DETROIT EDISON
PUBLIC SCHOOL ACADEMY

Financial Report
with Supplemental Information
and Single Audit Report
June 30, 2019

DETROIT EDISON PUBLIC SCHOOL ACADEMY

CONTENTS

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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, 2019, 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.

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, 2019, 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 24, 2019, 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.

Wilkerson & Associate PC

October 24, 2019

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, 2019. 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, 2019 and 2018.

TABLE I — **Governmental Activities**

	30-Jun 2019	30-Jun 2018
Assets		
Current and other assets	$ 3,455,703	$ 3,198,179
Capital assets	18,442,090	19,441,645
Total assets	21,897,793	22,639,824
Deferred outflowsRelated to Pension	407,808	338,123
Deferred outflows Related to OPEB	40,921	18,577.00
Liabilities		
Current liabilities	12,818,074	3,162,757
Long-term liabilities	9,650,312	19,873,127
Total liabilities	$ 22,468,386	$ 23,035,884
Deferred Inflows Related To Pension	486,778	309,673
Deferred Inflows Related To OPEB	249,619	16,981.00
Revenue earned but not received	23,600	4,110
Net Position		
Invested in capital assets – Net of related debt	$ (1,444,094)	$ (643,440)
Restricted For:		
Capital Projects	195,808	278,348
Net Pension Liability	(1,369,586)	(1,462,586)
Net Pension Liability	(454,844)	(500,688)
Unrestricted (deficit)	2,190,855	1,958,242
Total net position	$ (881,861)	$ (370,124)

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 $(881,861) at June 30, 2019. Capital assets totaling $(1,444,094) 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 $195,808 the remaining amount is unrestricted net assets of $2,190,855 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 $1,369,586. The District also implemented GASB 75, which required the District to recognize a long term liability for Other Post-Employment Benefits related to MSPERS in the amount of $454,844.

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 2019 and 2018.

TABLE 2 Revenue

	Governmental Activities	
	2019	**2018**
Program Revenue:		
Charges for services	$ 98,805	$ 144,420
Federal grants and entitlements	1,341,836	1,451,244
State categorical	1,552,432	1,009,519
Local Revenues	285,914	335,380
General revenue:		
State foundation allowance	10,109,702	10,790,577
Other	1,930	1,103
Total revenue	$ 13,390,619	$ 13,732,243
Functions/Program Expenses		
Instruction	$ 4,486,979	$ 4,462,438
Support services	6,496,844	6,489,927
Food services	584,740	609,635
Community services	75,294	67,209
Sinking Fund Payment	298,974	298,974
Interest on long-term debt	1,098,814	1,085,756
Depreciation (unallocated)	999,555	1,048,103
Net Pension Expense	(93,000)	18,488
Net OPEB Expense	(45,844)	(8,194)
Total functions/program expenses	$ 13,902,356	$ 14,072,336
Prior Period Adjustment (OPEB)	$ -	$ (508,882)
Change in Net Position	$ (511,737)	$ (848,975)

As reported above, the cost of all governmental activities this year was $13,390,619. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and other revenues of $1,341,836.

The Academy experienced a decrease in net position of $ (511,737) due to less funding because of depreciation expense. (Note 11).

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 2018-2019 General Fund original budget. Budgeted revenues were decreased by $265,268 due to a decrease in pupil count by approximately 100 students.

Budgeted expenditures were decreased by $340,446 as costs anticipated with decreased pupil support, staff support and operations and maintenance was reduced in the Final Budget.

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

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2019, the Academy had $26,018,608 invested in a broad range of capital assets, including buildings land, leasehold improvements and furniture and equipment.

	2019	2018
Land	$ 622,840	$ 622,840
Buildings	22,009,997	22,009,997
Building Improvements	1,266,444	1,266,444
Furniture and equipment	2,119,328	2,119,328
Total Capital Assets	$ 26,018,609	$ 26,018,609

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 $21,422,946. 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 MPSER'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.

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 2019 fiscal year is 90 percent and 10 percent of the October 2018 and February 2019 student counts, respectively. The 2019/20 budget was adopted in June 2018, based on an estimate of students who will be enrolled in September 2018. Approximately 80 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 2020 school year, we anticipate that the fall student count will be close to the estimate used in creating the 2020 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, 2019

	Governmental Activities
Assets	
Cash and cash equivalents (Note 3)	724,382
State aid	2,692,124
Other	37,875
Inventories and prepaid expenses	1,322
Capital assets, net of accumulated depreciation (Note 4)	18,442,090
Total assets	21,897,793
Deferred Outflows of Resources	
Deferred Outflows Related to Pension	407,808
Deferred Outflows Related to OPEB	40,921
Liabilities	
Accounts payable	455,548
Accrued payroll and benefits	33,374
Other Accrued Expenditures	60,871
Other Current Liabilities	206,658
State Aid Note	280,467
Due to Student Groups	8,522
Current portion of LTD (Note 5)	10,235,872
Net Pension Liability (Note 10)	1,290,616
Net OPEB Liability (Note 11)	246,146
Long-term liabilities	
Debt, net of premiums and discounts (Note 5)	9,650,312
Total liabilities	22,468,386
Deferred Inflows of Resources	
Deferred Inflows Related to Pension	486,778
Deferred Inflows Related to OPEB	249,619
Revenue earned but not received	23,600
Total Deferred Inflows of Resources	759,997
Net Assets	
Invested in capital assets, net of related debt	(1,444,094)
Restricted for	
Food service	-
Capital Projects	195,808
Net Pension Liability	(1,369,586)
Net OPEB Liability	(454,844)
Unrestricted	2,190,855
Total net position June 30, 2019	(881,861)

DETROIT EDISON PUBLIC SCHOOL ACADEMY

STATEMENT OF ACTIVITIES
For the Twelve Months Ended June 30, 2019

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Governmental Activities: Net (Expenses) Revenues and Change in Net Position
Functions/Programs				
Governmental activities				
Instruction	4,486,979	-	-	(4,486,979)
Support services	6,496,844	-	882,253	(5,614,591)
Food services	584,740	7,735	459,583	(117,422)
Community services	75,294	91,070	-	15,776
Interest on long-term debt	1,098,814	-	-	(1,098,814)
Sinking Fund Payment	298,974	-	-	(298,974)
Depreciation (unallocated) (Note 4)	999,555	-	-	(999,555)
Net Pension Expense	(93,000)	-	-	93,000
Net OPEB Expense	(45,844)	-	-	45,844
Total governmental activities	13,902,356	98,805	1,341,836	(12,461,715)
General revenues				
State aid				
Formula grants - unrestricted				10,109,702
Restricted				1,552,432
Investment earnings				1,930
Local Revenues				285,914
Net Transfers In (out)				-
Total general revenues				11,949,978
Change in Net Position				(511,737)
Net Position - July 1, 2018				(370,124)
Net Position - June 30, 2019				(881,861)

DETROIT EDISON PUBLIC SCHOOL ACADEMY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
TO GOVERNMENTAL NET POSITION
June 30, 2019

Total fund balances - governmental funds	2,386,663
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	(7,576,519)
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)	(19,886,184)
Net Pension Liability	(1,369,586)
Net OPEB Liability	(454,844)
Accrued interest payable is not included as a liability in governmental activities	
Total net position - governmental activities	(881,861)

DETROIT EDISON PUBLIC SCHOOL ACADEMY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

ASSETS

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	528,574	195,808	724,382
Accounts receivables	37,875	-	37,875
Due from other governmental entities	2,660,860	31,264	2,692,124
Prepaid expenses	1,322	-	1,322
Total assets	3,228,631	227,072	3,455,703

LIABILITIES AND FUND BALANCES

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Liabilities			
Accounts payable	424,284	31,264	455,548
Accrued payroll and benefits	33,374	-	33,374
Other Accrued Expenditures	60,871	-	60,871
Due to Student Activities	8,522	-	8,522
State Aid Note Payable	280,467	-	280,467
Deferred revenue	23,600	-	23,600
Other Current Liabilities	206,658	-	206,658
Total liabilities	1,037,776	31,264	1,069,040
Fund Balances			
Restricted			
Capital projects	-	195,808	195,808
Unassigned	2,190,855	-	2,190,855
Total fund balances	2,190,855	195,808	2,386,663
Total liabilities and fund balances	3,228,631	227,072	3,455,703

DETROIT EDISON PUBLIC SCHOOL ACADEMY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Twelve Months Ended June 30, 2019

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local Sources	286,384	100,265	386,649
State Sources	11,642,749	19,385	11,662,134
Federal Sources	882,253	459,583	1,341,836
Total revenues	12,811,386	579,233	13,390,619
Expenditures			
Instruction			
Basic Instruction	3,864,698		3,864,698
Added Needs	622,281	-	622,281
Support services			
Pupil	360,062	-	360,062
Instructional Staff	1,564,740	-	1,564,740
General Administration	956,515	-	956,515
School Administration	754,934	-	754,934
Business services	190,934	64,000	254,934
Operations and Maintenance	1,586,820	-	1,586,820
Pupil Transportation	175,308	-	175,308
Central Services	601,628	-	601,628
Athletics	241,903	-	241,903
Food Services	-	584,740	584,740
Community services	20,590	-	20,590
Debt service			
Interest	1,098,814	-	1,098,814
Debt service	198,901	-	198,901
Sinking Fund	298,974	-	298,974
Custody and Care of Children	-	54,704	54,704
Total expenditures	12,537,102	703,444	13,240,546
Revenues Over (Under) Expenditures	274,284	(124,211)	150,073
Other Financing (Sources) Uses			
Operating transfers	(41,671)	41,671	-
Net Change in Fund Balances	232,613	(82,540)	150,073
Fund Balance - July 1, 2018	1,958,242	278,348	2,236,590
Fund Balance - July 1, 2019	2,190,855	195,808	2,386,663

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, 2019

Total net change in fund balances - governmental funds	$	150,073
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		(999,555)
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		93,000
Other Post Employment Benefits related items		45,844
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		198,901
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	$	(511,737)

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, 2019 to the Oakland University board of trustees was approximately $335,074.

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.

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.

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.

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

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 I. 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.

	Budget	Actual	Variance
General Fund -			
Added Needs	538,734	622,281	83,547
Business	151,104	190,934	39,830
Operations and Maintenance	1,540,370	1,586,820	46,450
Central Services	583,527	601,628	18,101

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 $724,382 of which $319,367.52 is covered by federal depository insurance.

NOTE 4 - Capital Assets

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

	30-Jun-18	Additions	Disposals	Transfers	June 30, 2019
Assets not being depreciated:					
Land	$ 622,840		$ -	$ -	$ 622,840
Subtotal	622,840	-	-	-	622,840
Capital assets being depreciated:					
Buildings-ECE	10,747,530	-	-	-	10,747,530
Buildings-K8	7,864,954	-			7,864,954
Athletic Facility	3,397,514	-		-	3,397,514
Leasehold improvements	1,266,443	-	-	-	1,266,443
Furniture and equipment	2,119,328	-	-		2,119,328
Subtotal	25,395,769	-	-	-	25,395,769
Total capital assets	$ 26,018,609	$ -	$ -	$ -	$ 26,018,609
Accumulated depreciation:					
Buildings	3,838,626	838,850	-	-	4,677,476
Leasehold improvements	959,698	57,818	-	-	1,017,516
Furniture and equipment	1,778,640	102,887	-	-	1,881,527
Subtotal	6,576,964	999,555	-	-	7,576,519
Net capital assets being depreciated	18,818,805	(999,555)	-	-	17,819,250
Net capital assets	$ 19,441,645	$ (999,555)	$ -	$ -	$ 18,442,090

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

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 2019 was $1,596,689 which includes $298,974 in sinking fund payments for future debt retirement.

As of June 30, 2019, the balance on the long-term debt obligations are as follows:

Chase Financing	$	10,010,000
Capital Impact Partners		5,683,464
IFF		4,192,720
Total Long-Term Debt Obligation	$	19,886,184
Less Current Portion		(10,235,872)
Long Term Debt net of premiums and discounts	$	9,650,312

NOTE 5 – Long-term Obligations (continued)

The future principal and interest payments on long-term debt as of June 30, 2019 are as follows:

	Governmental Activities			
June	Principal	Interest	Sinking Fund	Total
2020	10,235,872	726,359	49,829	11,012,060
2021	240,700	608,255		848,955
2022	256,501	592,454		848,955
2023	273,339	575,616		848,955
2024-2040	8,879,772	5,794,553		14,674,325
	19,886,184	8,297,237	49,829	28,233,250

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 2018-2019 expenditures and cash receipts are received within each fund. There were no inter-fund balances at the end of 6/30/2019.

Note 9 - State Aid Anticipation Note

During the fiscal year, the Academy borrowed $1,500,000 in a state aid anticipation note. The note bore interest at a rate of 5.30 percent. The outstanding balance on the note of $280,466.76 at June 30, 2019 and will paid in full on August 20, 2019.

Note 10 - Pension 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.

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.

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%	24.47%	17.89%
Member Investment Plan	3.0 - 7.0%	24.47%	17.89%
Pension Plus	3.0 - 6.4%	N/A	16.61%
Pension Plus 2	6.2%	N/A	19.74%
Defined Contribution	0.0%	18.75%	13.54%

Required contributions to the pension plan from **Detroit Edison Public School Academy** were $116,905 for the year ended September 30, 2018.

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

At June 30, 2019, *Detroit Edison Public School Academy* reported a liability of *$1,290,616* for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. 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, 2018, *Detroit Edison Public School Academy's* proportion was *0.004293210%*, which was *a decrease* of *0.00146052%* from its proportion measured as of September 30, 2017.

Note 10 - Pension Plan

For the year ending June 30, 2019, Detroit Edison Public School Academy recognized pension expense of $13,629. At June 30, 2019, *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	$ ***5,989***	$ ***(9,379)***
Changes of Assumptions	***298,906***	-
Net difference between projected and actual earnings on pension plan investments		***(88,245)***
Changes in proportion and differences between Employer contributions and proportionate share of contributions	***34,825***	***(355,110)***
Employer contributions subsequent to the measurement date	***68,087***	-
Total	***407,807***	***(452,734)***

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, 2020. 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)	
2019	***(40,214)***
2020	***(10,874)***
2021	***(37,687)***
2022	***(24,229)***

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, 2017
Actuarial Cost Method:		Entry Age, Normal
Wage Inflation Rate:		2.75%
Investment Rate of Return:		
- MIP and Basic Plans:		7.05%
- Pension Plus Plan:		7.00%
- Pension Plus 2 Plan:		6.00%
Projected Salary Increases:		2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:		3% Annual Non-Compounded for MIP Members
Mortality:	Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
	Active Members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

- *Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, 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: [4.5304 for non-university employers or 1.0554 for university employers]*
- *Recognition period for assets in years: 5.0000*
- *Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.*

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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.7%
Private Equity Pools	18.0	9.2
International Equity Pools	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short-Term Investment Pools	2.0	0.0
TOTAL	**100.0%**	

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

Note 10 - Pension Plan (continued)

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 11.11%. 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 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 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 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of 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 7.05% (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 6.05% / 6.0% / 5.0%	Current Single Discount Rate Assumption 7.05% / 7.0% / 6.0%	1% Increase 8.05% / 8.0% / 7.0%
$1,694,480	$1,290,616	$955,072

** Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2. Non-university employers provide Basic, MIP, Pension Plus and Pension Plus 2 plans. University employers provide only the Basic and MIP plans.*

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.

Note 10 - Pension Plan (continued)

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

At June 30, 2019, the District reported a payable of $25,158 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019, consisting of pension and OPEB contributions payable plus any other amounts owed to the plans including the UAAL payments for July and August 2019.

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.

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-

Note 11 – Postemployment Benefits Other Than Pensions (OPEB)

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.

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, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.
The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2018.

Note 11 – Postemployment Benefits Other Than Pensions (OPEB)

OPEB Contribution Rates

Benefit Structure	Member	Employer	
		Universities	Non-Universities
Premium Subsidy	3.00%	7.67%	6.44%
Personal Healthcare Fund (PHF)	0.00%	7.42%	6.13%

Required contributions to the OPEB plan from ***Detroit Edison Public School Academy*** were ***$20,100*** for the year ended September 30, 2018.

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 $**246,146** for its proportionate share of the MPSERS net OPEB liability. 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 2017. **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, 2018, The District's proportion was 0.0030965800 percent, which was a decrease of 0.00257544 percent from its proportion measured as of October 1, 2017.

For the year ending June 30, 2019, The District recognized OPEB expense of $(30,189). At June 30, 2019, 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	$ -	$(45,814)
Changes of Assumptions	26,067	-
Net difference between projected and actual earnings on OPEB plan investments	-	(9,460)
Changes in proportion and differences between employer contributions and proportionate share of contributions	103	(194,345)
Employer contributions subsequent to the measurement date	14,751	-
Total	40,921	(249,619)

Note 11 – Postemployment Benefits Other Than Pensions (OPEB)

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, 2020. 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)	
2019	**(49,417)**
2020	**(49,417)**
2021	**(49,417)**
2022	**(49,417)**
2023*	**(27,699)**
*Year 2023 (Column AA) is required only for non-university employers.	

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, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	7.15%
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%

Healthcare Cost Trend Rate:		7.5% Year 1 graded to 3.0% Year 12
Mortality:	Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
	Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:		
	Opt-Out Assumption	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
	Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
	Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- *Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, 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: [5.6018 for non-university employers or 1.3472 for university employers].*
- *Recognition period for assets in years: 5.0000*
- ***Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.***

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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.7%
% Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	2.0	0.0
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, 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.15% 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 7.15%. 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.

Note 11 – Postemployment Benefits Other Than Pensions (OPEB)

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

The following presents Detroit Edison Public School Academy's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, 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% Decrease 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
$295,493	$246,146	$204,639

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% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$202,452	$246,146	$296,271

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2018 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, 2019, the District reported a payable of $8,216 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.

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, 2019 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 (MPSERS). 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

In August 2019, the Academy completed a refinance of the tax credit financing related to its high school facility. The refinance paid off debt of $10,010,000 with tax credits from NMSC, applying the Academy's sinking fund balance of $2,198,457 and a loan from Capital impact partners for $6,000,000 at 5.75% interest for a period of 24 years.

REQUIRED SUPPLEMENTAL INFORMATION

DETROIT EDISON PUBLIC SCHOOL ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Twelve Months Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Over (Under) Final Budget
Revenues				
Local sources	$ 308,548	$ 265,138	$ 286,854	$ 21,716
State sources	11,905,802	11,632,448	11,642,749	10,301
Federal sources	882,054	933,550	882,253	(51,297)
Total revenues	13,096,404	12,831,136	12,811,856	(19,280)
Expenditures				
Instructional				
Basic Instruction	4,131,043	4,005,033	3,864,698	(140,335)
Added Needs	557,918	538,734	622,281	83,547
Supporting services				
Pupil Support	581,246	383,879	360,062	(23,817)
Staff Support	1,744,923	1,596,858	1,564,740	(32,118)
General Administration	908,347	972,184	956,515	(15,669)
School Administration	893,711	772,126	754,934	(17,192)
Business	144,274	151,104	190,934	39,830
Operations and Maintenance	1,450,693	1,540,370	1,586,820	46,450
Pupil Transportation	191,000	189,300	175,308	(13,992)
Central Services	646,129	583,527	601,628	18,101
Athletics	88,915	245,395	241,903	(3,492)
Community Services	8,000	27,242	20,590	(6,652)
Debt Service				-
Debt Service	198,901	198,901	198,901	-
Interest	1,098,813	1,098,814	1,098,814	-
Sinking Fund	298,974	298,974	298,974	-
Total expenditures	12,942,887	12,602,441	12,537,102	(65,339)
Revenues Less Expenditures	153,517	228,695	274,754	46,059
Other Financing Sources (Uses)				
Operating transfers - in (out)	(15,000)	(118,674)	(41,671)	77,003
Net Change in Fund Balance	138,517	110,021	233,083	123,062
Fund Balance - July 1, 2018	1,958,242	1,958,242	1,958,242	-
Fund Balance - July 1, 2019	$ 2,096,759	$ 2,068,263	$ 2,191,325	$ 123,062

DETROIT EDISON PUBLIC SCHOOL ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - FOOD SERVICES FUND
For the Twelve Months Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Over (Under) Final Budget
Revenues				
Local sources	$ 70,500	$ 10,500	$ 7,735	$ (2,765)
State sources	6,780	8,000	19,385	11,385
Federal sources	464,389	514,389	459,583	(54,806)
Total revenues	541,669	532,889	486,703	(46,186)
Expenditures				
Food Services	603,841	616,831	584,740	(32,091)
Total expenditures	603,841	616,831	584,740	(32,091)
Revenues Less Expenditures	(62,172)	(83,942)	(98,037)	(14,095)
Other Financing (Sources) Uses				
Operating transfers - in (out)	62,172	83,942	98,037	14,095
Net Change in Fund Balance	-	-	-	-
Fund Balance - July 1, 2018	-	-	-	-
Fund Balance - July 1, 2019	$ -	$ -	$ -	$ -

DETROIT EDISON PUBLIC SCHOOL ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - COMMUNITY SERVICE FUND
For the Twelve Months Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Over (Under) Final Budget
Revenues				
Local sources	$ 122,285	$ 122,285	$ 91,070	$ (31,215)
Total revenues	122,285	122,285	91,070	(31,215)
Expenditures				
Community services				
Custody and Care of Children	123,940	122,285	54,704	(67,581)
Total expenditures	123,940	122,285	54,704	(67,581)
Revenues Less Expenditures	(1,655)	-	36,366	36,366
Other Financing Sources (Uses)				
Operating transfers - in (out)	1,655	-	(36,366)	(36,366)
Net Change in Fund Balance	-	-	-	-
Fund Balance - July 1, 2018	-	-	-	-
Fund Balance - July 1, 2019	$ -	$ -	$ -	$ -

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, 2019

	2019	2018
A. Statutorily required Contributions	$ 116,905	$ 134,955
B. Contributions in relation to statutorily contributions	$ 80,186	$ 118,970
C. Contribution deficiency (excess)	-	-
D. School District's covered payroll	256,844.00	321,175.00
E. Contributions as a percentage of covered payroll	31.22%	37.04%

Required Supplemental Information

Schedule of Detroit Edison Public School Academy's Proportionate Share of the Net Pension Liability

Michigan Public School Employee's Retirement System

Determined as of the Year Ended June 30, 2019

	2019	2018
A. The Academy's proportionate share of net pension liability (as a %)	0.00429321%	0.00575373%
B. The Academy's proportionate share of net pension liability	$ 1,290,616	$ 1,491,036
C. School District's covered employee payroll	$ 262,343	$ 474,518
D. Contributions as a percentage of covered employee payroll	491.96%	314.22%
E. Plan fiduciary net position as a percentage of total OPEB liability	63.96%	63.96%

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, 2019

	2019	2018
A. Statutorily required OPEB Contributions	$ 20,100	$ 23,182
B. OPEB contributions in relation to statutorily contributions	$ 18,539	$ 23,182
C. Contribution deficiency (excess)	-	-
D. School District's covered payroll (OPEB)	256,844.00	321,175.00
E. OPEB contributions as a percentage of covered payroll	7.22%	7.22%

Required Supplemental Information
Schedule of Detroit Edison Public School Academy's Proportionate Share of the Net OPEB Liability
Michigan Public School Employee's Retirement System
Determined as of the Year Ended June 30, 2019

		2019		2018
A. The Academy's proportionate share of net pension liability (as a %)		0.00309658%		0.00567202%
B. The Academy's proportionate share of net pension liability	$	246,146	$	502,284
C. School District's covered employee payroll	$	256,844	$	321,175
D. Contributions as a percentage of covered employee payroll		95.83%		156.39%
E. Plan fiduciary net position as a percentage of total OPEB liability		42.95%		36.53%

OTHER SUPPLEMENTAL INFORMATION

DETROIT EDISON PUBLIC SCHOOL ACADEMY

OTHER SUPPLEMENTARY INFORMATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

ASSETS

	Special Revenue Funds		Total	Capital Projects Funds		Total	Total
	Cafeteria Fund	Community Service Fund	Special Revenue Funds	HS Capital Projects Fund	K8/Athletics Capital Projects Fund	Total Capital Projects Funds	Non-Major Funds
Cash and cash equivalents	-	-	-	161,616	34,192	195,808	195,808
Due from other governmental Unit	31,264	-	31,264	-	-	-	31,264
Total assets	31,264	-	31,264	161,616	34,192	195,808	227,072

LIABILITIES AND FUND BALANCES

	Cafeteria Fund	Community Service Fund	Special Revenue Funds	HS Capital Projects Fund	K8/Athletics Capital Projects Fund	Total Capital Projects Funds	Non-Major Funds
Accounts payable	31,264	-	31,264	-		-	31,264
Total liabilities	31,264	-	31,264	-	-	-	31,264
Fund balances	-	-	-	161,616	34,192	195,808	195,808
Total liabilities and fund balances	31,264	-	31,264	161,616	34,192	195,808	227,072

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, 2019

	Special Revenue Funds		Total	Capital Projects Funds		Total	Total
	Cafeteria Fund	Community Service Fund	Special Revenue Funds	HS Capital Projects Fund	K8/Athletics Capital Projects Fund	Total Capital Projects Funds	Non-Major Funds
Revenues							
Local sources							
Interest	-	-	-	1,292	168	1,460	1,460
Cafeteria sales	7,735	-	7,735	-	-	-	7,735
Other sources	-	91,070	91,070	-	-	-	91,070
State sources - state school aid	19,385	-	19,385	-	-	-	19,385
Federal sources	459,583	-	459,583	-	-	-	459,583
Total revenues	486,703	91,070	577,773	1,292	168	1,460	579,233
Expenditures							
Management Fees	-	-	-	64,000	-	64,000	64,000
Custody and Care of Children	-	54,704	54,704	-	-	-	54,704
Food Services	584,740	-	584,740	-	-	-	584,740
Total expenditures	584,740	54,704	639,444	64,000	-	64,000	703,444
Excess of Revenues Over (Under) Expenditures	(98,037)	36,366	(61,671)	(62,708)	168	(62,540)	(124,211)
Other Financing Sources (Uses)							
Operating transfers - (out) in	98,037	(36,366)	61,671	15,000	(35,000)	(20,000)	41,671
Total other financing sources (uses)	98,037	(36,366)	61,671	15,000	(35,000)	(20,000)	41,671
Net Change in Fund Balances	-	-	-	(47,708)	(34,832)	(82,540)	(82,540)
Fund Balance - July 1, 2018	-	-	-	209,324	69,023	278,347	278,347
Fund Balance - July 1, 2019	-	-	-	161,616	34,192	195,808	195,808

DETROIT EDISON PUBLIC SCHOOL ACADEMY

SUPPLEMENTAL INFORMATION

SINGLE AUDIT REPORT

JUNE 30, 2019

SECTION A

DETROIT EDISON PUBLIC SCHOOL ACADEMY
SUPPLEMENTAL INFORMATION
SINGLE AUDIT REPORT

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Wilkerson & Associate P.C.

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LARRY WILKERSON, C.P.A
THOMAS E. WILKERSON, C.P.A

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
Detroit Edison Public School Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Detroit Edison Public School Academy , as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Detroit Edison Public School Academy's basic financial statements, and have issued our report thereon dated October 24, 2019

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Detroit Edison Public School Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Detroit Edison Public School Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Detroit Edison Public School Academy's internal control.

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

To the Board of Directors
Detroit Edison Public School Academy

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

Compliance and Other Matters

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

Purpose of this Report

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

Wilkerson & Associate PC

Dearborn, Michigan
October 24, 2019

Wilkerson & Associate P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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LARRY WILKERSON, C.P.A
THOMAS E. WILKERSON, C.P.A

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Directors of
Detroit Edison Public School Academy

Report on Compliance for each Major Federal program

We have audited Detroit Edison Public School Academy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Detroit Edison Public School Academy's major federal programs for the year ended June 30, 2019. Detroit Edison Public School Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Detroit Edison Public School Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Detroit Edison Public School Academy's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Detroit Edison Public School Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, Detroit Edison Public School Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Detroit Edison Public School Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Detroit Edison Public School Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Detroit Edison Public School Academy's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Detroit Edison Public School Academy as of and for the year ended June 30, 2019, and have issued our report thereon dated October 24, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management as was derived from and relates directly to underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Wilkerson & Associate PC

Dearborn, Michigan
October 24, 2019

Detroit Edison Public School Academy
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued or (Deferred) Revenue at July 1, 2018	(Memo Only) Prior Year Expenditures	Current Year Adjustments	Current Year Expenditures	Current Year Year Cash Receipts	Accrued or (Deferred) Revenue at June 30, 2019
Clusters:								
Child Nutrition Cluster:								
U.S. Department of Agriculture								
Passed through the Michigan Dept of Education:								
Cash Assistance:								
National School Lunch Program								
Grant Number 181970-1118 Breakfast	10.553	232,368	-	211,680	20,688	-	20,688	-
Grant Number 191970-1119 Breakfast	10.553	171,944	-	-	-	171,944	159,373	12,571
Grant Number 181960-1118 Lunch	10.555	276,468	-	256,214	20,255	-	20,255	-
Grant Number 191960-1119 Lunch	10.555	214,711	-	-	-	214,712	198,802	15,910
Total		895,491	-	467,894	40,943	386,656	399,118	28,481
Federal Commodities School Year 2018-2019	10.555	31,985	-	-	-	31,985	31,985	-
		31,985	-	-	-	31,985	31,985	-
Total Food and Nutrition Cluster		927,476	-	467,894	40,943	418,641	431,103	28,481
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# 181530 Project # 1718	84.010	707,936	139,729	670,563	6,526	19,564	165,819	-
Grant# 191530 Project # 1819	84.010	672,142	-	-	(19,830)	642,779	332,634	290,315
Total		1,380,078	139,729	670,563	(13,304)	662,343	498,453	290,315
Title II, Part A - Teacher/Principal Training								
Grant# 180520 Project # 1718	84.367	105,017	48,560	-	-	-	48,560	-
Grant# 190520 Project # 1819	84.367	107,278	-	-	(3,360)	106,178	-	102,818
Total		212,295	48,560	-	(3,360)	106,178	48,560	102,818
Title IV, Part A - Student Support & Academic Enrichment								
Grant# 190750 Project # 1819	84.424	47,032	-	-	-	34,951	-	34,951
Total		47,032	-	-	-	34,951	-	34,951
Total Office of Elementary and Secondary Education Cluster		1,639,405	188,289	670,563	(16,664)	803,472	547,013	428,084
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	-
IDEA 18-19 Regular Flow through Grant	84.027A	95,444	-	-	-	95,444	-	95,444
Total Office of Elementary and Secondary Education Program.		178,597	83,153	-	-	95,444	83,153	95,444
TOTAL FEDERAL AWARDS		2,745,478	271,442	1,138,457	24,279	1,317,557	1,061,269	552,009

DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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, 2019. 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		$1,317,557
Current Year Adjustments:		
Current Year Unavailable Revenue - Title I	(13,304)	
Current Year Unavailable Revenue - Title II	(3,360)	
Current Year Unavailable Revenue - Title IV	-	
Breakfast Revenue	20,688	
Lunch Revenue	20,255	
Total Current Year Adjustments:		24,279
Revenue from Federal Sources - As reported in financial statements		$1,341,836

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

Due from Other Governmental Units (Federal Sources) - As reported in financial statements		$ 575,199
Current Year Unavailable Revenue - Title I	Deferred	(19,830)
Current Year Unavailable Revenue - Title II	Deferred	(3,360)
Title I Revenue	Accrued	310,145
Title II Revenue	Accrued	106,178
Title IV Revenue	Accrued	34,951
IDEA Revenue	Accrued	95,444
School Breakfast/Lunch Program Revenue	Accrued	28,481
Accrued (Deferred) revenue at June 30, 2019 Per SEFA		$ 552,009

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.

DETROIT EDISON PUBLIC SCHOOL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

* Material weakness(es) identified? ____ Yes __X__ No

* Reportable condition(s) identified that are not considered to be material weaknesses? ____ Yes __X__ None reported

Noncompliance material to financial statements noted? ____ Yes __X__ No

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? ____ Yes __X__ No

* Reportable condition(s) identified that are not considered to be material weaknesses? ____ Yes __X__ None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Audit Requirements of the Uniform Guidance? ____ Yes __X__ No

Identification of major program:

CFDA Number	Federal Program
84.010 and 84.424	Title I and IV

DETROIT EDISON PUBLIC SCHOOL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? __X__ Yes _____ No

Section 2 - Financial Statement Audit Findings

None

Section 3 - Federal Program Audit Findings

None

DETROIT EDISON PUBLIC SCHOOL ACADEMY
REPORT TO THE BOARD OF DIRECTORS

JUNE 30, 2019

Wilkerson & Associate P.C.
CERTIFIED PUBLIC ACCOUNTANTS

3 PARKLANE BLVD. SUITE 612
DEARBORN, MICHIGAN 48126
313-982-4340 FAX 313-982-4342

LARRY WILKERSON, C.P.A
THOMAS E. WILKERSON, C.P.A

To the Board of Directors of
Detroit Edison Public School Academy

We have recently completed our audit of the basic financial statements of Detroit Edison Public School Academy (the "Academy") as of and for the year ended June 30, 2019. In addition to our audit report, we are providing the following required audit communication, recommendations, and informational items which impact the Academy:

We are grateful for the opportunity to be of service to Detroit Edison Public School Academy. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Wilkerson & Associate PC

October 8, 2019

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

To the Board of Directors
Detroit Edison Public School Academy
October 8, 2019

Results of the Audit

We have audited the financial statements of Detroit Edison Public School Academy (the "Academy") as of and for the year ended June 30, 2019 and have issued our report thereon dated October 8, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 4, 2019, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Academy. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the Academy's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the Academy's compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated October 8, 2019 regarding our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

We are also obligated to communicate certain matters related to our audit of those responsible for the governance of the Academy, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters during the preliminary audit phase.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter. We will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2019.

We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates included in this year's financial statements.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statements disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive disclosures included in the financial statements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management Consultants with Other Independent Accountants

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

To the Board of Directors
Detroit Edison Public School Academy
October 8, 2019

Other Audit Findings or Issues

In the normal course of our professional association with the Academy, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Academy, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Academy's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Academy's financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such information is properly stated. However, we read the management's discussion and analysis and budgetary comparison schedule and nothing came to our attention that caused us to believe that such information, or its manner of presentation is materially inconsistent with the information or manner of its presentation in the financial statements.

In addition to the comments and recommendations in this letter, our observations and comments regarding the Academy's internal controls, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards.*

This information is intended solely for the use of the board of directors and management of Detroit Edison Public School Academy and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Wilkerson & Associate PC

Larry D. Wilkerson, CPA

Recommendations

DETROIT EDISON PUBLIC SCHOOL ACADEMY RECOMMENDATIONS

As a result of auditing standards required to be implemented last year, the audit continues to require a strong emphasis to be placed on the Academy's internal control systems. The primary goal of internal controls is to provide a reasonable (as opposed to absolute) protection to the Academy and its assets and financial information. During this year's audit process, we noted no items that required management to make changes; therefore, no recommendations are made for this year.

Informational Items

DETROIT EDISON PUBLIC SCHOOL ACADEMY

October 8, 2019

GASB Statement No. 87 – Leases

This statement is effective for the first time in the School District's June 30, 2021 financial statements. The statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on payment provisions of the lease. The statement was issued to improve accounting and financial reporting for leases by governments. The statement establishes a single model for lease accounting for both lessees and lessors based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District will have to identify and analyze all significant lease contracts to determine the lease asset and lease liability or deferred inflow or outflow of resources that will be required to be recognized upon implementation of the standard.

Lessee Accounting under GASB 87

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the maximum lease term per the lease contract is 12 months or less, or it transfers ownership of the underlying asset. The lease liability is measured at the present value of lease payments expected to be made during the lease term (less any lease incentives). The right-to use asset is measured at the amount of initial measurement of the lease liability, plus any payments made to the lessor at or before commencement of the lease term and certain direct costs incurred to place the leased asset in service. The lessee should reduce the lease liability as payments are made and recognize an outflow of resources (i.e., expense) for interest on the liability. The lease asset should be amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.