Revenue from Federal Sources - As reported in financial statements	\$1,451,244
	\$1,451,244

NOTE 5 – RECONCILIATION OF ACCRUED (DEFERRED) – FEDERAL SOURCES

Due from Other Governmental Units (Federal Sources) -		
As reported in financial statements		<u>\$ 275,551</u>
Current Year Unavailable Revenue - Title I	Deferred	(4,110)
Current Year Unavailable Revenue - Title II	Deferred	-
Title I Revenue	Accrued	143,839
Title II Revenue	Accrued	48,560
IDEA Revenue	Accrued	83,153
School Lunch Revenue	Accrued	-
Accrued (Deferred) revenue at June 30, 2018 Per SEFA		<u>\$ 271,442</u>

NOTE 6 - GRANT SECTION AUDITOR REPORT

Management has utilized the Cash Management System (CMS) Grant Auditor Report and the related Disbursement and Payment Ledger reports, in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.