

**DETROIT EDISON
PUBLIC SCHOOL ACADEMY
Financial Report
with Supplemental Information
and Single Audit Report
June 30, 2020**

DETROIT EDISON PUBLIC SCHOOL ACADEMY

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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.

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, 2020, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

To the Board of Directors
Detroit Edison Public School Academy

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Detroit Edison Public School Academy as of June 30,2020, 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 November 20, 2020, on our consideration of Detroit Edison Public School Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Detroit Edison Public School Academy's internal control over financial reporting and compliance.

Wilkinson & Associates PC

November 20, 2020

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, 2020. 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, 2020 and 2019.

TABLE I

	Governmental Activities	
	30-Jun	30-Jun
	2020	2019
Assets		
Current and other assets	\$ 4,043,650	\$ 3,455,703
Capital assets	17,993,450	18,442,090
Total assets	22,037,100	21,897,793
Deferred outflows Related to Pension	284,085	407,808
Deferred outflows Related to OPEB	61,813	40,921
Liabilities		
Current liabilities	1,267,061	12,818,074
Long-term liabilities	16,447,541	9,650,312
Total liabilities	\$ 17,714,602	\$ 22,468,386
Deferred Inflows Related To Pension	522,532	486,778
Deferred Inflows Related To OPEB	243,843	249,619
Revenue earned but not received	-	23,600
Net Position		
Invested in capital assets – Net of related debt	\$ 2,415,997	\$ (1,444,094)
Restricted For:		
Capital Projects	108,131	195,808
Food service	-	-
Community Services	-	-
Student Activities	21,471	-
Net Pension Liability	(1,249,306)	(1,369,586)
Net Pension Liability	(395,727)	(454,844)
Unrestricted (deficit)	3,001,455	2,190,855
Total net position	\$ 3,902,021	\$ (881,861)

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 \$3,902,021 at June 30, 2020. Capital assets totaling \$2,415,997 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 \$108,131 the remaining amount is unrestricted net assets of \$3,001,455 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 \$1,249,306. 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 \$395,727.

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 2020 and 2019.

TABLE 2 Revenue

	Governmental Activities	
	2020	2019
Program Revenue:		
Charges for services	\$ 67,708	\$ 98,805
Federal grants and entitlements	1,237,399	1,341,836
State categorical	1,545,350	1,552,432
Local Revenues	1,013,110	285,914
General revenue:		
State foundation allowance	10,052,906	10,109,702
Debt Forgiveness	2,091,624	-
Transfer from Sinking Fund	2,194,984	-
Other	1,421	1,930
Total revenue	\$ 18,204,502	\$ 13,390,619
Functions/Program Expenses		
Instruction	\$ 4,556,575	\$ 4,486,979
Support services	6,339,670	6,496,844
Food services	508,181	584,740
Community services	83,347	75,294
Student Activities	75,966	-
Sinking Fund Payment	49,829	298,974
Interest on long-term debt	1,013,741	1,098,814
Depreciation (unallocated)	972,708	999,555
Net Pension Expense	(120,280)	(93,000)
Net OPEB Expense	(59,117)	(45,844)
Total functions/program expenses	\$ 13,420,620	\$ 13,902,356
Prior Period Adjustment (OPEB)	\$ -	\$ -
Change in Net Position	\$ 4,783,882	\$ (511,737)

As reported above, the cost of all governmental activities this year was \$13,420,620. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and other revenues of \$1,237,399.

The Academy experienced a decrease in net position of \$4,783,882 due to less funding because of lower enrollment and 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 2019-2020 General Fund original budget. Budgeted revenues were increased by \$254,514 due to contributions from management company and private source donations.

Budgeted expenditures were decreased by \$520,873 due to reduction in services due to Covid-19 closures for a quarter of the school year. Foundation Allowance funding was also reduced due to the pandemic resulting in a decrease of \$226,028 in state revenue.

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, 2020, the Academy had \$26,542,676 invested in a broad range of capital assets, including buildings land, leasehold improvements and furniture and equipment.

	<u>2020</u>	<u>2019</u>
Land	\$ 622,840	\$ 622,840
Buildings	22,009,998	22,009,998
Building Improvements	1,736,937	1,266,443
Furniture and equipment	2,172,901	2,119,328
Total Capital Assets	<u>\$ 26,542,676</u>	<u>\$ 26,018,609</u>

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 \$15,577,453. 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 MP SER'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 2020 fiscal year is 90 percent and 10 percent of the October 2019 and February 2020 student counts, respectively. The 2020/21 budget was adopted in June 2018, based on an estimate of students who will be enrolled in September 2019. 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 2021 school year, we anticipate that the fall student count will be close to the estimate used in creating the 2021 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, 2020

	Governmental Activities
Assets	
Cash and cash equivalents (Note 3)	1,844,503
State aid	2,157,558
Other	41,589
Inventories and prepaid expenses	-
Capital assets, net of accumulated depreciation (Note 4)	17,993,450
Total assets	<u>22,037,100</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pension	284,085
Deferred Outflows Related to OPEB	<u>61,813</u>
Liabilities	
Accounts payable	214,264
Accrued payroll and benefits	10,710
Other Accrued Expenditures	55,412
Other Current Liabilities	297,082
State Aid Note	335,125
Due to Student Groups	-
Current portion of LTD (Note 5)	354,468
Net Pension Liability (Note 10)	1,010,859
Net OPEB Liability (Note 11)	213,697
Long-term liabilities	
Debt, net of premiums and discounts (Note 5)	15,222,985
Total liabilities	<u>17,714,602</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pension	522,532
Deferred Inflows Related to OPEB	243,843
Revenue earned but not received	-
Total Deferred Inflows of Resources	<u>766,375</u>
Net Assets	
Invested in capital assets, net of related debt	2,415,997
Restricted for	
Food service	-
Community Services	-
Student Activities	21,471
Capital Projects	108,131
Net Pension Liability	(1,249,306)
Net OPEB Liability	(395,727)
Unrestricted	<u>3,001,455</u>
Total net position June 30, 2020	<u><u>3,902,021</u></u>

DETROIT EDISON PUBLIC SCHOOL ACADEMY

STATEMENT OF ACTIVITIES
For the Twelve Months Ended June 30, 2020

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Change in Net Position</u>
Governmental activities				
Instruction	4,556,575	-	-	(4,556,575)
Support services	6,339,670	-	766,864	(5,572,806)
Food services	508,181	775	470,535	(36,872)
Community services	83,347	66,933	-	(16,413)
Student Activities	75,966	-	-	(75,966)
Debt Payments - Principal	-	-	-	-
Interest on long-term debt	1,013,741	-	-	(1,013,741)
Sinking Fund Payment	49,829	-	-	(49,829)
Depreciation (unallocated) (Note 4)	972,708	-	-	(972,708)
Net Pension Expense	(120,280)	-	-	120,280
Net OPEB Expense	(59,117)	-	-	59,117
Total governmental activities	<u>13,420,620</u>	<u>67,708</u>	<u>1,237,399</u>	<u>(12,115,513)</u>
General revenues				
State aid				
Formula grants - unrestricted				10,052,906
Restricted				1,545,349
Investment earnings				1,421
Local Revenues				1,013,110
Debt Forgiveness				2,091,624
Transfer from Sinking Fund				2,194,984
Deferred inflows of resources				
Net Transfers In (out)				-
Total general revenues				<u>16,899,394</u>
Change in Net Position				4,783,882
Net Position - July 1, 2019				<u>(881,861)</u>
Net Position - June 30, 2020				<u>3,902,021</u>

DETROIT EDISON PUBLIC SCHOOL ACADEMY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE TO GOVERNMENTAL NET POSITION

June 30, 2020

Total fund balances - governmental funds	3,131,057
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	26,542,677
Accumulated depreciation	(8,549,227)
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)	(15,577,453)
Net Pension Liability	(1,249,306)
Net OPEB Liability	(395,727)
Capital leases payable	
Compensated absences	
Severance packages payable	
Accrued interest payable is not included as a liability in governmental activities	<hr/>
Total net position - governmental activities	<hr/> <u>3,902,021</u>

DETROIT EDISON PUBLIC SCHOOL ACADEMY

BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2020

ASSETS

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	1,725,414	119,089	1,844,503
Accounts receivables	37,875	3,714	41,589
Due from other funds	(9,857)	9,857	-
Due from other governmental entities	2,155,047	2,511	2,157,558
Total assets	3,908,479	135,171	4,043,650

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable	208,695	5,569	214,264
Accrued payroll and benefits	10,710	-	10,710
Other Accrued Expenditures	55,412	-	55,412
State Aid Note Payable	335,125	-	335,125
Deferred revenue	-	-	-
Other Current Liabilities	297,082	-	297,082
	-	-	-
Total liabilities	907,024	5,569	912,593

Fund Balances

Capital projects	-	108,131	108,131
Student Activities Fund	-	21,472	21,472
Unassigned	3,001,455	-	3,001,455
Total fund balances	3,001,455	129,602	3,131,058

Total liabilities and fund balances	3,908,479	135,171	4,043,650
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DETROIT EDISON PUBLIC SCHOOL ACADEMY

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

For the Twelve Months Ended June 30, 2020

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local Sources	916,736	165,503	1,082,239
State Sources	11,585,954	12,302	11,598,256
Federal Sources	766,864	470,535	1,237,399
Total revenues	13,269,554	648,340	13,917,894
Expenditures			
Instruction			
Basic Instruction	3,915,800		3,915,800
Added Needs	657,816	-	657,816
Support services			
Pupil	483,574	-	483,574
Instructional Staff	1,332,669	-	1,332,669
General Administration	945,877	-	945,877
School Administration	804,284	-	804,284
Business services	211,537	11,333	222,870
Operations and Maintenance	2,260,831	-	2,260,831
Pupil Transportation	165,904	-	165,904
Central Services	444,961	-	444,961
Athletics	183,277	-	183,277
Food Services	-	510,631	510,631
Community services	6,362	-	6,362
Debt service			
Interest	1,013,741	-	1,013,741
Debt service	8,113,748	-	8,113,748
Sinking Fund	49,829	-	49,829
Custody and Care of Children	-	76,985	76,985
Student Activities	-	75,966	75,966
Total expenditures	20,590,210	674,915	21,265,124
Revenues Over (Under) Expenditures	(7,320,656)	(26,574)	(7,347,230)
Other Financing (Sources) Uses			
Proceeds from issuance of LTD	8,091,624	-	8,091,624
Operating transfers	39,632	(39,632)	-
Total other financing sources (uses)	8,131,256	(39,632)	8,091,624
Net Change in Fund Balances	810,600	(66,206)	744,394
Fund Balance - July 1, 2019	2,190,855	195,808	2,386,663
Fund Balance - July 1, 2020	3,001,455	129,602	3,131,057

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, 2020

Total net change in fund balances - governmental funds	\$	744,394
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		(972,707)
Capital outlay subject to capitalization		524,067
Prior period accumulated depreciation adjustment		-
Some expenses are recorded in the statement of activities when incurred; they are not reported in governmental funds until paid:		
Accrued liabilities		
Compensated absences		
Pension Related Items		120,280
Other Post Employment Benefits related items		59,117
Other Postemployment benefits prior period Adjustment to Fund Balance		-
Long Term Debt is not reported as financing sources on the statement of activities:		
Refund of bond issue		
Debt issue		(6,000,000)
Bond premiums		
GASB 68 And 75 Adjustments:		
Implementation of GASB 75, to establish beginning balances recorded as prior year adjustment for government-wide statements not included in fund level statements:		
GASB 68 Pension Expense		
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		10,308,731
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	\$	4,783,882

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, 2020 to the Oakland University board of trustees was approximately \$335,224.

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 Food Service 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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

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

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

Note 2 - Stewardship, Compliance, and Accountability

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

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

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

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

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

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund -			
Pupil Support	437,929	483,574	45,645
School Administration	728,202	804,284	76,082
Business	166,957	211,537	44,580
Operations and Maintenance	2,191,053	2,260,831	69,778

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 \$1,844,503 of which \$647,240 is covered by federal depository insurance.

NOTE 4 - Capital Assets

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

	30-Jun-19	Additions	Disposals	Transfers	June 30, 2020
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	470,495	-	-	1,736,938
Furniture and equipment	2,119,328	53,573	-	-	2,172,901
Subtotal	25,395,769	524,068	-	-	25,919,837
Total capital assets	\$ 26,018,609	\$ 524,068	\$ -	\$ -	\$ 26,542,677
Accumulated depreciation:					
Buildings	4,677,476	838,850	-	-	5,516,326
Leasehold improvements	1,017,516	57,818	-	-	1,075,334
Furniture and equipment	1,881,527	76,040	-	-	1,957,567
Subtotal	7,576,519	972,708	-	-	8,549,227
Net capital assets being depreciated	17,819,251	(448,640)	-	-	17,370,610
Net capital assets	\$ 18,442,091	\$ (448,640)	\$ -	\$ -	\$ 17,993,450

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. The full maturity of this loan was August 2020, in which this debt was refinanced using a combination of the sinking fund balance \$2,194,984, debt forgiveness for a portion of this loan in the amount of \$2,091,624 and a loan from Capital Impact partners.

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.

On August 16, 2019 a Loan and Security Agreement was entered into by Detroit Edison Public School Academy, a Michigan nonprofit corporation (“Borrower”) and Capital Impact Partners, a District of Columbia non-profit corporation. The Lender(s) funded the loan in the aggregate principal amount of \$6,000,000 for the Borrower to refinance outstanding debt on the High School building.

The amount of principal and interest paid for debt service as of 2020 was \$10,308,731.

As of June 30, 2020, the balance on the long-term debt obligations are as follows:

Capital Impact Partners	\$	5,916,050
Capital Impact Partners		5,559,616
IFF		<u>4,101,787</u>
Total Long-Term Debt Obligation	\$	15,577,453
Less Current Portion		(354,468)
Long Term Debt net of premiums and discounts	\$	<u><u>15,222,985</u></u>

NOTE 5 - Long-term Obligations (continued)

The future principal and interest payments on long-term debt as of June 30, 2020 are as follows:

	Governmental Activities		
June	Principal	Interest	Total
2021	358,781	950,051	1,308,832
2022	381,652	927,180	1,308,832
2023	405,985	902,847	1,308,832
2024	413,045	895,787	1,308,832
2025-2044	14,017,990	7,432,965	21,450,955
	<u>15,577,453</u>	<u>11,108,830</u>	<u>26,686,283</u>

Note 7 - Risk Management

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

Note 8 - Inter-fund Receivables and Payables

Inter-fund balances represent routine and temporary cash flow assistance from the General Fund until final 2019-2020 expenditures and cash receipts are received within each fund. There were no inter-fund balances at the end of 6/30/2020.

Note 9 - State Aid Anticipation Note

During the fiscal year, the Academy borrowed \$1,800,000 in a state aid anticipation note. The note bore interest at a rate of 4.45 percent. The outstanding balance on the note of \$335,125 at June 30, 2020 and will be paid in full on August 20, 2020.

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 Sept. 30, 2018 valuation will be amortized over a 20-year period beginning Oct. 1, 2018 and ending Sept. 30, 2038.

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

Benefit Structure	Member	Employer	
		Universities	Non-Universities
Basic	0.0 - 4.0%	25.03%	18.25%
Member Investment Plan	3.0 - 7.0%	25.03%	18.25%
Pension Plus	3.0 - 6.4%	N/A	16.46%
Pension Plus 2	6.2%	N/A	19.59%
Defined Contribution	0.0%	18.75%	13.39%

Required contributions to the pension plan from **Detroit Edison Public School Academy** were \$81,089 for the year ended September 30, 2019.

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

At June 30, 2020, *Detroit Edison Public School Academy* reported a liability of \$1,010,859 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. The *District's* proportion of the net pension liability was determined by dividing each

Note 10 - Pension Plan

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 0.003052420%, which was a decrease of 0.0012408% from its proportion measured as of September 30, 2018.

For the year ending June 30, 2020, Detroit Edison Public School Academy recognized pension expense of \$(38,469). At June 30, 2020, *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	\$ 4,531	\$4,215
Changes of Assumptions	197,927	-
Net difference between projected and actual earnings on pension plan investments		32,396
Changes in proportion and differences between Employer contributions and proportionate share of contributions	12,566	453,436
Employer contributions subsequent to the measurement date	69,060	-
Total	284,084	490,047

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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2020	(77,395)
2021	(98,665)
2022	(77,749)
2023	(21,214)

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, 2018
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.80%
- Pension Plus Plan:	6.80%
- 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: [4.4977 for non-university employers or 1.0000 for university employers]*
- *Recognition period for assets in years: 5.0000*
- *Full actuarial assumptions are available in the 2019 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, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.5%
Private Equity Pools	18.0	8.6
International Equity Pools	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short-Term Investment Pools	2.0	0.8
TOTAL	100.0%	
<i>*Long-term rates of return are net of administrative expenses and 2.3% inflation.</i>		

Note 10 - Pension Plan (continued)

Rate of Return

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

Discount Rate

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

Sensitivity of 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 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 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 5.80% / 5.80% / 5.00%	Current Single Discount Rate Assumption 6.80% / 6.80% / 6.00%	1% Increase 7.80% / 7.80% / 7.0%
\$1,314,181	\$1,010,859	\$759,394

* 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 (MPERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS 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, 2020, the District reported a payable of \$6,515 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020, consisting of pension and OPEB contributions payable plus any other amounts owed to the plans including the UAAL payments for July and August 2020.

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, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038. The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2019.

Note 11 - Postemployment Benefits Other Than Pensions (OPEB)

OPEB Contribution Rates

Benefit Structure	Member	Employer	
		Universities	Non-Universities
Premium Subsidy	3.00%	6.42%	7.93%
Personal Healthcare Fund (PHF)	0.00%	5.99%	7.57%

Required contributions to the OPEB plan from *Detroit Edison Public School Academy* were \$20,442 for the year ended September 30, 2019.

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

At June 30, 2020, The District's reported a liability of \$262,131 for its proportionate share of the MPERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. 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, 2019, The District's proportion was 0.0029772100 percent, which was a decrease of 0.0001193700 percent from its proportion measured as of October 1, 2018.

For the year ending June 30, 2020, The District recognized OPEB expense of \$(38,777). At June 30, 2020, 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	\$ -	\$78,411
Changes of Assumptions	46,304	-
Net difference between projected and actual earnings on OPEB plan investments	-	3,716
Changes in proportion and differences between employer contributions and proportionate share of contributions	74	161,716
Employer contributions subsequent to the measurement date	15,435	-
Total	61,813	243,843

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)	
2020	(54,191)
2021	(54,191)
2022	(52,348)
2023	(32,663)
2024*	(4,072)
*Year 2024 (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, 2018
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95%
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%

Healthcare Cost Trend Rate:		7.5% Year 1 graded to 3.5% 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, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.7101 for non-university employers or 1.1641 for university employers].
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2019 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%	5.5%
% Alternative Investment Pools	18.0	8.6
International Equity	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	2.0	0.8
TOTAL	100.0%	

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

Rate of Return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

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 6.95%, 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 point higher:

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
\$262,131	\$213,131	\$173,025

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
\$171,301	\$213,697	\$262,125

OPEB Plan Fiduciary Net Position

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

{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, 2020, the District reported a payable of \$1,503 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2020, consisting of pension and OPEB contributions payable plus any other amounts owed to the plans including the UAAL payments for July and August 2020.

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 (MPERS). It replaces the requirements of GASB Statements No. 45 and 57.

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

Note 13 – Subsequent Events

None.

REQUIRED SUPPLEMENTAL INFORMATION

See accompanying notes to financial statements

DETROIT EDISON PUBLIC SCHOOL ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - GENERAL FUND For the Twelve Months Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under) Final Budget</u>
Revenues				
Local sources	\$ 265,138	\$ 1,039,182	\$ 916,736	\$ (122,446)
State sources	12,230,958	11,880,874	11,585,954	(294,920)
Intermediate sources			-	-
Federal sources	<u>947,986</u>	<u>778,541</u>	<u>766,864</u>	<u>(11,677)</u>
Proceeds from sale of fixed assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	13,444,083	13,698,597	13,269,554	(429,043)
Expenditures				
Instructional				
Basic Instruction	4,200,969	3,998,711	3,915,800	(82,911)
Added Needs	588,734	708,320	657,816	(50,504)
Supporting services				
Pupil Support	450,879	437,929	483,574	45,645
Staff Support	1,656,858	1,332,746	1,332,669	(77)
General Administration	985,426	996,810	945,877	(50,933)
School Administration	828,126	728,202	804,284	76,082
Business	158,169	166,957	211,537	44,580
Operations and Maintenance	1,859,958	2,191,052	2,260,831	69,779
Pupil Transportation	189,300	166,204	165,904	(300)
Central Services	586,036	462,396	444,961	(17,435)
Athletics	245,395	189,717	183,277	(6,440)
Community Services	27,242	6,002	6,362	360
Debt Service				
Debt Service	198,901	298,731	8,113,748	7,815,017
Interest	761,138	985,463	1,013,741	28,278
Sinking Fund	501,811	48,829	49,829	1,000
Total expenditures	<u>13,238,942</u>	<u>12,718,069</u>	<u>20,590,210</u>	<u>7,872,141</u>
Revenues Less Expenditures	<u>205,140</u>	<u>980,528</u>	<u>(7,320,656)</u>	<u>(8,301,184)</u>
Other Financing Sources (Uses)				
Operating transfers - in (out)	(15,000)	(30,000)	39,632	69,632
Proceeds from issuance of LTD	<u>-</u>	<u>-</u>	<u>8,091,624</u>	<u>8,091,624</u>
Total other financing sources (uses)	<u>(15,000)</u>	<u>(30,000)</u>	<u>8,131,256</u>	<u>8,161,256</u>
Net Change in Fund Balance	190,140	950,528	810,600	(139,928)
Fund Balance - July 1, 2019	<u>1,958,242</u>	<u>2,190,855</u>	<u>2,190,855</u>	<u>-</u>
Fund Balance - July 1, 2020	<u>\$ 2,148,382</u>	<u>\$ 3,141,383</u>	<u>\$ 3,001,455</u>	<u>\$ (139,928)</u>

DETROIT EDISON PUBLIC SCHOOL ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - FOOD SERVICES FUND For the Twelve Months Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Over (Under) Final Budget
Revenues				
Local sources	\$ 8,000	\$ 775	\$ 775	\$ -
State sources	15,302	12,302	12,302	-
Federal sources	585,136	424,280	470,535	46,255
Total revenues	608,437	437,357	483,612	46,255
Expenditures				
Food Services	608,437	482,567	510,631	28,064
Total expenditures	608,437	482,567	510,631	28,064
Revenues Less Expenditures	-	(45,210)	(27,019)	18,191
Other Financing (Sources) Uses				
Operating transfers - in (out)	-	45,210	27,019	(18,191)
Net Change in Fund Balance	-	-	-	-
Fund Balance - July 1, 2019	-	-	-	-
Fund Balance - July 1, 2020	\$ -	\$ -	\$ -	\$ -

DETROIT EDISON PUBLIC SCHOOL ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - COMMUNITY SERVICE FUND For the Twelve Months Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Over (Under) Final Budget
Revenues				
Local sources	\$ 100,000	\$ 65,446	\$ 66,933	\$ 1,487
Total revenues	100,000	65,446	66,933	1,487
Expenditures				
Community services				
Custody and Care of Children	100,500	69,979	76,985	7,006
Total expenditures	100,500	69,979	76,985	7,006
Revenues Less Expenditures	(500)	(4,532)	(10,051)	(5,519)
Other Financing Sources (Uses)				
Operating transfers - in (out)	500	4,532	10,051	5,519
Net Change in Fund Balance	-	-	-	-
Fund Balance - July 1, 2019	-	-	-	-
Fund Balance - July 1, 2020	\$ -	\$ -	\$ -	\$ -

DETROIT EDISON PUBLIC SCHOOL ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - STUDENT ACTIVITIES FUND For the Twelve Months Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Over (Under) Final Budget
Revenues				
Local sources	\$ -	\$ -	\$ 97,437	\$ 97,437
Total revenues	-	-	97,437	97,437
Expenditures				
Student Activities				
Student Activities Expense	-	-	75,966	75,966
Total expenditures	-	-	75,966	75,966
Revenues Less Expenditures	-	-	21,471	21,471
Other Financing Sources (Uses)				
Operating transfers - in (out)	-	-	-	-
Net Change in Fund Balance	-	-	21,471	21,471
Fund Balance - July 1, 2019	-	-	-	-
Fund Balance - July 1, 2020	\$ -	\$ -	\$ 21,471	\$ 21,471

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, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
A. Statutorily required Contributions	\$ 81,089	\$ 116,905	\$ 134,955	\$ 131,057	\$ 105,070
B. Contributions in relation to statutorily required contributions	\$ 80,549	\$ 80,186	\$ 118,970	\$ 133,416	\$ 135,013
C. Contribution deficiency (excess)	540	36,719	15,985	(2,359)	(29,943)
D. School District's covered payroll	255,203	321,175	321,175	469,822	484,245
E. Contributions as a percentage of covered payroll	31.56%	24.97%	37.04%	28.40%	27.88%

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, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
A. The Academy's proportionate share of net pension liability (as a %)	0.00305242%	0.00429321%	0.00575373%	0.00583629%	0.00544649%
B. The Academy's proportionate share of net pension liability	\$ 1,010,859	\$ 1,290,616	\$ 1,491,036	\$ 1,456,107	\$ 1,330,307
C. School District's covered employee payroll	\$ 257,779	\$ 262,343	\$ 474,518	\$ 454,036	\$ 484,245
Actual Contributions paid in relation to the statutorily required contribution	\$ -	\$ -	\$ -		
D. Contributions as a percentage of covered employee payroll	392.14%	491.96%	314.22%	320.70%	290.18%
E. Plan fiduciary net position as a percentage of total OPEB liability	60.31%	62.36%	64.21%	63.27%	63.17%

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, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
A. Statutorily required OPEB Contributions	\$ 20,442	\$ 20,100	\$ 44,159
B. OPEB contributions in relation to statutorily contributions	\$ 18,539	\$ 18,539	\$ 23,182
C. Contribution deficiency (excess)	1,903	1,561	20,977
D. School District's covered payroll (OPEB)	255,203	256,844	321,175
E. OPEB contributions as a percentage of covered payroll	7.26%	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, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
A. The Academy's proportionate share of net pension liability (as a %)	0.00297721%	0.00309658%	0.00567202%
B. The Academy's proportionate share of net pension liability	\$ 213,697	\$ 246,146	\$ 502,284
C. School District's covered employee payroll	\$ 257,779	\$ 262,343	\$ 474,518
D. Contributions as a percentage of covered employee payroll	82.90%	93.83%	105.85%
E. Plan fiduciary net position as a percentage of total OPEB liability	48.46%	42.95%	36.39%

OTHER SUPPLEMENTAL INFORMATION

See accompanying notes to financial statements

DETROIT EDISON PUBLIC SCHOOL ACADEMY

OTHER SUPPLEMENTARY INFORMATION
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2020

ASSETS

	Special Revenue Funds			<u>Total</u>	Capital Projects Funds		<u>Total</u>	<u>Total</u>
	Cafeteria	Community	Student Activities	Special Revenue	HS Capital Projects	K8/Athletics Capital Projects	Total Capital Projects	Non-Major
	Fund	Service Fund	Fund	Funds	Fund	Fund	Funds	Funds
Cash and cash equivalents	-	-	10,959	10,959	-	108,131	108,131	119,089
Investments	-	-	-	-	-	-	-	-
Accounts Receivables	3,714	-	-	3,714	-	-	-	3,714
Due from other funds	(6,225)	-	16,082	9,857	-	-	-	9,857
Due from other governmental Units	2,511	-	-	2,511	-	-	-	2,511
Inventories	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-
Total assets	-	-	27,040	27,040	-	108,131	108,131	135,171

LIABILITIES AND FUND BALANCES

Accounts payable	-	-	5,569	5,569	-	-	-	5,569
Due to other funds	-	-	-	-	-	-	-	-
Total liabilities	-	-	5,569	5,569	-	-	-	5,569
Fund balances	-	-	21,471	21,471	-	108,131	108,131	129,602
Total liabilities and fund balances	-	-	27,040	27,040	-	108,131	108,131	135,171

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, 2020

	Special Revenue Funds			Total	Capital Projects Funds		Total	Total
	Cafeteria	Community Service	Student Activities	Special Revenue	HS Capital Projects	K8/Athletics Capital Projects	Total Capital Projects	Non-Major
	Fund	Fund	Fund	Funds	Fund	Fund	Funds	Funds
Revenues								
Local sources								
Interest	-	-	-	-	169	189	358	358
Cafeteria sales	775	-	-	775	-	-	-	775
Other sources	-	66,933	97,437	164,370	-	-	-	164,370
State sources - state school aid	12,302	-	-	12,302	-	-	-	12,302
Federal sources	470,535	-	-	470,535	-	-	-	470,535
Total revenues	483,612	66,933	97,437	647,982	169	189	358	648,340
Expenditures								
Management Fees	-	-	-	-	11,333	-	11,333	11,333
Custody and Care of Children	-	76,984	-	76,984	-	-	-	76,984
Food Services	510,631	-	-	510,631	-	-	-	510,631
Student Activities	-	-	75,966	75,966	-	-	-	75,966
Total expenditures	510,631	76,984	75,966	663,581	11,333	-	11,333	674,914
Excess of Revenues Over (Under)								
Expenditures	(27,019)	(10,051)	21,471	(15,599)	(11,164)	189	(10,975)	(26,574)
Other Financing Sources (Uses)								
Operating transfers - (out) in	27,019	10,051	-	37,070	(150,452)	73,750	(76,702)	(39,632)
Total other financing sources (uses)	27,019	10,051	-	37,070	(150,452)	73,750	(76,702)	(39,632)
Net Change in Fund Balances	-	-	21,471	21,471	(161,616)	73,939	(87,678)	(66,206)
Fund Balance - July 1, 2019	-	-	-	-	161,616	34,192	195,808	195,808
Fund Balance - July 1, 2020	-	-	21,471	21,471	-	108,131	108,131	129,602

DETROIT EDISON PUBLIC SCHOOL ACADEMY

SUPPLEMENTAL INFORMATION

SINGLE AUDIT REPORT

JUNE 30, 2020

SECTION A

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

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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.

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, 2020, 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 November 20, 2020

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.

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

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
November 20, 2020

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.

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, 2020. 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

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

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 30,2020.

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, 2020, and have issued our report thereon dated November 20, 2020, 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

Detroit Edison Public School Academy
To the Board of Directors
Page 4

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
November 20, 2020

**Detroit Edison Public School Academy
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued or (Deferred) Revenue at July 1, 2019	(Memo Only) Prior Year Expenditures	Current Year Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued or (Deferred) Revenue at June 30, 2020
Clusters:								
Child Nutrition Cluster:								
U.S. Department of Agriculture								
Passed through the Michigan Dept of Education:								
Cash Assistance:								
National School Lunch Program								
Grant Number 191970-1819 Breakfast	10.553	193,864	12,571	171,944			12,571	-
Grant Number 201970-1920 Breakfast	10.553	140,194	-		21,920	140,194	162,114	-
Grant Number 191960-1819 Lunch	10.555	246,479	15,910	214,712			15,910	-
Grant Number 201960-1920 Lunch	10.555	249,288	-		31,768	249,288	281,056	-
Total		<u>829,825</u>	<u>28,481</u>	<u>386,656</u>	<u>53,688</u>	<u>389,482</u>	<u>471,651</u>	<u>-</u>
Federal Commodities School Year 2019-2020	10.556	33,221	-		-	27,365	27,365	-
		<u>33,221</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,365</u>	<u>27,365</u>	<u>-</u>
Total Food and Nutrition Cluster		<u><u>863,046</u></u>	<u><u>28,481</u></u>	<u><u>386,656</u></u>	<u><u>53,688</u></u>	<u><u>416,847</u></u>	<u><u>499,016</u></u>	<u><u>-</u></u>
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# 191530 Project # 1819	84.010	672,142	290,315	642,779	40,312		330,627	-
Grant# 201530 Project # 1920	84.010	600,442		-		537,275	399,294	137,981
Total		<u>1,272,584</u>	<u>290,315</u>	<u>642,779</u>	<u>40,312</u>	<u>537,275</u>	<u>729,921</u>	<u>137,981</u>
Title II, Part A - Teacher/Principal Training								
Grant# 190520 Project # 1819	84.367	107,278	102,818	106,178	3,360		106,178	-
Grant# 200520 Project # 1920	84.367	66,176	-	-		55,603	4,112	51,491
Total		<u>173,454</u>	<u>102,818</u>	<u>106,178</u>	<u>3,360</u>	<u>55,603</u>	<u>110,290</u>	<u>51,491</u>
Title IV, Part A - Student Support & Academic Enrichment								
Grant# 190750 Project # 1819	84.424	47,032	34,951	34,951			34,951	-
Grant# 200750 Project # 1920	84.424	59,034	-	-		28,286	28,286	-
Total		<u>106,066</u>	<u>34,951</u>	<u>34,951</u>	<u>-</u>	<u>28,286</u>	<u>63,237</u>	<u>-</u>
Total Office of Elementary and Secondary Education Cluster		<u><u>1,552,104</u></u>	<u><u>428,084</u></u>	<u><u>783,908</u></u>	<u><u>43,672</u></u>	<u><u>621,164</u></u>	<u><u>903,448</u></u>	<u><u>189,472</u></u>
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 18-19 Regular Flow through Grant	84.027A	95,444	95,444	95,444	-	-	95,444	-
IDEA 19-20 Regular Flow through Grant	84.027A	102,058	-	-	-	102,028	-	102,028
Total Office of Elementary and Secondary Education Program.		<u>197,502</u>	<u>95,444</u>	<u>95,444</u>	<u>-</u>	<u>102,028</u>	<u>95,444</u>	<u>102,028</u>
TOTAL FEDERAL AWARDS		<u><u>2,612,652</u></u>	<u><u>552,009</u></u>	<u><u>1,266,008</u></u>	<u><u>97,360</u></u>	<u><u>1,140,039</u></u>	<u><u>1,497,908</u></u>	<u><u>291,500</u></u>

Auditor Note References
Required - School Districts
Optional - Other Organizations

Federal expenditures per the schedule of expenditures of federal awards (includes all funds)	1,140,039
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Current Year Adjustments:

Prior Year Unavailable Revenue Title I (Recognized)	40,312	
Prior Year Unavailable Revenue Title II (Recognized)	3,360	
Current Year Unavailable Revenue Title IV	-	
Breakfast Revenue	21,920	
Lunch Revenue	31,768	
Total Current Year Adjustments:	97,360	97,360

Revenue from federal sources - As reported on financial statements (includes all funds)	1,237,399
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Auditor Note References
Required - School Districts
Optional - Other Organizations

Due From Other Governmental Units (federal sources)- As reported on financial statements	<u><u>291,500</u></u>
Title I Accrued Revenue	137,981
Title II Accrued Revenue	51,491
Title IV Accrued Revenue	-
IDEA Accrued Revenue	102,028
School Breakfast/Lunch Program Revenue	<u><u>-</u></u>
Accrued (Deferred) Revenue Per SEFA, 6/30/2020	291,500

**DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020. 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 - 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, 2020**

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
84.027,10.553,10.555& 10.556	Idea Flowthrough & Child Nutrition Cluster

DETROIT EDISON PUBLIC SCHOOL
ACADEMY
REPORT TO THE BOARD OF DIRECTORS

JUNE 30, 2020

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, 2020. In addition to our audit report, we are providing the following required audit communication, recommendations, and informational items which impact the Academy:

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Results of Audit	2-5
Recommendations	6
Informational Items	6-7

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

November 20, 2020

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

To the Board of Directors
Detroit Edison Public School Academy
November 20, 2020

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, 2020 and have issued our report thereon dated November 20, 2020. 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 3, 2020, 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 November 20, 2020 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.

To the Board of Directors
Detroit Edison Public School Academy
November 20, 2020

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, 2020.

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.

To the Board of Directors
Detroit Edison Public School Academy
November 20, 2020

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
November 20, 2020

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

Detroit Edison Public School Academy
November 20, 2020

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

November 20, 2020

GASB Statement No. 87 – Leases

This statement is effective for the first time in the School District's June 30, 2022 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.