

**DETROIT EDISON
PUBLIC SCHOOL ACADEMY
Financial Report
with Supplemental Information
and Single Audit Report
June 30, 2021**

DETROIT EDISON PUBLIC SCHOOL ACADEMY

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Independent Auditor's Report

To the Board of Directors of
Detroit Edison Public School Academy

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining information of Detroit Edison Public School Academy, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion. 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, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Detroit Edison Public School Academy's basic financial statements. The nonmajor funds combining statement of revenues, expenditures, and changes in fund balances – special revenue funds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

To the Board of Directors
Detroit Edison Public School Academy

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2021, on our consideration of Detroit Edison Public School Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Detroit Edison Public School Academy's internal control over financial reporting and compliance.

Wilkinson & Associates PC

October 25, 2021

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, 2021. 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, 2021 and 2020.

TABLE I

	Governmental Activities	
	30-Jun	30-Jun
	2021	2020
Assets		
Current and other assets	\$ 5,495,074	\$ 4,043,650
Capital assets	17,274,300	17,993,450
Total assets	<u>22,769,374</u>	<u>22,037,100</u>
Deferred outflows Related to Pension	214,621	284,085
Deferred outflows Related to OPEB	<u>71,779</u>	<u>61,813</u>
Liabilities		
Current liabilities	1,063,511	1,267,060
Long-term liabilities	<u>16,034,011</u>	<u>16,447,541</u>
Total liabilities	<u>\$ 17,097,522</u>	<u>17,714,601</u>
Deferred Inflows Related To Pension	352,467	522,532
Deferred Inflows Related To OPEB	239,224	243,843
Revenue earned but not received	<u>114,820</u>	<u>-</u>
Net Position		
Invested in capital assets – Net of related debt	\$ 2,055,290	\$ 2,415,997
Restricted For:		
Capital Projects	164,515	108,131
Food service	-	-
Community Services	-	-
Student Activities	-	21,472
Net Pension Liability	(1,174,950)	(1,249,306)
Net Pension Liability	(326,994)	(395,727)
Unrestricted (deficit)	<u>4,533,880</u>	<u>3,001,455</u>
Total net position	<u>\$ 5,251,741</u>	<u>\$ 3,902,022</u>

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 \$5,251,741 at June 30, 2021. Capital assets totaling \$2,055,290 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 \$4,533,800 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 \$1,174,950. 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 \$326,994.

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 2021 and 2020.

TABLE 2 Revenue

	Governmental Activities	
	2021	2020
Program Revenue:		
Charges for services	\$ 120	\$ 67,708
Federal grants and entitlements	1,713,877	1,237,399
State categorical	1,542,445	1,545,350
Local Revenues	475,915	1,013,703
General revenue:		
State foundation allowance	10,346,943	10,052,906
Debt Forgiveness	-	2,091,624
Transfer from Sinking Fund	-	2,194,984
Other	883	828
Total revenue	<u>\$ 14,080,183</u>	<u>\$ 18,204,502</u>
Functions/Program Expenses		
Instruction	\$ 4,562,160	\$ 4,556,576
Support services	6,022,534	6,339,670
Food services	220,946	508,181
Community services	83,277	83,347
Student Activities	35,895	75,966
Sinking Fund Payment	-	49,829
Interest on long-term debt	950,389	1,013,741
Depreciation (unallocated)	998,351	972,708
Net Pension Expense	(74,356)	(120,280)
Net OPEB Expense	(68,733)	(59,117)
Total functions/program expenses	<u>\$ 12,730,463</u>	<u>\$ 13,420,621</u>
Prior Period Adjustment (OPEB)	<u>\$ -</u>	<u>\$ -</u>
Change in Net Position	<u><u>\$ 1,349,720</u></u>	<u><u>\$ 4,783,882</u></u>

As reported above, the cost of all governmental activities this year was \$12,730,463. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and other revenues of \$1,713,877.

The Academy experienced a increase in net position of \$1,349,720 due to increased funding from the Federal Government related to Covid-19. (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 2020-2021 General Fund original budget. Budgeted revenues were increased by \$1,200,138 due an increase in the state aid foundation allowance

Budgeted expenditures were increased by \$522,181 because of an increase in Basic Instruction, Staff Support and School Administration.

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, 2021, the Academy had \$25,221,643 invested in a broad range of capital assets, including buildings land, leasehold improvements and furniture and equipment.

	<u>2021</u>	<u>2020</u>
Land	\$ 622,840	\$ 622,840
Buildings	21,964,923	22,009,998
Building Improvements	1,917,260	1,736,937
Furniture and equipment	716,620	2,172,901
Total Capital Assets	<u>\$ 25,221,643</u>	<u>\$ 26,542,676</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 \$16,514,663. 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 MPSEB'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 2021 fiscal year is 90 percent and 10 percent of the October 2020 and February 2021 student counts, respectively. The 2021/22 budget was adopted in June 2021, based on an estimate of students who will be enrolled in September 2021. 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 2022 school year, we anticipate that the fall student count will be close to the estimate used in creating the 2022 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, 2021

	Governmental Activities
Assets	
Cash and cash equivalents (Note 3)	2,821,772
State aid	2,073,614
Federal aid	478,374
Other	53,516
Prepaid expenses	67,798
Capital assets, net of accumulated depreciation (Note 4)	17,274,300
Total assets	<u>22,769,374</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pension	214,621
Deferred Outflows Related to OPEB	<u>71,779</u>
Liabilities	
Accounts payable	226,650
Accrued payroll and benefits	4,379
Other Accrued Expenditures	62,208
Other Current Liabilities	204,315
State Aid Note	184,307
Due to Student Groups	-
Current portion of LTD (Note 5)	381,652
Net Pension Liability (Note 10)	1,037,104
Net OPEB Liability (Note 11)	159,549
Long-term liabilities	
Debt, net of premiums and discounts (Note 5)	14,837,358
Total liabilities	<u>17,097,522</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pension	352,467
Deferred Inflows Related to OPEB	239,224
Revenue earned but not received	<u>114,820</u>
Total Deferred Inflows of Resources	706,511
Net Assets	
Invested in capital assets, net of related debt	2,055,290
Restricted for	
Food service	-
Community Services	-
Student Activities	-
Capital Projects	164,515
Net Pension Liability	(1,174,950)
Net OPEB Liability	(326,994)
Unrestricted	<u>4,533,880</u>
Total net position June 30, 2021	<u><u>5,251,741</u></u>

DETROIT EDISON PUBLIC SCHOOL ACADEMY

BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2021

ASSETS

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	2,655,304	166,468	2,821,772
Accounts receivables	53,516	-	53,516
Due from other funds	21,598	(21,598)	-
Due from other governmental entities	2,512,071	39,917	2,551,988
Prepaid expenses	67,798	-	67,798
Total assets	<u>5,310,287</u>	<u>184,787</u>	<u>5,495,074</u>

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable	206,378	20,272	226,650
Accrued payroll and benefits	4,379	-	4,379
Other Accrued Expenditures	62,208	-	62,208
State Aid Note Payable	184,307	-	184,307
Deferred revenue	114,820	-	114,820
Other Current Liabilities	204,315	-	204,315
	-		
Total liabilities	776,407	20,272	796,679

Fund Balances

Capital projects	-	164,515	164,515
Unassigned	4,533,880	-	4,533,880
Total fund balances	4,533,880	164,515	4,698,395

Total liabilities and fund balances	<u>5,310,287</u>	<u>184,787</u>	<u>5,495,074</u>
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DETROIT EDISON PUBLIC SCHOOL ACADEMY

STATEMENT OF ACTIVITIES For the Twelve Months Ended June 30, 2021

		Program Revenues		Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenues and Change in Net Position
Functions/Programs				
Governmental activities				
Instruction	4,562,160	-	-	(4,562,160)
Support services	6,022,534	-	1,554,340	(4,468,194)
Food services	220,946	-	159,537	(61,409)
Community services	83,277	120	-	(83,157)
Student Activities	35,895	-	-	(35,895)
Debt Payments - Principal	-	-	-	-
Interest on long-term debt	950,389	-	-	(950,389)
Sinking Fund Payment	-	-	-	-
Depreciation (unallocated) (Note 4)	998,351	-	-	(998,351)
Net Pension Expense	(74,356)	-	-	74,356
Net OPEB Expense	(68,733)	-	-	68,733
Total governmental activities	12,730,463	120	1,713,877	(11,016,466)
General revenues				
State aid				
Formula grants - unrestricted				10,346,943
Restricted				1,542,445
Investment earnings				883
Local Revenues				475,915
Deferred inflows of resources				
Net Transfers In (out)				-
Total general revenues				12,366,186
Change in Net Position				1,349,720
Net Position - July 1, 2020				3,902,021
Net Position - June 30, 2021				5,251,741

DETROIT EDISON PUBLIC SCHOOL ACADEMY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE TO GOVERNMENTAL NET POSITION

June 30, 2021

Total fund balances - governmental funds	4,698,395
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	25,221,643
Accumulated depreciation	(7,947,343)
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)	(15,219,010)
Net Pension Liability	(1,174,950)
Net OPEB Liability	(326,994)
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	<u><u>5,251,741</u></u>

DETROIT EDISON PUBLIC SCHOOL ACADEMY

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

For the Twelve Months Ended June 30, 2021

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local Sources	452,164	24,754	476,918
State Sources	11,879,989	9,398	11,889,387
Federal Sources	1,554,340	159,538	1,713,878
Total revenues	13,886,493	193,690	14,080,183
Expenditures			
Instruction			
Basic Instruction	3,887,676		3,887,676
Added Needs	744,149	-	744,149
Support services			
Pupil	456,672	-	456,672
Instructional Staff	1,498,719	-	1,498,719
General Administration	815,132	-	815,132
School Administration	825,298	-	825,298
Business services	181,561	-	181,561
Operations and Maintenance	1,677,274	-	1,677,274
Pupil Transportation	-	-	-
Central Services	541,583	-	541,583
Athletics	235,831	-	235,831
Student Activity Fund	-	35,895	35,895
Food Services	-	220,946	220,946
Community services	1,421	81,856	83,277
Debt service			
Interest	950,389	-	950,389
Debt service	358,443	-	358,443
Total expenditures	12,174,148	338,697	12,512,845
Revenues Over (Under) Expenditures	1,712,345	(145,007)	1,567,338
Other Financing (Sources) Uses			
Operating transfers	(179,920)	179,920	-
Total other financing sources (uses)	(179,920)	179,920	-
Net Change in Fund Balances	1,532,425	34,913	1,567,338
Fund Balance - July 1, 2020	3,001,455	129,602	3,131,057
Fund Balance - July 1, 2021	4,533,880	164,515	4,698,395

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, 2021

Total net change in fund balances - governmental funds	\$	1,567,338
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		(998,351)
Capital outlay subject to capitalization		279,201
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		74,356
Other Post Employment Benefits related items		68,733
Other Postemployment benefits prior period Adjustment to Fund Balance		-
Long Term Debt is not reported as financing sources on the statement of activates:		
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		358,443
Change in net position of governmental activities	\$	<u><u>1,349,720</u></u>

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, 2021 to the Oakland University board of trustees was approximately \$340,946.

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 1 - 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 1 - 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 fund balance in the following categories.

Non-spendable - amounts that are not available in a spendable form.

Restricted - amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed - amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned - amounts intended to be used for specific purposes, as determined by the Board of Education. The Board of Education has granted the Superintendent the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned - all other resources; the remaining fund balances after non-spendable, restrictions, commitments, and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

The School District has adopted a minimum fund balance policy, as follows: The Board of Education shall ensure that adequate funds are reserved for the General Fund to maintain a secure financial position whereby the fund balance shall not fall below 15% of the preceding year's expenditures.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 -			
Added Needs	695,604	744,149	48,545
Business	179,511	181,561	2,050
Central Services	530,817	541,583	10,766
Athletics	230,800	235,831	5,031

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 \$2,821,772 of which \$703,632 is covered by federal depository insurance.

NOTE 4 - Capital Assets

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

	30-Jun-20	Additions	Disposals	Transfers	June 30, 2021
Assets not being depreciated:					
Land	\$ 622,840		\$ -	\$ -	\$ 622,840
Subtotal	<u>622,840</u>	-	-	-	<u>622,840</u>
Capital assets being depreciated:					
Buildings-ECE	10,747,530	-	-	-	10,747,530
Buildings-K8	7,864,954	-		(45,075)	7,819,879
Athletic Facility	3,397,514	-		-	3,397,514
Leasehold improvements	1,736,937	279,201	143,953	45,075	1,917,260
Furniture and equipment	2,172,901	-	1,456,281		716,620
Subtotal	<u>25,919,836</u>	<u>279,201</u>	<u>1,600,234</u>	<u>-</u>	<u>24,598,803</u>
Total capital assets	<u>\$ 26,542,676</u>	<u>\$ 279,201</u>	<u>\$ 1,600,234</u>	<u>\$ -</u>	<u>\$ 25,221,643</u>
Accumulated depreciation:					
Buildings	5,516,326	838,850	-	(1,639)	6,353,537
Leasehold improvements	1,075,334	107,260	143,953	1,639	1,040,280
Furniture and equipment	1,957,566	52,241	1,456,281	-	553,526
Subtotal	<u>8,549,226</u>	<u>998,351</u>	<u>1,600,234</u>	<u>-</u>	<u>7,947,343</u>
Net capital assets being depreciated	<u>17,370,610</u>	<u>(719,150)</u>	<u>-</u>	<u>-</u>	<u>16,651,460</u>
Net capital assets	<u>\$ 17,993,450</u>	<u>\$ (719,150)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,274,300</u>

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 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 2021 was \$1,308,832.

As of June 30, 2021, the balance on the long-term debt obligations are as follows:

Capital Impact Partners	\$	5,797,969
Capital Impact Partners		5,421,528
IFF		<u>3,999,513</u>
Total Long-Term Debt Obligation	\$	15,219,010
Less Current Portion		(381,652)
Long Term Debt net of premiums and discounts	\$	<u><u>14,837,358</u></u>

NOTE 5 - Long-term Obligations (continued)

The future principal and interest payments on long-term debt as of June 30, 2021 are as follows:

	Governmental Activities		
June	Principal	Interest	Total
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	459,359	849,473	1,308,832
2026	488,655	820,177	1,308,832
2026-2044	13,558,969	5,399,221	18,958,191
	<u>15,707,665</u>	<u>9,794,685</u>	<u>25,502,350</u>

Note 6 - 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 7 - Inter-Fund Receivables and Payables

Inter-fund balances represent routine and temporary cash flow assistance from the General Fund until final 2020-2021 expenditures and cash receipts are received within each fund. There were no inter-fund balances at the end of 6/30/2021.

Fund Due From	Fund Due To	Total
Lunch Fund	General Fund	\$ (29,372)
General Fund	Student Activities	<u>\$ 7,774</u>
		<u>\$ (21,598)</u>

Note 8 - State Aid Anticipation Note

During the fiscal year, the Academy borrowed \$995,000 in a state aid anticipation note. The note bore interest at a rate of 3.45 percent. The outstanding balance on the note of \$183,307 at June 30, 2021 and will be paid in full on August 20, 2021.

Note 9 - 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 9 - 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, 2019 valuation will be amortized over a 19-year period beginning Oct. 1, 2019 and ending Sept. 30, 2038.

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

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 \$82,970 for the year ended September 30, 2020.

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

At June 30, 2020, *Detroit Edison Public School Academy* reported a liability of \$1,037,104 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. The *District's* proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2020, *Detroit Edison Public School Academy's* proportion was 0.00301913%, which was a decrease of 0.00003327% from its proportion measured as of September 30, 2019.

Note 9 - Pension Plan (continued)

For the year ending June 30, 2021, Detroit Edison Public School Academy recognized pension expense of \$(74,356). 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	\$15,846	\$(2,214)
Changes of Assumptions	114,921	-
Net difference between projected and actual earnings on pension plan investments	4,357	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	(312,077)
Employer contributions subsequent to the measurement date	79,497	-
Total	214,621	(314,291)

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)	
2021	(94,375)
2022	(73,260)
2023	(16,503)
2024	4,971

Note 9 - 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, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.80% net of investment expenses
- Pension Plus Plan:	6.80% net of investment expenses
- Pension Plus 2 Plan:	6.00% net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality: Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	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: [4.4892 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 9 - 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	25.0%	5.6%
Private Equity Pools	16.0	9.3
International Equity Pools	15.0	7.4
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	4.9
Absolute Return Pools	9.0	3.2
Real Return/Opportunistic Pools	12.5	6.6
Short-Term Investment Pools	2.0	0.1
TOTAL	100.0%	
*Long-term rates of return are net of administrative expenses and 2.3% inflation.		

Note 9 - Pension Plan (continued)

Rate of Return

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan 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%
\$1,342,355	\$1,037,104	\$784,119

* 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 9 - Pension Plan (continued)
Payables to the Michigan Public School Employees' Retirement System (MPSERS)

At June 30, 2021, the District reported a payable of \$3,604 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021, 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 10 - 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 10 – 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, 2019 valuation will be amortized over a 20-year period beginning October 1, 2019 and ending September 30, 2038. The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2020.

Note 10 – Postemployment Benefits Other Than Pensions (OPEB)

OPEB Contribution Rates

Benefit Structure	Member	Employer	
		Universities	Non-Universities
Premium Subsidy	3.00%	6.57%	8.09%
Personal Healthcare Fund (PHF)	0.00%	5.99%	7.57%

Required contributions to the OPEB plan from *Detroit Edison Public School Academy* were \$21,042 for the year ended September 30, 2020.

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

At June 30, 2021, The District's reported a liability of \$159,549 for its proportionate share of the MPERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2020, The District's proportion was 0.0029782% percent, which was a increase of 0.00000099% percent from its proportion measured as of October 1, 2019.

For the year ending June 30, 2020, The District recognized OPEB expense of \$(68,733). 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	\$ -	\$(118,879)
Changes of Assumptions	52,606	-
Net difference between projected and actual earnings on OPEB plan investments	1332	3,716
Changes in proportion and differences between employer contributions and proportionate share of contributions	112	(120,345)
Employer contributions subsequent to the measurement date	17,729	-
Total	71,779	(239,224)

Note 10 – 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)	
2022	(62,444)
2023	(60,598)
2024	(40,913)
2025	(12,320)
2026	(8,901)
*Year 2025 (Column AB) 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.

Note 10 – Postemployment Benefits Other Than Pensions (OPEB)

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95% net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 120
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.

Note 10 – Postemployment Benefits Other Than Pensions (OPEB) cont.

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, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.6018 for non-university employers or 1.3472 for university employers].
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on 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	25.0%	5.5%
% Alternative Investment Pools	16.0	8.6
International Equity	15.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	9.0	5.4
Real Return/Opportunistic Pools	12.5	6.6
Short Term Investment Pools	2.0	(0.1)
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, 2020, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 10 – Postemployment Benefits Other Than Pensions (OPEB) cont.

Discount Rate

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

Sensitivity of the 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 higher:

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
\$204,959	\$159,549	\$121,318

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
\$119,854	\$159,549	\$204,697

Note 10 – Postemployment Benefits Other Than Pensions (OPEB)

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, 2021, the District reported a payable of \$1,315 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 2021.

Note 11 – Loan Covenants

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

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

For fiscal year ending June 30, 2019 the Academy was required to implement GASB 75. The Governmental Accounting Standards Board (GASB) Statement No. 75 addresses postemployment benefits other than pensions (other post-employment benefits or OPEB), in the same way that GASB 68 addresses pension benefits. GASB 75 was issued in June 2015 to establish new accounting and financial reporting standards that require, for the first time, that the net liability for other postemployment benefits (OPEB) is reported in financial statements for employers with retirement plans across the country, including the Michigan Public School Employees Retirement System (MPSERS). It replaces the requirements of GASB Statements No. 45 and 57.

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

Note 12 – Subsequent Events

Subsequent events have been evaluated through October 25, 2021 which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

REQUIRED SUPPLEMENTAL INFORMATION

See accompanying notes to financial statements

DETROIT EDISON PUBLIC SCHOOL ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - GENERAL FUND For the Twelve Months Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under) Final Budget</u>
Revenues				
Local sources	\$ 308,597	\$ 474,633	\$ 452,164	\$ (22,469)
State sources	11,053,643	11,992,565	11,879,989	(112,576)
Intermediate sources			-	-
Federal sources	<u>1,671,996</u>	<u>1,767,176</u>	<u>1,554,340</u>	<u>(212,836)</u>
Proceeds from sale of fixed assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	13,034,236	14,234,374	13,886,494	(347,880)
Expenditures				
Instructional				
Basic Instruction	3,998,711	4,314,089	3,887,676	(426,413)
Added Needs	708,320	695,604	744,149	48,545
Supporting services				
Pupil Support	437,929	519,401	456,672	(62,729)
Staff Support	1,332,746	1,651,529	1,498,719	(152,810)
General Administration	937,975	911,334	815,132	(96,202)
School Administration	728,202	900,681	825,298	(75,383)
Business	166,957	179,511	181,561	2,050
Operations and Maintenance	1,791,053	1,764,352	1,677,274	(87,078)
Pupil Transportation	166,204	-	-	-
Central Services	462,396	530,817	541,583	10,766
Athletics	189,717	230,800	235,831	5,031
Community Services	6,002	9,985	1,421	(8,564)
Debt Service				
Debt Service	312,970	393,169	382,793	(10,376)
Interest	971,224	915,663	926,039	10,376
Sinking Fund	48,829	-	-	-
Total expenditures	<u>12,259,235</u>	<u>13,016,935</u>	<u>12,174,148</u>	<u>(842,787)</u>
Revenues Less Expenditures	<u>775,001</u>	<u>1,217,439</u>	<u>1,712,346</u>	<u>494,907</u>
Other Financing Sources (Uses)				
Operating transfers - in (out)	(30,000)	(109,743)	(179,920)	(70,177)
Proceeds from issuance of LTD	-	-	-	-
Total other financing sources (uses)	<u>(30,000)</u>	<u>(109,743)</u>	<u>(179,920)</u>	<u>(70,177)</u>
Net Change in Fund Balance	745,001	1,107,696	1,532,425	424,729
Fund Balance - July 1, 2020	<u>2,190,855</u>	<u>2,190,855</u>	<u>3,001,455</u>	<u>-</u>
Fund Balance - July 1, 2021	<u>\$ 2,935,856</u>	<u>\$ 3,298,551</u>	<u>\$ 4,533,880</u>	<u>\$ 424,729</u>

DETROIT EDISON PUBLIC SCHOOL ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - FOOD SERVICES FUND For the Twelve Months Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Over (Under) Final Budget
Revenues				
Local sources	\$ 775	\$ -	\$ -	\$ -
State sources	12,302	11,600	9,398	(2,202)
Federal sources	424,280	125,158	159,537	34,379
Total revenues	437,357	136,758	168,935	32,177
Expenditures				
Food Services	482,567	246,850	220,946	(25,904)
Total expenditures	482,567	246,850	220,946	(25,904)
Revenues Less Expenditures	(45,210)	(110,092)	(52,011)	58,081
Other Financing (Sources) Uses				
Operating transfers - in (out)	45,210	110,092	52,011	(58,081)
Net Change in Fund Balance	-	-	-	-
Fund Balance - July 1, 2020	-	-	-	-
Fund Balance - July 1, 2021	\$ -	\$ -	\$ -	\$ -

DETROIT EDISON PUBLIC SCHOOL ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - COMMUNITY SERVICE FUND For the Twelve Months Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Over (Under) Final Budget
Revenues				
Local sources	\$ 65,446	\$ 120	\$ 120	\$ -
Total revenues	65,446	120	120	-
Expenditures				
Community services				
Custody and Care of Children	69,979	99,979	81,856	(18,123)
Total expenditures	69,979	99,979	81,856	(18,123)
Revenues Less Expenditures	(4,533)	(99,859)	(81,736)	18,123
Other Financing Sources (Uses)				
Operating transfers - in (out)	4,533	99,859	81,736	(18,123)
Net Change in Fund Balance	-	-	-	-
Fund Balance - July 1, 2020	-	-	-	-
Fund Balance - July 1, 2021	\$ -	\$ -	\$ -	\$ -

DETROIT EDISON PUBLIC SCHOOL ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - STUDENT ACTIVITIES FUND For the Twelve Months Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Over (Under) Final Budget
Revenues				
Local sources	\$ -	\$ 30,333	\$ 24,500	\$ (5,833)
Total revenues	-	30,333	24,500	(5,833)
Expenditures				
Student Activities				
Student Activities Expense	-	30,333	35,895	5,562
Total expenditures	-	30,333	35,895	5,562
Revenues Less Expenditures	-	-	(11,395)	(11,395)
Other Financing Sources (Uses)				
Operating transfers - in (out)	-	-	(10,076)	(10,076)
Net Change in Fund Balance	-	-	(21,471)	(21,471)
Fund Balance - July 1, 2020	-	-	21,471.00	21,471.00
Fund Balance - July 1, 2021	\$ -	\$ -	\$ -	\$ -

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, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
A. Statutorily required Contributions	\$ 82,970	\$ 81,089	\$ 116,905	\$ 134,955	\$ 131,057	\$ 105,070
B. Contributions in relation to statutorily required contributions	\$ 114,945	\$ 112,503	\$ 133,220	\$ 118,970	\$ 133,416	\$ 135,013
C. Contribution deficiency (excess)	(31,975)	(31,414)	(16,315)	15,985	(2,359)	(29,943)
D. School District's covered payroll	281,269	255,203	321,175	321,175	469,822	484,245
E. Contributions as a percentage of covered payroll	40.87%	44.08%	41.48%	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, 2021

	<u>2021</u>	<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 %)	0.00301913%	0.00305242%	0.00429321%	0.00575373%	0.00583629%	0.00544649%
B. The Academy's proportionate share of net pension liability	\$ 1,037,104	\$ 1,010,859	\$ 1,290,616	\$ 1,491,036	\$ 1,456,107	\$ 1,330,307
C. School District's covered employee payroll	\$ 281,269	\$ 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	368.72%	392.14%	491.96%	314.22%	320.70%	290.18%
E. Plan fiduciary net position as a percentage of total OPEB liability	59.72%	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, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
A. Statutorily required OPEB Contributions	\$ 23,406	\$ 20,442	\$ 20,100	\$ 44,159
B. OPEB contributions in relation to statutorily contributions	\$ 23,406	\$ 18,539	\$ 18,539	\$ 23,182
C. Contribution deficiency (excess)	-	1,903	1,561	20,977
D. School District's covered payroll (OPEB)	281,269	255,203	256,844	321,175
E. OPEB contributions as a percentage of covered payroll	8.32%	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, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
A. The Academy's proportionate share of net pension liability (as a %)	0.00297818%	0.00297721%	0.00309658%	0.00567202%
B. The Academy's proportionate share of net pension liability	\$ 159,549	\$ 159,549	\$ 246,146	\$ 502,284
C. School District's covered employee payroll	\$ 281,269	\$ 257,779	\$ 262,343	\$ 474,518
D. Contributions as a percentage of covered employee payroll	56.72%	61.89%	93.83%	105.85%
E. Plan fiduciary net position as a percentage of total OPEB liability	59.44%	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, 2021

ASSETS

	Special Revenue Funds			<u>Total</u>	Capital Projects Funds		<u>Total</u>	<u>Total</u>
	Cafeteria	Community	Student	Special	HS Capital	K8/Athletics	Total	Non-Major
	Fund	Service Fund	Fund	Funds	Fund	Capital	Capital	Funds
						Projects	Projects	
						Projects	Projects	
						Fund	Funds	
Cash and cash equivalents	-	-	1,953	1,953	-	164,515	164,515	166,468
Investments	-	-	-	-	-	-	-	-
Accounts Receivables	-	-	-	-	-	-	-	-
Due from other funds	(29,372)	-	7,774	(21,598)	-	-	-	(21,598)
Due from other governmental Units	39,917	-	-	39,917	-	-	-	39,917
Inventories	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-
Total assets	10,545	-	9,727	20,272	-	164,515	164,515	184,787

LIABILITIES AND FUND BALANCES

Accounts payable	10,545	-	9,727	20,272	-	-	-	20,272
Due to other funds	-	-	-	-	-	-	-	-
Total liabilities	10,545	-	9,727	20,272	-	-	-	20,272
Fund balances	-	-	-	-	-	164,515	164,515	164,515
Total liabilities and fund balances	10,545	-	9,727	20,272	-	164,515	164,515	184,787

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, 2021

	Special Revenue Funds			<u>Total</u>	Capital Projects Funds		<u>Total</u>	<u>Total</u>
	Cafeteria	Community Service	Student Activities	Special Revenue	HS Capital Projects	K8/Athletics Capital Projects	Total Capital Projects	Non-Major
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Revenues								
Local sources								
Interest	-	-	-	-	-	134	134	134
Cafeteria sales	-	-	-	-	-	-	-	-
Other sources	-	120	24,500	24,620	-	-	-	24,620
State sources - state school aid	9,398	-	-	9,398	-	-	-	9,398
Federal sources	159,537	-	-	159,537	-	-	-	159,537
Total revenues	168,935	120	24,500	193,555	-	134	134	193,689
Expenditures								
Management Fees	-	-	-	-	-	-	-	-
Custody and Care of Children	-	81,856	-	81,856	-	-	-	81,856
Food Services	220,946	-	-	220,946	-	-	-	220,946
Student Activities	-	-	35,895	35,895	-	-	-	35,895
Total expenditures	220,946	81,856	35,895	338,697	-	-	-	338,697
Excess of Revenues Over (Under)								
Expenditures	(52,011)	(81,736)	(11,395)	(145,142)	-	134	134	(145,008)
Other Financing Sources (Uses)								
Operating transfers - (out) in	52,011	81,736	(10,076)	123,671	-	56,250	56,250	179,921
Total other financing sources (uses)	52,011	81,736	(10,076)	123,671	-	56,250	56,250	179,921
Net Change in Fund Balances	-	-	(21,471)	(21,471)	-	56,384	56,384	34,913
Fund Balance - July 1, 2020	-	-	21,471	21,471	-	108,131	108,131	129,602
Fund Balance - July 1, 2021	-	-	-	-	-	164,515	164,515	164,515

DETROIT EDISON PUBLIC SCHOOL ACADEMY

SUPPLEMENTAL INFORMATION

SINGLE AUDIT REPORT

JUNE 30, 2021

SECTION A

DETROIT EDISON PUBLIC SCHOOL ACADEMY

SUPPLEMENTAL INFORMATION

SINGLE AUDIT REPORT
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LARRY WILKERSON, C.P.A.
THOMAS E. WILKERSON, C.P.A.

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

To the Board of Directors of
Detroit Edison Public School Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Detroit Edison Public School Academy, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Detroit Edison Public School Academy's basic financial statements, and have issued our report thereon dated October 25, 2021

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.

Wilkinson & Associate PC

Dearborn, Michigan
October 25, 2021

Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

To the Board of Directors of
Detroit Edison Public School Academy

Report on Compliance for each Major Federal program

We have audited Detroit Edison Public School Academy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Detroit Edison Public School Academy's major federal programs for the year ended June 30, 2021. 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 30,2021.

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, 2021, and have issued our report thereon dated October 25, 2021, 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
October 25, 2021

Detroit Edison Public School Academy
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued or (Deferred) Revenue at July 1, 2020	(Memo Only) Prior Year Expenditures	Current Year Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued or (Deferred) Revenue at June 30, 2021
Clusters:								
Child Nutrition Cluster:								
U.S. Department of Agriculture								
Passed through the Michigan Dept of Education:								
Cash Assistance:								
Extended Summer Food Service Program								
Grant Number 200900-1920	10.559	22,133	-	-	-	22,133	22,133	-
Grant Number 200904-2021	10.559	165,619	-	-	-	127,812	90,005	37,807
		<u>187,752</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,945</u>	<u>112,138</u>	<u>37,807</u>
Federal Commodities School Year 2019-2020	10.556	33,909	-	-	-	9,593	9,593	-
		<u>33,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,593</u>	<u>9,593</u>	<u>-</u>
Total Food and Nutrition Cluster		<u><u>221,661</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>159,538</u></u>	<u><u>121,731</u></u>	<u><u>37,807</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# 201530 Project # 1920	84.010	600,442	137,981	-	-	54,640	192,621	-
Grant# 201530 Project # 2021	84.010	557,492	-	-	-	417,444	258,476	158,968
Total		<u>1,157,934</u>	<u>137,981</u>	<u>-</u>	<u>-</u>	<u>472,084</u>	<u>451,097</u>	<u>158,968</u>
Title II, Part A - Teacher/Principal Training								
Grant# 190520 Project # 1920	84.367	66,176	51,491	-	-	-	51,491	-
Grant# 200520 Project # 2021	84.367	78,187	-	-	-	59,543	42,800	16,743
Total		<u>144,363</u>	<u>51,491</u>	<u>-</u>	<u>-</u>	<u>59,543</u>	<u>94,291</u>	<u>16,743</u>
Title IV, Part A - Student Support & Academic Enrichment								
Grant# 190750 Project # 1920	84.424	59,034	-	-	-	30,748	30,748	-
Grant# 200750 Project # 2021	84.424	42,862	-	-	-	35,032	6,100	28,932
Total		<u>101,896</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,780</u>	<u>36,848</u>	<u>28,932</u>
Total Office of Elementary and Secondary Education Cluster		<u><u>1,404,193</u></u>	<u><u>189,472</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>597,407</u></u>	<u><u>582,236</u></u>	<u><u>204,643</u></u>

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Grant Award Amount	(Deferred) Revenue at July 1, 2020	(Memo Only) Prior Year Expenditures	Current Year Adjustments	Current Year Expenditures	Current Year Cash Receipts	(Deferred) Revenue at June 30, 2021
Education Stabilization Fund Program - U.S. Department of Education Passed through Michigan Department of Education								
COVID-19 ESSER Formula Fund 203710	84.425D	484,135				356,310	230,859	125,451
Total ESSER		484,135	-	-	-	356,310	230,859	125,451
COVID-19 Governor's Emergency Education Relief Fund (GEER) 201200	84.425C	80,294				80,294	80,294	-
Total Education Stabilization Fund Program	84.425	80,294	-	-	-	80,294	80,294	-
Total U.S. Department of Education noncluster programs		564,429	-	-	-	436,604	311,153	125,451
Coronavirus Relief Fund - U.S. Department of Treasury Passed through Michigan Department of Education								
COVID-19 11p - CRF School Aid 2021	21.019	452,056				452,056	452,056	-
COVID-19 103(2) - District COVID Costs 2021	21.019	15,912				15,912	15,912	-
Total CRF passed through Michigan Department of Education		467,968	-	-	-	467,968	467,968	-
Passed through Michigan Department of Education		1,032,397	-	-	-	904,572	779,121	125,451
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 19-20 Regular Flow through Grant	84.027A	102,058	102,028				102,028	-
IDEA 20-21 Regular Flow through Grant	84.027A	110,473				110,473		110,473
Total Office of Elementary and Secondary Education Program.		212,531	102,028	-	-	110,473	102,028	110,473
TOTAL FEDERAL AWARDS		2,870,782	291,500	-	-	1,771,990	1,585,116	478,374

**DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Detroit Edison Public School Academy, it is not intended to, and does not, present the financial position, changes in net position, or cash flows, if applicable, of Detroit Edison Public School Academy. Pass-through entity identify numbers are presented where available.

NOTE 2 -

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 -

INDIRECT COST RATE

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

NOTE 4 –

RECONCILIATION FUNDS STATEMENT – FEDERAL SOURCES

Total Expenditures per Schedule of Expenditures of Federal Awards	\$1,771,990
 <u>Current Year Adjustments:</u>	
Current Year Unavailable Revenue - Title II	(1,450)
Current Year Unavailable Revenue - ESSER I	(56,663)
 Total Current Year Adjustments:	 <u>(58,113)</u>
Revenue from Federal Sources - As reported in financial statements	<u>\$1,713,877</u>

**DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

Due from Other Governmental Units (Federal Sources) -		
As reported in financial statements		<u>\$ 478,374</u>
Title I Revenue	Accrued	158,968
Title II Revenue	Accrued	16,743
Title IV Revenue	Accrued	28,932
ESSER I Revenue	Accrued	125,451
IDEA Revenue	Accrued	110,473
Extended Summer Food Service Program	Accrued	37,807
Accrued (Deferred) revenue at June 30, 2021 Per SEFA		<u>\$ 478,374</u>

NOTE 6 - GRANT SECTION AUDITOR REPORT

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

NOTE 7 - SUBRECIPIENTS

No amounts were provided to subrecipients.

**DETROIT EDISON PUBLIC SCHOOL ACADEMY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 8- Michigan Department of Education Disclosures

The amounts reported on the recipient entitlement balance report agree with the schedule of Expenditures of federal awards for U.S.D.A. donated food commodities.

The federal amounts reported on the CMS Grant Auditor Report (GAR) are in agreement with the

SEFA except for the following timing differences which are included in Due from other governmental units.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>2020/21</u>		<u>Variance</u>
			<u>Reported ON GAR</u>	<u>Reported on SEFA</u>	
Extended Summer Food Service Program	10.559	210904	127,812	90,005	37,807
Federal Commodities	10.556			9,593	(9,593)
Title I, Part A - Improving Basic Programs	84.010	211530	429,353	258,476	170,877
Title II, Part A - Teacher/Principal Training	84.367	210520	58,093	42,800	15,293
Title IV, Part A - Student Support & Academic	84.424	210750	35,032	6,100	28,932
COVID-19 ESSER Formula Fund I 203710	84.425D	201200	299,647	230,859	68,788
COVID-19 Governor's Emergency Education Relief Fund (GEER)	84.425C	203710	80,294	80,294	-
COVID-19 11p - CRF School Aid	21.019			452,056	(452,056)
COVID-19 103(2) - District COVID Costs	21.019			15,912	(15,912)
IDEA Special ED Flowthrough	84.027A			110,473	(110,473)

**DETROIT EDISON PUBLIC SCHOOL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 No

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? Yes No

* Reportable condition(s) identified that are not considered to be material weaknesses? Yes 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 No

Identification of major program:

CFDA Number	Federal Program
21.019	CRF SCHOOL AID & COVID COST

