DETROIT LEADERSHIP ACADEMY

REPORT ON FINANCIAL STATEMENTS
(with required and additional supplementary information)

YEAR ENDED JUNE 30, 2024

Maner Costerisan

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2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
517.323.7500
517.323.6346

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Detroit Leadership Academy

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Detroit Leadership Academy, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Detroit Leadership Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Detroit Leadership Academy, as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Detroit Leadership Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Detroit Leadership Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Detroit Leadership Academy's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Detroit Leadership Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Detroit Leadership Academy's basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 additional supplementary information, including the schedule of expenditures of federal awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2024 on our consideration of Detroit Leadership 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Detroit Leadership Academy's 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 Leadership Academy's internal control over financial reporting and compliance.

Maner Costerisan PC

October 31, 2024

DETROIT LEADERSHIP ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Detroit Leadership Academy's (Academy) annual financial report presents our discussion and analysis of the public school Academy's financial performance during the fiscal year that ended on June 30, 2024. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Financial Highlights

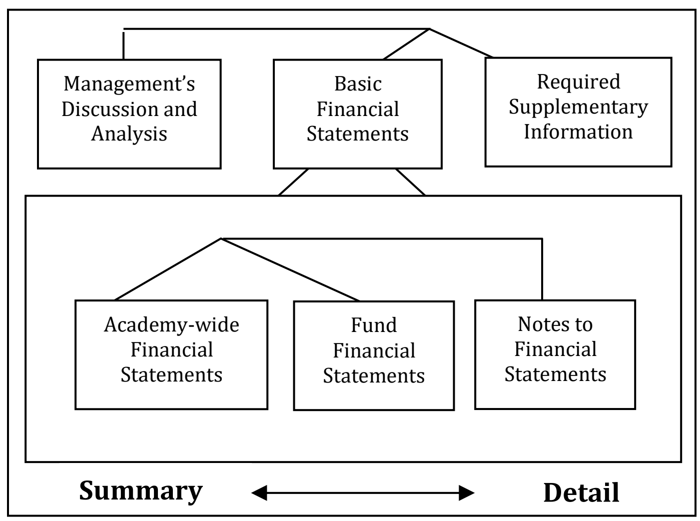
- The Academy had an increase in the fund balance in the general fund of $427,428 compared to a budgeted increase of $352,236. This gives the Academy a fund balance in the general fund of $2,533,996.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy:

- The first two statements are Academy-wide *financial statements* that provide both short-term and long-term information about the Academy's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Academy, reporting the Academy's operations in more detail than the Academy-wide statements.
- The *governmental funds* statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.

Figure A-1
Organization of Detroit Leadership Academy's Financial Report



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy's budget for the year as well as schedules related to the net pension liability and net OPEB asset. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the Academy's financial statements, including the portion of the Academy's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2: Major Features of the Academy-wide and Fund Financial Statements

		Academy-wide Statements		Governmental Funds
Scope		Entire Academy (except fiduciary funds)		All activities of the Academy that are not fiduciary
Required financial statements	* *	Statement of net position Statement of activities	* *	Balance sheet Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus		Accrual accounting and economic resources focus		Modified accrual accounting and current financial resources focus
Type of asset/liability information		All assets and liabilities, both financial and capital, short-term and long-term		Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information		All revenues and expenses during year, regardless of when cash is received or paid		Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Academy-wide Statements

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Academy's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Academy-wide statements report the Academy's net position and how they have changed. Net position - the difference between the Academy's assets and liabilities, is one way to measure the Academy's financial health or position.

- Over time, increases or decreases in the Academy's net position is an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy's enrollment, the condition of school buildings and other facilities, and the Academy's ability to be competitive with other public school academies and area school academies.

Governmental Activities - The Academy's basic services are included here, such as regular and special education and administration. State foundation aid finances most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Academy's funds, focusing on its more significant or "major" funds - not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by debt agreements.
- The Academy establishes other funds to control and manage money for particular purposes (like repaying its long-term debt).

The Academy has one kind of funds:

- Governmental Funds - Most of the Academy's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

Financial Analysis of the Academy as a Whole

Net Position - the Academy's combined net position of $4,236,899 increased by $459,240 during the year. See Figures A-3 and A-4. The total revenues increased by 12.8% to $13,319,652. The increase is primarily due to an increase in revenue from state and federal sources. State aid foundation allowance included in revenue from state sources accounts for 51.7% of the Academy's revenue. The total cost of instruction increased by 2.3% to $4,835,890. Total support services increased by 24.6% to $6,657,507.

Figure A-3
Detroit Leadership Academy's Net Position

	2024	2023*
Current and other assets	$ 3,875,146	$ 3,101,105
Capital assets	3,974,835	3,515,496
Total assets	7,849,981	6,616,601
Deferred outflows	38,130	53,778
Net other postemployment benefit liability	-	3,228
Net pension liability	25,540	24,359
Other liabilities	1,269,230	716,744
Noncurrent liabilities	2,348,248	2,137,272
Total liabilities	3,643,018	2,881,603
Deferred inflows	8,194	11,117
Net position		
Net investment in capital assets	1,643,566	1,396,643
Restricted for food service	71,920	106,992
Unrestricted	2,521,413	2,274,024
Total net position	$ 4,236,899	$ 3,777,659

*Certain amounts in the prior year figures have been reclassified.

Figure A-4
Changes in Detroit Leadership Academy's Net Position

	2024	2023*
Revenues		
Program revenues		
Operating grants	$ 6,096,945	$ 4,683,794
Capital grants	-	73,486
Total program revenues	6,096,945	4,757,280
General sources		
State sources - unrestricted	6,885,794	6,713,492
Local sources	43,929	75,928
Intermediate sources	292,984	261,533
Total general revenues	7,222,707	7,050,953
Total revenues	13,319,652	11,808,233
Expenses		
Instruction	4,835,890	4,724,891
Support services	6,657,507	5,344,756
Community services	-	1,197
Food service	744,873	724,605
Interest and fees	166,505	162,771
Unallocated depreciation/amortization	455,637	431,086
Total expenses	12,860,412	11,389,306
Change in net position	$ 459,240	$ 418,927

*Certain amounts in the prior year figures have been reclassified.

Financial Analysis of the Academy's Funds

The Academy's general fund balance increased by $427,428 to $2,533,996 compared to a budgeted increase of $352,236.

General Fund Budgetary Highlights

Over the course of the year, the Academy revised the general fund annual operating budget when necessary. Changes were made in both the revenue and expenditures which reflected anticipated changes in state aid and actual salary figures for staff.

While the Academy's final budget for the general fund anticipated revenues and other financing sources would exceed expenditures and other financing uses by $352,236, the actual results for the year showed revenues and other financing sources exceeded expenditures and other financing uses by $427,428.

Actual revenues were $53,232 less than budgeted primarily due to lower than anticipated revenue from state sources. The actual expenditures were $653,424 higher than anticipated primarily due to higher than anticipated added needs, athletics, school administration, and operation and maintenance expenditures. Operation and maintenance expenditures exceeded budget mainly due to a new lease being entered into in the current year resulting in an increase in expenditures reported.

Capital Asset and Long-term Obligations

Capital Assets

As of the year ended June 30, 2024, the Academy had invested $3,974,835 in capital assets net of accumulated depreciation/amortization as summarized in Figure A-5. This amount represents a net increase of $459,339 from the beginning of the year. Total depreciation/amortization expense for the year was $455,637. More detailed information about capital assets can be found in Note 4 to the financial statements.

The Academy's capital assets are as follows:

Figure A-5
Detroit Leadership Academy's Capital Assets

	2024			2023
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value
Building and improvements	$ 3,757,871	$ 497,058	$ 3,260,813	$ 3,305,763
Furniture and fixtures	475,010	312,370	162,640	151,453
Buses	10,400	10,400	-	-
Computer equipment	546,153	516,003	30,150	32,726
Right-to-use - building	781,848	260,616	521,232	25,554
Right-to-use - equipment	30,894	30,894	-	-
Total	$ 5,602,176	$ 1,627,341	$ 3,974,835	$ 3,515,496

Long-term Obligations

At year end, the Academy had total long-term obligations of $2,348,248, including general obligation bonds, a lease obligation, and an installment purchase for furniture obligation. The Academy continued to pay down its obligations, retiring $575,092 of outstanding obligations. See Note 6 for more information.

Factors Bearing on the Academy's Future

At the time these financial statements were prepared and audited, the Academy was aware of existing circumstances that could significantly affect its financial health in the future.

- Because per pupil state aid funding is the driving force behind the majority of the Academy's revenue, student enrollment strongly effects the budget. The State of Michigan has continued to increase per pupil foundation allowance each of the past few years. This is the most instrumental financial factor for the Academy's future.

- The Academy continues to monitor certain one-time funding sources, primarily federal funding due to pandemic recovery efforts. The Academy has been strategic in the pandemic federal funding to maximize the length and the resources for these grants.

- The Academy continues to try and improve its facilities and programs offered to stay competitive with other schools in order to attract students to the Academy.

Contacting the Academy's Financial Management

This financial report is designed to provide our students, parents, and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy at 13550 Virgil Street, Detroit, Michigan, 48223.

BASIC FINANCIAL STATEMENTS

DETROIT LEADERSHIP ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 329,111
Accounts receivable	6,340
Intergovernmental receivable	3,516,028
Prepaids	23,667
Capital assets, net of accumulated depreciation/amortization	3,974,835
TOTAL ASSETS	7,849,981
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	16,979
Related to pension	15,224
Related to other postemployment benefit	5,927
TOTAL DEFERRED OUTFLOWS OF RESOURCES	38,130
LIABILITIES	
Accounts payable	560,589
Intergovernmental payable	133,961
Accrued oversight fee	37,084
Unearned revenues	265,116
State aid note payable	272,480
Noncurrent liabilities	
Due within one year	604,447
Due in more than one year	1,743,801
Net pension liability	25,540
TOTAL LIABILITIES	3,643,018
DEFERRED INFLOWS OF RESOURCES	
Related to pension	2,561
Related to other postemployment benefit	5,633
TOTAL DEFERRED INFLOWS OF RESOURCES	8,194
NET POSITION	
Net investment in capital assets	1,643,566
Restricted for food service	71,920
Unrestricted	2,521,413
TOTAL NET POSITION	$ 4,236,899

See notes to financial statements.

DETROIT LEADERSHIP ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 4,835,890	$ -	$ 2,653,114	$ (2,182,776)
Support services	6,657,507	-	2,734,030	(3,923,477)
Food service	744,873	-	709,801	(35,072)
Interest and fees	166,505	-	-	(166,505)
Unallocated depreciation/amortization	455,637	-	-	(455,637)
Total governmental activities	$ 12,860,412	$ -	$ 6,096,945	(6,763,467)
General revenues				
State sources - unrestricted				6,885,794
Local sources				43,929
Intermediate sources				292,984
Total general revenues				7,222,707
CHANGE IN NET POSITION				459,240
NET POSITION, beginning of year				3,777,659
NET POSITION, end of year				$ 4,236,899

See notes to financial statements.

DETROIT LEADERSHIP ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024

	General Fund		Nonmajor Special Revenue Fund		Total Governmental Funds
ASSETS					
Cash and cash equivalents	$	329,111	$	-	$ 329,111
Receivables					
Accounts receivable		6,340		-	6,340
Intergovernmental receivable		3,513,785		2,243	3,516,028
Due from other funds		-		69,677	69,677
Prepaids		23,667		-	23,667
TOTAL ASSETS	$	3,872,903	$	71,920	$ 3,944,823
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$	560,589	$	-	$ 560,589
Intergovernmental payable		133,961		-	133,961
Accrued oversight fee		37,084		-	37,084
Unearned revenues		265,116		-	265,116
Due to other funds		69,677		-	69,677
State aid note payable		272,480		-	272,480
TOTAL LIABILITIES		1,338,907		-	1,338,907
FUND BALANCES					
Nonspendable					
Prepaids		23,667		-	23,667
Restricted					
Food Service		-		71,920	71,920
Unassigned		2,510,329		-	2,510,329
TOTAL FUND BALANCES		2,533,996		71,920	2,605,916
TOTAL LIABILITIES AND FUND BALANCE	$	3,872,903	$	71,920	$ 3,944,823

See notes to financial statements.

DETROIT LEADERSHIP ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2024

Total governmental fund balance		$ 2,605,916
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred charge on refunding		16,979
Deferred outflows of resources - related to pensions		15,224
Deferred inflows of resources - related to pensions		(2,561)
Deferred outflows of resources - related to other postemployment benefits		5,927
Deferred inflows of resources - related to other postemployment benefits		(5,633)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	$ 5,602,176	
Accumulated depreciation/amortization is	(1,627,341)	3,974,835
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Direct borrowings and direct placements		(644,383)
General obligation bonds		(1,703,865)
Net pension liability		(25,540)
Net position of governmental activities		$ 4,236,899

See notes to financial statements.

DETROIT LEADERSHIP ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024

	General Fund	Nonmajor Special Revenue Fund	Total Governmental Funds
REVENUES			
Local sources	$ 43,929	$ -	$ 43,929
State sources	9,370,899	18,196	9,389,095
Federal sources	2,828,088	691,605	3,519,693
Incoming transfers	412,753	-	412,753
TOTAL REVENUES	12,655,669	709,801	13,365,470
EXPENDITURES			
Current			
Instruction			
Basic programs	3,422,653	-	3,422,653
Added needs	1,412,144	-	1,412,144
Total instruction	4,834,797	-	4,834,797
Support services			
Pupil	948,312	-	948,312
Instructional staff	1,331,928	-	1,331,928
General administration	1,285,647	-	1,285,647
School administration	1,026,990	-	1,026,990
Business	72,746	-	72,746
Operation and maintenance	2,055,596	-	2,055,596
Transportation	502,761	-	502,761
Central	115,416	-	115,416
Athletics	94,299	-	94,299
Total support services	7,433,695	-	7,433,695
Food service	-	744,873	744,873
Debt service			
Principal retirement	575,092	-	575,092
Interest and fiscal charges	166,505	-	166,505
Total debt service	741,597	-	741,597
TOTAL EXPENDITURES	13,010,089	744,873	13,754,962
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(354,420)	(35,072)	(389,492)
OTHER FINANCING SOURCES (USES)			
Proceeds from lease	781,848	-	781,848
NET CHANGE IN FUND BALANCES	427,428	(35,072)	392,356
FUND BALANCES			
Beginning of year	2,106,568	106,992	2,213,560
End of year	$ 2,533,996	$ 71,920	$ 2,605,916

See notes to financial statements.

DETROIT LEADERSHIP ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

Net change in fund balances total governmental funds	$ 392,356
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/amortization:	
Depreciation/amortization expense	(455,637)
Capital outlay	914,976
Proceeds and repayments of principal on long-term obligations are other financing sources and expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities):	
Proceeds from lease	(781,848)
Principal repayment	575,092
Amortization of deferred charge on refunding	(5,660)
Revenue reported on the accrual method in the statement of activities. In the governmental funds it is recorded on the modified accrual method and not considered available:	
Unavailable revenue, beginning of the year	(175,021)
Unavailable revenue, end of the year	-
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Pension related items	(8,739)
Other postemployment benefit related items	(779)
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions made subsequent to the measurement period:	
State aid funding for pension	4,500
Change in net position of governmental activities	$ 459,240

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Academy. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by intergovernmental revenues.

Reporting Entity

Detroit Leadership Academy (the "Academy") is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Central Michigan University is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school through June 2026. Board members are approved by the authorizing governing body and have decision making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The Academy receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the Academy is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. In addition, the Academy's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the Academy's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Academy reports the following *Major Governmental 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.

The Academy reports the following *Nonmajor Governmental Fund*:

> The *Special Revenue Fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The Academy accounts for its food service activity in the special revenue fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

During the course of operations, the Academy has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources.* The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible 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 generally 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, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

State and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amounts are received during the period or within the availability period for this revenue source (typically within 60 days of year-end).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to public school academies based on information supplied by the academies.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

The Academy also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the Academy.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund.

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

a. The Chief Administrative Officer submits to the Board of Directors a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

b. Prior to July 1, the budget is legally adopted by Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

c. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

d. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2024. The Academy does not consider these amendments to be significant.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand and demand deposit accounts.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, as summarized below, are reported in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than $5,000 and a useful life in excess of one year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress, if any, are not depreciated. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. The other capital assets of the Academy are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Lives
Buildings and improvements	5 - 30
Furniture and fixtures	5 - 10
Computers equipment	3 - 7
Buses	5
Right-to-use - building	3
Right-to-use - equipment	5

Defined Benefit Plans

For purposes of measuring the net pension liability and other postemployment benefits asset, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Academy has three items that qualify for reporting in this category They are the deferred charge on refunding, pension and other postemployment benefit related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Academy has two items that qualify for reporting in this category. The first and second items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the net pension liability and other postemployment benefits asset and the actual results. The amounts are amortized over a period determined by the actuary.

Net Position Flow Assumption

Sometimes the Academy will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund Balance Flow Assumptions

Sometimes the Academy will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)</u>

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Academy itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Academy's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the Academy that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Academy for specific purposes but do not meet the criteria to be classified as committed. Intent can be expressed by the Board of Directors or by an official or body to which the board of directors delegates authority. The Board of Directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Leases

The Academy is a lessee for a noncancelable lease of equipment. The Academy recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements.

At the commencement of a lease, the Academy initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Academy determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Leases (continued)

The Academy monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenses in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 2 - CASH DEPOSITS - CREDIT RISK

As of June 30, 2024 the Academy had deposits subject to the following risks:

Cash is held in the name of the Academy. These deposits are subject to custodial credit risk. This is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy minimizes custodial credit risk on deposits by assessing the credit worthiness of the individual institutions in which it deposits funds. The amount of deposits with each institution is assessed to determine the level of risk it may pose to the Academy in relation to deposits in excess of insured amounts. As of June 30, 2024 $55,850 of the Academy's bank balance of $329,111 was exposed to custodial credit risk because it was uninsured and uncollateralized. These deposits have a carrying value of $329,111.

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2024 consist of the following:

Governmental units	
State sources	$ 1,861,891
Federal sources	1,628,634
Intermediate sources	25,503
	$ 3,516,028

Amounts due from governmental units include amounts due from state, federal, and intermediate sources for various projects and programs.

Because of the Academy's favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 4 - CAPITAL ASSETS

A summary of changes in the Academy's capital assets follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Governmental activities				
Capital assets, being depreciated/amortized				
Building and improvements	$ 3,671,690	$ 86,181	$ -	$ 3,757,871
Furniture and fixtures	445,618	29,392	-	475,010
Buses	10,400	-	-	10,400
Computer equipment	528,598	17,555	-	546,153
Right-to-use - building	536,665	781,848	536,665	781,848
Right-to-use - equipment	30,894	-	-	30,894
Depreciable/amortizable capital assets	5,223,865	914,976	536,665	5,602,176
Accumulated depreciation/amortization				
Building and improvements	365,927	131,131	-	497,058
Furniture and fixtures	294,165	18,205	-	312,370
Buses	10,400	-	-	10,400
Computer equipment	495,872	20,131	-	516,003
Right-to-use - building	511,111	286,170	536,665	260,616
Right-to-use - equipment	30,894	-	-	30,894
Total accumulated depreciation/amortization	1,708,369	455,637	536,665	1,627,341
Net depreciable/amortizable capital assets	$ 3,515,496	$ 459,339	$ -	$ 3,974,835

Depreciation/amortization for the fiscal year ended June 30, 2024 amounted to $455,637. The Academy determined that it was impractical to allocate depreciation/amortization to the various governmental activities as the assets serve multiple functions.

NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION

At June 30, 2024, the Academy has issued a state aid anticipation note payable in the amount of $1,500,000 which has an interest rate of 6.15% and matures on August 25, 2024. Proceeds of the note were used to fund school operations. The note is secured by the full faith and credit of the Academy as well as pledged state aid. In an event of a default on the note, the state may impose a penalty interest rate and at the state's discretion, accelerate the repayment terms. Activity for the year ended June 30, 2024 is as follows:

Balance July 1, 2023	Additions	Payments	Balance June 30, 2024
$ 272,724	$ 1,500,000	$ 1,500,244	$ 272,480

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation activity for the Academy for the year ended June 30, 2024:

	Notes from Direct Borrowings and Direct Placements			General Obligation Bonds		
	Right-to-use - Building	Right-to-use - Equipment	Installment Purchase Agreement	Revenue Bonds	Refunding Bonds	Total
Balance, July 1, 2023	$ -	$ 4,220	$ 135,699	$ 1,315,558	$ 686,015	$ 2,141,492
Additions	781,848	-	-	-	-	781,848
Repayments	(247,853)	(4,220)	(25,311)	(267,301)	(30,407)	(575,092)
Balance, June 30, 2024	533,995	-	110,388	1,048,257	655,608	2,348,248
Due within one year	259,010	-	28,572	284,405	32,460	604,447
Due in more than one year	$ 274,985	$ -	$ 81,816	$ 763,852	$ 623,148	$ 1,743,801

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations currently outstanding at June 30, 2024 is as follows:

Notes from Direct Borrowings and Direct Placements	
During the 2024 fiscal year, the Academy entered into a three-year lease agreement as lessee for the use a building. The Academy is required to make monthly principal and interest payments of $23,667. The lease has an interest rate of 6%.	$ 533,995
Installment Purchase Agreement for furniture in the amount of $150,947, due in monthly installments of $3,372 through October 2027, with interest at 12.18%.	110,388
Total notes from direct borrowings and direct placement	644,383
General Obligation Bonds	
2022 Revenue Bonds due in monthly installments of $28,417 through November 2027, with interest of 6.07%.	1,048,257
2022 Refunding Bonds due in monthly installments of $5,993 through October 2027, with a balloon payment of $541,970 in November 2027, with interest of 6.07%.	655,608
Total general obligation bonds	1,703,865
Total long-term obligations	$ 2,348,248

The Academy's outstanding notes from direct borrowings and direct placements related to governmental activities of $644,383 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize the long-term obligations outstanding as of June 30, 2024, including interest of $301,386, are as follows:

Year Ending June 30,	Notes from Direct Borrowings and Direct Placements		General Obligation Bonds		
	Principal	Interest	Principal	Interest	Total
2025	$ 287,582	$ 36,880	$ 316,865	$ 96,051	$ 737,378
2026	307,239	17,224	336,924	75,991	737,378
2027	36,409	4,049	358,254	54,660	453,372
2028	13,153	333	691,822	16,198	721,506
Total	$ 644,383	$ 58,486	$ 1,703,865	$ 242,900	$ 2,649,634

Interest expense on all outstanding obligations for the fiscal year ended June 30, 2024 was $166,505.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.michigan.gov/orsschools.

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 option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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 of Michigan Investment Board serves as the investment fiduciary and custodian for the System.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by MPSERS is as follows:

Plan Name	Plan Type	Plan Status
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. 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.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and 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 pension. Any changes to a member's pension 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.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic Plan Members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus Members: a flat 7% contribution

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 - Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k)-account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: The Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus Plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 Plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 Plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 Plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided - Other Postemployment Benefit (OPEB)

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 health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Retiree Healthcare Reform of 2012

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 will be deposited into their 401(k) accounts.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through their 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the Defined Contribution Plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and OPEB. 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 normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2023 were determined as of the September 30, 2020 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2020 are amortized over an 16-year period beginning October 1, 2022 and ending September 30, 2038.

School academies' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	Other Postemployment Benefit
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%
October 1, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

The Academy's pension contributions for the year ended June 30, 2024 were equal to the required contribution total. Total pension contributions were $0.

The Academy's OPEB contributions for the year ended June 30, 2024 were equal to the required contribution total. Total OPEB contributions were $0.

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2022 and rolled-forward using generally accepted actuarial procedures. The Academy's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university Employers	September 30, 2023	September 30, 2022
Total Pension Liability	$ 94,947,828,557	$ 95,876,795,620
Plan Fiduciary Net Position	$ 62,581,762,238	$ 58,268,076,344
Net Pension Liability	$ 32,366,066,319	$ 37,608,719,276
Proportionate Share	0.00008%	0.00006%
Net Pension Liability for the Academy	$ 25,540	$ 24,359

For the year ended June 30, 2024, the Academy recognized pension expense of $8,739.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

At June 30, 2024, the Reporting Unit 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
Changes of assumptions	$ 3,461	$ 1,995
Net difference between projected and actual plan investment earnings	-	523
Differences between expected and actual experience	806	39
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,957	4
Reporting Unit's contributions subsequent to the measurement date	-	-
	$ 15,224	$ 2,561

$0, reported as deferred outflows of resources related to pensions resulting from Academy employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ended September 30,	Amount
2024	$ 6,107
2025	3,861
2026	2,552
2027	143

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

The net OPEB liability (asset) was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30, 2022 and rolled-forward using generally accepted actuarial procedures. The Academy's proportion of the net OPEB liability (asset) was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university Employers	September 30, 2023	September 30, 2022
Total OPEB liability	$ 11,223,648,949	$ 12,522,713,324
Plan fiduciary net position	$ 11,789,347,341	$ 10,404,650,683
Net OPEB liability (asset)	$ (565,698,392)	$ 2,118,062,641
Proportionate share	0.00000%	0.00015%
Net OPEB liability (asset) for the Academy	$ -	$ 3,228

For the year ended June 30, 2024, the Academy recognized OPEB expense of $779.

At June 30, 2024, the Reporting Unit 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
Net difference between projected and actual plan investment earnings	$ -	$ -
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,927	5,633
Reporting Unit's contributions subsequent to the measurement date	-	-
	$ 5,927	$ 5,633

$0, reported as deferred outflows of resources related to OPEB resulting from Academy employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability (asset) in the subsequent fiscal year.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Liabilities (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30,	Amount
2024	$ 779
2025	779
2026	779
2027	(557)
2028	(963)
2029	(523)

Actuarial Assumptions

Investment Rate of Return for Pension - 6.00% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, Pension Plus, and Pension Plus 2 Plan groups.

Investment Rate of Return for OPEB - 6.00% a year, compounded annually net of investment and administrative expenses.

Salary Increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 2.75%.

Inflation - 3.0%.

Mortality Assumptions -

Retirees: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and MP-202 adjusted for mortality improvements using projection scale from 2010.

Disabled Retirees: PubNS-2010 Male and Female Disabled Retiree Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2022. Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2023 valuation.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan, and Pension Plus 2 Plan), and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and 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.

Cost of Living Pension Adjustments - 3.0% annual non-compounded for MIP members.

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.50% for year one and graded to 3.5% in year fifteen. Post 65, 6.25% for year one and graded to 3.5% in year fifteen.

Additional Assumptions for Other Postemployment Benefit Only - Applies to Individuals Hired Before September 4, 2012:

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 electing two-person coverage are assumed to have coverage continuing after the retiree's death.

Coverage Election at Retirement - 75% of male and 60% of female future retirees who elected coverage are assumed to elect coverage for 1 or more dependents.

The target asset allocation at September 30, 2023 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.8%
International Equity Pools	15.0%	6.8%
Private Equity Pools	16.0%	9.6%
Real Estate and Infrastructure Pools	10.0%	6.4%
Fixed Income Pools	13.0%	1.3%
Absolute Return Pools	9.0%	4.8%
Real Return/Opportunistic Pools	10.0%	7.3%
Short Term Investment Pools	2.0%	0.3%
	100.0%	

* Long term rate of return are net of administrative expenses and 2.7% inflation.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Rate of Return - For fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 8.29% and 7.94%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate - A single discount rate of 6.00% was used to measure the total pension liability. This discount rate was based on the expected rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school academies will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those 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.

OPEB Discount Rate - A single discount rate of 6.00% 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 6.00%. 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 school academies 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 Net Pension Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	$ 34,505	$ 24,540	$ 18,077

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability (asset) calculated using a single discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability (asset)	$ -	$ -	$ -

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Sensitivity to the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability (asset) calculated using the healthcare cost trend rate, as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability (asset)	$ -	$ -	$ -

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System 2023 Annual Comprehensive Financial Report.

Payable to the Pension and OPEB Plan - At year end the Academy is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2024 are as follows:

Receivable Fund		Payable Fund	
Nonmajor fund	$ 69,677	General fund	$ 69,677

The outstanding balances between funds results mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) payments between funds are made.

NOTE 9 - OVERSIGHT FEES

The Academy pays an administrative oversight fee of 3% of its state school aid discretionary and Proposal A obligation payments to Central Michigan University Board of Trustees, as set forth by contract, to reimburse the University Board for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy's compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2024, the Academy incurred expense of approximately $204,000 for oversight fees.

NOTE 10 - MANAGEMENT AGREEMENT

The Academy maintains a management agreement with Champion Education Network (CEN) for operation of the Academy from July 1, 2023 through June 30, 2026. Under the terms of the management agreement, CEN's compensation for operating the Academy was 11% of state aid entitlement for the fiscal year ending June 30, 2024, plus certain other fees, as prorated for the term of service. The total management fee incurred through the year ended June 30, 2024 was approximately $1,024,000. As of June 30, 2024 approximately $501,000 was owed to CEN.

NOTE 11 - PURCHASED SERVICES

The Academy leases all employee services from CEN. Salaries, retirement, social security, health insurance, and unemployment taxes are the responsibility of CEN.

NOTE 12 - RISK MANAGEMENT

The Academy is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. To minimize the risk, the Academy carries commercial insurance.

NOTE 13 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Academy expects such amounts, if any, to be immaterial.

NOTE 14 - SUBSEQUENT EVENT

The Academy borrowed $2,500,000 under a state aid anticipation note in September 2024 at 6.02% to be repaid monthly from October 2024 through August 2025.

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements - or modifies existing requirements - related to the following:

a. Management's discussion and analysis (MD&A);
    i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
        1) Overview of the Financial Statements,
        2) Financial Summary,
        3) Detailed Analyses,
        4) Significant Capital Asset and Long-Term Financing Activity,
        5) Currently Known Facts, Decisions, or Conditions;
    ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
    iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
b. Unusual or infrequent items;
c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
    i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
    ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

DETROIT LEADERSHIP ACADEMY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	$ 217,000	$ 309,203	$ 43,929	$ (265,274)
State sources	9,031,162	9,547,490	9,370,899	(176,591)
Federal sources	2,162,749	2,710,099	2,828,088	117,989
Incoming transfers	-	142,109	412,753	270,644
TOTAL REVENUES	11,410,911	12,708,901	12,655,669	(53,232)
EXPENDITURES				
Current				
Instruction				
Basic programs	3,342,880	3,526,158	3,422,653	103,505
Added needs	1,942,290	1,263,779	1,412,144	(148,365)
Total instruction	5,285,170	4,789,937	4,834,797	(44,860)
Support services				
Pupil	924,974	996,494	948,312	48,182
Instructional staff	1,190,690	1,358,393	1,331,928	26,465
General administration	1,260,669	1,294,402	1,285,647	8,755
School administration	954,049	1,020,625	1,026,990	(6,365)
Business	70,000	79,997	72,746	7,251
Operation and maintenance	991,189	1,225,190	2,055,596	(830,406)
Transportation	423,000	503,000	502,761	239
Central	2,821	166,708	115,416	51,292
Athletics	46,250	82,000	94,299	(12,299)
Total support services	5,863,642	6,726,809	7,433,695	(706,886)
Community services	4,000	-	-	-
Debt service				
Principal retirement	231,478	575,092	575,092	-
Interest and fiscal charges	-	264,827	166,505	98,322
Total debt service	231,478	839,919	741,597	98,322
TOTAL EXPENDITURES	11,384,290	12,356,665	13,010,089	(653,424)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	26,621	352,236	(354,420)	(706,656)
OTHER FINANCING SOURCES (USES)				
Proceeds from leases	-	-	781,848	781,848
NET CHANGE IN FUND BALANCE	$ 26,621	$ 352,236	427,428	$ 75,192
FUND BALANCE				
Beginning of year			2,106,568	
End of year			$ 2,533,996	

DETROIT LEADERSHIP ACADEMY
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2023	2022	2021
Reporting Unit's proportion of net pension liability (%)	0.00008%	0.00006%	0.00006%
Reporting Unit's proportionate share of net pension liability	$ 25,540	$ 24,359	$ 12,972
Reporting Unit's covered-employee payroll	$ -	$ 16,055	$ 12,285
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	0.00%	151.72%	105.59%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	65.91%	60.77%	72.60%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the Academy presents information for those years for which information is available.

DETROIT LEADERSHIP ACADEMY
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)

	2024	2023	2022
Statutorily required contributions	$ -	$ 4,500	$ 3,285
Contributions in relation to statutorily required contributions	-	4,500	3,285
Contribution deficiency (excess)	$ -	$ -	$ -
Reporting Unit's covered-employee payroll	$ -	$ -	$ 16,315
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	20.13%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the Academy presents information for those years for which information is available.

DETROIT LEADERSHIP ACADEMY
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY (ASSET)
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2023	2022	2021
Reporting Unit's proportion of net other postemployment benefit liability/asset (%)	0.00000%	0.00015%	0.00013%
Reporting Unit's proportionate share of net other postemployment benefit liability (asset)	$ -	$ 3,228	$ 1,912
Reporting Unit's covered-employee payroll	$ -	$ 16,055	$ 12,285
Reporting Unit's proportionate share of net other postemployment benefit liability/asset as a percentage of its covered-employee payroll	0.00%	20.11%	15.56%
Plan fiduciary net position as a percentage of total other postemployment benefit liability/asset (Non-university employers)	105.04%	83.09%	87.33%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the Academy presents information for those years for which information is available.

DETROIT LEADERSHIP ACADEMY
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)

	2024	2023	2022
Statutorily required other postemployment benefit contributions	$ -	$ -	$ 1,321
Other postemployment benefit contributions in relation to statutorily required contributions	-	-	1,321
Contribution deficiency (excess)	$ -	$ -	$ -
Reporting Unit's covered-employee payroll (OPEB)	$ -	$ -	$ 16,315
Other postemployment benefit contributions as a percentage of covered-employee payroll	0.00%	0.00%	8.10%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the Academy presents information for those years for which information is available.

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2023.

Changes of Assumptions - the assumption changes for 2023 were:

- Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2023.

Changes of Assumptions - the assumption changes for 2023 were:

- Healthcare cost trend rate
    - Pre 65 decreased to 7.50% for year one graded to 3.50% for year fifteen from 7.75% for year one graded to 3.50% for year fifteen.
    - Post 65 increased to 6.25% for year one and graded to 3.5% for year fifteen from 5.25% for year one and graded to 3.5% for year fifteen.

- Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

ADDITIONAL SUPPLEMENTARY INFORMATION

DETROIT LEADERSHIP ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2023	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2024
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-cash assistance (donated foods)								
Entitlement Donated Foods	10.555	N/A	$ 32,853	$ -	$ -	$ 32,853	$ 32,853	$ -
Cash Assistance								
National School Lunch Program	10.555	231960	399,886	26,744	353,372	46,514	73,258	-
National School Lunch Program	10.555	231980	5,670	183	5,197	473	656	-
National School Lunch Program - Supply Chain Assistance	10.555	240910	23,781	-	-	23,781	23,781	-
National School Lunch Program	10.555	241960	377,415	-	-	377,415	359,641	17,774
National School Lunch Program	10.555	241980	4,446	-	-	4,446	4,446	-
Total ALN 10.555			844,051	26,927	358,569	485,482	494,635	17,774
School Breakfast Program	10.553	231970	190,488	12,730	167,468	23,020	35,750	-
School Breakfast Program	10.553	241970	176,697	-	-	176,697	168,452	8,245
Total ALN 10.553			367,185	12,730	167,468	199,717	204,202	8,245
Total cash assistance			1,178,383	39,657	526,037	652,346	665,984	26,019
Total Child Nutrition Cluster			1,211,236	39,657	526,037	685,199	698,837	26,019
Local Food for Schools	10.185	230985	6,406	-	-	6,406	6,406	-
Total U.S. Department of Agriculture			1,217,642	39,657	526,037	691,605	705,243	26,019

The accompanying notes are an integral part of this schedule.

DETROIT LEADERSHIP ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2023	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2024
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I Grants to Local Educational Agencies	84.010	231530	$ 472,769	$ 11,077	$ 472,769	$ -	$ 11,077	$ -
Title I Grants to Local Educational Agencies	84.010	241530	469,108	-	-	393,753	305,991	87,762
Title I Grants to Local Educational Agencies (RAG)	84.010	231570	255,312	50,754	251,056	4,256	55,010	-
Title I Grants to Local Educational Agencies (RAG)	84.010	241570	482,468	-	-	457,816	-	457,816
Title I Grants to Local Educational Agencies (TAG)	84.010	231580	40,000	40,000	40,000	-	40,000	-
Total ALN 84.010			1,719,657	101,831	763,825	855,825	412,078	545,578
Title II Grants Supporting Effective Instruction State Grants	84.367	230520	49,994	13,860	49,994	-	13,860	-
Title II Grants Supporting Effective Instruction State Grants	84.367	240520	45,335	-	-	45,335	36,531	8,804
Total ALN 84.367			95,329	13,860	49,994	45,335	50,391	8,804
Title IVA Student Support and Academic Enrichment	84.424	230750	36,638	8,045	36,638	-	8,045	-
Title IVA Student Support and Academic Enrichment	84.424	240750	36,478	-	-	32,275	-	32,275
Total ALN 84.424			73,116	8,045	36,638	32,275	8,045	32,275
Education Stabilization Funds								
COVID-19 Governor's Emergency Education Relief Fund (GEER II Teacher and Support Staff Payments)	84.425C	211202	7,750	-	-	7,000	7,000	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Credit Recovery)	84.425D	213742	27,500	-	-	27,500	27,500	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Formula Funds)	84.425U	213713	2,957,188	94,883	1,617,592	1,118,179	587,551	625,511
Total Education Stabilization Funds			2,992,438	94,883	1,617,592	1,152,679	622,051	625,511
ARP Elementary and Secondary School Emergency Relief Fund (ARP-HCY)	84.425W	211012	12,961	-	-	12,961	-	12,961
Total ALN 84.425			3,005,399	94,883	1,617,592	1,165,640	622,051	638,472

The accompanying notes are an integral part of this schedule.

DETROIT LEADERSHIP ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2023	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2024
U.S. Department of Education (continued)								
Passed through Wayne RESA Intermediate School District								
Special Education Cluster								
Special Education - Flowthrough	84.027A	230450	$ 172,201	$ 8,269	$ 172,201	$ -	$ 8,269	$ -
Special Education - Flowthrough	84.027A	240450	217,992	-	-	217,992	176,506	41,486
Total ALN 84.027 and Special Education Cluster			390,193	8,269	172,201	217,992	184,775	41,486
Total U.S. Department of Education			5,283,694	226,888	2,640,250	2,317,067	1,277,340	1,266,615
U.S. Department of Health and Human Services								
Passed through Wayne RESA Intermediate School District								
MDHHS Health Resource Advocate (HRA) Funding	93.323	232810	112,000	112,000	112,000	-	112,000	-
MDHHS Health Resource Advocate (HRA) Funding	93.323	242810	336,000	-	-	336,000	-	336,000
Total ALN 93.323			448,000	112,000	112,000	336,000	112,000	336,000
Passed through Michigan Department of Education								
Education Development Center First 10 Initiative	93.434	223972	84,267	84,267	84,267	-	84,267	-
Total U.S. Department of Health and Human Services			532,267	196,267	196,267	336,000	196,267	336,000
TOTAL FEDERAL AWARDS			$ 7,033,603	$ 462,812	$ 3,362,554	$ 3,344,672	$ 2,178,850	$ 1,628,634

The accompanying notes are an integral part of this schedule.

DETROIT LEADERSHIP ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Detroit Leadership Academy under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 Detroit Leadership Academy, it is not intended to and does not present the financial position or changes in net position of Detroit Leadership Academy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified 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 (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Detroit Leadership Academy has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Management has utilized the NexSys cash management system and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The Academy does not pass through federal awards.

NOTE 3 - RECONCILING WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements for the period ending June 30, 2024:

General fund	$ 2,828,088
Nonmajor special revenue fund	691,605
Total federal revenue in the fund financial statements	3,519,693
Less: Unavailable federal revenue, beginning of the year	(175,021)
Expenditures per schedule of expenditures of federal awards	$ 3,344,672

Maner Costerisan

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
517.323.7500
517.323.6346

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Detroit Leadership 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 and each major fund of Detroit Leadership Academy, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Detroit Leadership Academy's basic financial statements, and have issued our report thereon dated October 31, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal controls, as described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2024-001).

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Detroit Leadership 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 financial statements. 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2024-001.

Academy's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Detroit Leadership Academy's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Detroit Leadership Academy's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Maner Costerisan PC

October 31, 2024

Maner Costerisan

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
517.323.7500
517.323.6346

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Detroit Leadership Academy

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Detroit Leadership Academy's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Detroit Leadership Academy's major federal programs for the year ended June 30, 2024. Detroit Leadership Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Detroit Leadership 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, 2024.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Detroit Leadership Academy and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Detroit Leadership Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Detroit Leadership Academy's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Detroit Leadership Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Detroit Leadership Academy's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Detroit Leadership Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Detroit Leadership Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Detroit Leadership Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Maner Costerisan PC

October 31, 2024

DETROIT LEADERSHIP ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:	*Unmodified*
Internal control over financial reporting:	
➢ Material weakness(es) identified?	____ Yes __X__ No
➢ Significant deficiency(ies) identified that are not considered to be material weakness(es)?	__X__ Yes ____
Noncompliance material to financial statements noted?	____ Yes __X__ None

Federal Awards

Internal control over major programs:	
➢ Material weakness(es) identified?	____ Yes __X__ No
➢ Significant deficiency(ies) identified that are not considered to be material weakness(es)?	____ Yes __X__ None reported
Type of auditor's report issued on compliance for major programs:	*Unmodified*
Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?	____ Yes __X__ No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	__X__ Yes ____ No

DETROIT LEADERSHIP ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024

Section II - Financial Statement Findings

Finding 2024-001 Significant deficiency

Criteria: In order to maintain adequate internal controls and proper reporting, all accounts should be reconciled and adjusted monthly. The reconciliations should be completed and reviewed in a timely basis.

Condition: The Academy did not perform accurate year-end closing activities.

Effect: The year-end closing activities that were delayed included adjusting the balance sheet accounts and state and federal revenue accounts.

Cause: The year-end closing procedures and reconciliations were not completed in a timely manner.

Recommendation: We recommend the Academy establish improved controls for preparing and reviewing year-end reconciliations. The Academy should ensure that reconciliations are completed in a timely manner and agree to the general ledger.

Academy's Response: The Academy concurs with the facts of this finding and is implementing procedures to prevent this in the future.

Section III - Federal Award Findings and Question Costs

None

DETROIT LEADERSHIP ACADEMY

DETROIT LEADERSHIP ACADEMY
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2024

Detroit Leadership Academy respectfully submits the following corrective action plan for the year ended June 30, 2024.

Auditor: Maner Costerisan
2425 E. Grand River Ave., Suite 1
Lansing, Michigan 48912

Audit Period: Year ended June 30, 2024

Academy Contact Person: Kerri Smith, Sr. Director of Business Operations

The findings from the June 30, 2024 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Findings - Financial statement audit

Finding 2024-001 – Significant deficiency

Recommendation: We recommend the Academy establish improved controls for preparing and reviewing year-end reconciliations. The Academy should ensure that reconciliations are completed in a timely manner and agree to the general ledger.

Actions to be taken: The Academy concurs with the facts of this finding and are in the process of adding human capital/capacity, developing a revised formal timeline, and checklist of year-end procedures as recommended.

DETROIT LEADERSHIP ACADEMY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2024

Finding 2023-001: Considered a material noncompliance.

Criteria: Michigan Public Act 621 of 1978, as amended, provides that the Academy adopt formal budgets for all applicable funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures. The Act also prohibits the Academy from appropriating more funds for expenditure than is available through current revenue sources and any accrued surplus or deficit from previous years.

Condition: The Academy had adopted budget items that were exceeded by actual expenditures by a material amount in three activities of the General Fund.

Cause: The condition was caused by the Academy ineffectively monitoring the adopted budget against actual expenditures.

Effect: The Academy was not in compliance with the budgeting act.

Recommendation: The Academy should continue to monitor expenditures against adopted budgets to make appropriate amendments as needed.

Academy's Response: The Academy concurs with the facts of this finding and is implementing procedures to prevent this in the future.

Status: This finding was continued in the current year with Finding 2024-001 considered a significant deficiency.

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
517.323.7500
517.323.6346

October 31, 2024

To the Board of Directors
Detroit Leadership Academy

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Detroit Leadership Academy for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Detroit Leadership Academy are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year 2024. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's calculation of the depreciation expense is based on the estimated useful lives of the capital assets.
>
> Management's estimate of the discount rate used for leases, the lease term and lease payments/receipts is based on the Detroit Leadership Academy incremental borrowing rate and consideration of the noncancelable period of the lease and reasonably certain lease options.
>
> The calculation of the net pension liability and related deferred outflows and inflows of resources is based on an actuarial study which utilized certain actuarial assumptions.
>
> The calculation of the net other post-employment benefits asset and related deferred outflows and inflows of resources is based upon an actuarial study which utilized certain actuarial assumptions.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 31, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

<u>Other Matters</u>

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

A separate management letter was not issued.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Detroit Leadership Academy and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maner Costerisan PC