LLP
Certified Public Accountants

DETROIT LEADERSHIP ACADEMY

DETROIT, MICHIGAN

YEAR ENDED JUNE 30, 2023

DETROIT LEADERSHIP ACADEMY
DETROIT, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

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UHY LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Detroit Leadership Academy
Detroit, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Detroit Leadership Academy, Detroit, Michigan as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District'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, each major fund, and the aggregate remaining fund information of Detroit Leadership Academy, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the Unites 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 these 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' 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 judgement 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 judgement 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' 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Detroit Leadership Academy' 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 required supplementary information, as identified in the table of contents, on pages 4-9 and 43-48 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 basic financial statements. The accompanying schedule of revenues and expenditures and 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 schedule of revenues and expenditures and 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 November 27, 2023, on our consideration of Detroit Leadership Academy' 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' 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' internal control over financial reporting and compliance.

UHY LLP

Cadillac, Michigan
November 27, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2023

This section of Detroit Leadership Academy's ("the Academy") annual report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2023. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

This discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements. The Academy's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

A. Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the Academy's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the Academy's assets, deferred inflows and outflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The *Statement of Activities* presents the information showing how the Academy's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods.

Both of the government-wide statements distinguish functions of the Academy that are principally supported by state aid and property taxes (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). The governmental activities of the Academy include instruction, supporting services, interest on long-term debt and unallocated depreciation.

B. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Detroit Leadership Academy, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements. All of the funds of the Academy are considered governmental funds.

Governmental Funds Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in both the government-wide and the fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

C. Summary of Net Position

The following schedule summarizes the net position at June 30,

	2023	As Restated 2022
Assets and Deferred Outflows of Resources		
Assets		
Current Assets	$ 3,101,105	$ 3,472,249
Non Current Assets		
Capital Assets	5,223,865	3,207,433
Less Accumulated Depreciation	(1,708,369)	(1,472,191)
Total Non Current Assets	3,515,496	1,735,242
Deferred Outflows of Resources		
Deferred Loss on Refunding	22,639	0
Deferred Outflows of Resources Related to Pensions	20,282	16,963
Deferred Outflows of Resources Related to OPEB	10,857	10,807
Total Deferred Outflows of Resources	53,778	27,770
Total Assets and Deferred Outflows of Resources	$ 6,670,379	$ 5,235,261

	2023	As Restated 2022
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities		
Current Liabilities	$ 1,039,771	$ 1,356,795
Non Current Liabilities	1,841,832	508,341
Total Liabilities	2,881,603	1,865,136
Deferred Inflows of Resources		
Deferred Inflows of Resources Related to Pensions	4,561	4,255
Deferred Inflows of Resources Related to OPEB	6,556	7,138
Total Deferred Inflows of Resources	11,117	11,393
Net Position		
Net Investment in Capital Assets	1,396,643	725,176
Restricted for Specific Purposes	106,992	186,161
Unrestricted	2,274,024	2,447,395
Total Net Position	3,777,659	3,358,732
Total Liabilities and Net Position	$ 6,670,379	$ 5,235,261

D. Analysis of Financial Position

During the fiscal year ended June 30, 2023, the Academy's net position increased by $418,927. A few of the more significant factors affecting net position during the year are discussed below:

1. *Depreciation/Amortization Expense*

Academies are required to maintain a record of annual depreciation/amortization expense and the accumulation of depreciation/amortization expense over time. The net increase in accumulated depreciation/amortization expense is a reduction in net position.

Depreciation/amortization expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation/amortization expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2023, $431,086 was recorded for depreciation/amortization expense.

2. *Capital Outlay Acquisitions*

For the year ended June 30, 2023, $2,211,340 of the Academy's expenditures were capitalized and recorded as assets of the Academy.

The net effect of the current year's depreciation/amortization, additions, and deletions is an increase in capital assets in the amount of $1,780,254 for the year ended June 30, 2023.

E. Results of Operations

For the years ended June 30, the results of operations, on an academy-wide basis, were:

	2023	2022
General Revenues		
Regional Enhancement Millage	$ 261,533	$ 0
State Sources	6,713,492	6,661,125
Other	75,928	99,297
Total General Revenues	7,050,953	6,760,422
Program Revenues		
Operating Grants	4,683,794	4,492,535
Capital Grants	73,486	0
Total Program Revenues	4,757,280	4,492,535
Total Revenues	11,808,233	11,252,957
Expenses		
Instruction	4,724,891	4,068,669
Supporting Services	6,069,361	5,192,780
Community Services	1,197	89
Interest on Long Term Debt and Bond Issuance Costs	162,771	63,650
Unallocated Depreciation	431,086	558,206
Total Expenses	11,389,306	9,883,394
Change in Net Position	$ 418,927	$ 1,369,563

The prior year does not reflect changes made to beginning net position. For additional information refer to Note 4 in the footnotes.

F. Financial Analysis of the Academy's Funds

The financial performance of the Academy as a whole is also reflected in its governmental funds. The following table shows the change in total fund balance of the Academy's governmental funds:

	2023	As Restated 2022	Increase (Decrease)
Major Fund			
General Fund	$ 2,106,568	$ 2,445,902	$ (339,334)
Non-Major Fund			
Food Service Fund	106,992	186,161	(79,169)

General Fund – In 2022-2023, the General Fund's fund balance decreased by $339,334. The Academy paid $430,000 at closing on the purchase of new buildings as well as saw general increases in operating expenditures, which caused the decrease in fund balance.

Food Service Fund – In 2022-2023, the Food Service Fund's fund balance decreased by $79,169. The decrease is due to an increase in expenditures that was not offset by a subsequent increase in revenues.

G. General Fund Budgetary Highlights

The Uniform Accounting and Budgeting Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2022-2023 fiscal year, the Academy amended the General Fund throughout the year, with the Board adopting the changes as summarized below. The following schedule shows a comparison of the original General Fund budget, the final amended General Fund budget, and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Revenues	$ 10,738,317	$ 10,857,831	$ 10,992,276
EXPENDITURES			
Instruction	$ 4,780,245	$ 4,847,755	$ 4,732,182
Supporting Services	5,574,029	5,693,781	5,643,666
Community Services	1,000	1,000	1,197
Facilities Acquisition, Construction and Improvements	0	473,015	1,900,581
Debt Service	77,763	268,243	677,195
Contingency	110,802	0	0
Total Expenditures	$ 10,543,839	$ 11,283,794	$ 12,954,821

The changes from original budgeted revenues and final budget revenues were a result of changes in state and federal revenues and the budgeted expenditures associated with those programs. The variances between the final budgeted amounts and actual amounts of revenue resulted in the Academy receiving more in other transactions than budgeted for. The variances between the final budgeted amount and actual amounts of expenditures resulted in the Academy spending less on instruction than it budgeted for as well as not budgeting for a building purchase.

H. Capital Asset and Obligation Administration

1. Capital Assets

At the end of the 2022-2023 fiscal year, the Academy had invested $3,515,496, net of depreciation/amortization, in a broad range of capital assets, including school buildings and facilities and various types of equipment. This represents a net increase of $1,780,254 from the prior fiscal year. Depreciation/amortization expense for the year amounted to $431,086 bringing the accumulation to $1,708,369 as of June 30, 2023. More information can be found related to capital assets later in this report. Additions during the year were related to building purchases and improvements and furniture and equipment.

2. Long-Term Obligations

The Academy's long-term obligations increased during the fiscal year by $1,144,129, bringing the total obligations to $2,169,079. More information on the long-term obligations of the Academy can be found later in this report.

I. Factors Bearing on the Academy's Future

At the time that these financial statements were prepared and audited, the Academy was aware of the following items 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.

J. Contacting the Academy's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors 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 financial information, please contact the Academy at 13550 Virgil Street Detroit, MI 48223.

DETROIT LEADERSHIP ACADEMY
DETROIT, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2023

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 1,069,313
Accounts Receivable	18,810
Due from Other Governments	2,012,982
Total Current Assets	3,101,105
NON CURRENT ASSETS	
Capital Assets (Net of Accumulated Depreciation)	
Assets Being Depreciated	3,515,496
TOTAL ASSETS	6,616,601
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Loss on Refunding	22,639
Deferred Outflows of Resources Related to Pensions	20,282
Deferred Outflows of Resources Related to Other Postemployment Benefits	10,857
TOTAL DEFERRED OUTFLOWS OF RESOURCES	53,778
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	395,141
Notes Payable	272,724
Accrued Expenses	37,159
Unearned Revenue	7,500
Current Portion of Non Current Liabilities	327,247
Total Current Liabilities	1,039,771
NON CURRENT LIABILITIES	
Bonds Payable	2,001,573
Note Payable	135,699
Right to Use Lease Obligations	4,220
Net Pension Liability	24,359
Net Postemployment Benefits Liability	3,228
Less Current Portion of Non Current Liabilities	(327,247)
Total Non Current Liabilities	1,841,832
TOTAL LIABILITIES	2,881,603

The notes to the financial statements are an integral part of this statement.

STATEMENT OF NET POSITION

JUNE 30, 2023

DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to Pensions	4,561
Deferred Inflows of Resources Related to Other Postemployment Benefits	6,556
TOTAL DEFERRED INFLOWS OF RESOURCES	11,117
NET POSITION	
Net Investment in Capital Assets	1,396,643
Restricted for Food Service	106,992
Unrestricted	2,274,024
TOTAL NET POSITION	$ 3,777,659

The notes to the financial statements are an integral part of this statement.

DETROIT LEADERSHIP ACADEMY
DETROIT, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: OPERATING GRANTS	PROGRAM REVENUES: CAPITAL GRANTS	GOVERNMENTAL ACTIVITIES: NET (EXPENSES) REVENUES AND CHANGE IN NET POSITION
GOVERNMENTAL ACTIVITIES				
Instruction	$ 4,724,891	$ 2,002,006	$ 67,336	$ (2,655,549)
Supporting Services	6,069,361	2,681,588	6,150	(3,381,623)
Community Services	1,197	200	0	(997)
Interest on Long Term Debt and Bond Issuance Costs	162,771	0	0	(162,771)
Unallocated Depreciation	431,086	0	0	(431,086)
TOTAL GOVERNMENTAL ACTIVITIES	$ 11,389,306	$ 4,683,794	$ 73,486	(6,632,026)
GENERAL REVENUES				
Regional Enhancement Millage				261,533
State Sources				6,713,492
Other				75,928
Total General Revenues				7,050,953
Change in Net Position				418,927
NET POSITION - Beginning of Year				3,358,732
NET POSITION - End of Year				$ 3,777,659

The notes to the financial statements are an integral part of this statement.

DETROIT LEADERSHIP ACADEMY
DETROIT, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2023

	GENERAL FUND	NON-MAJOR FOOD SERVICE FUND	TOTAL
ASSETS			
Cash and Cash Equivalents	$ 1,069,313	$ 0	$ 1,069,313
Accounts Receivable	18,810	0	18,810
Due from Other Governments	1,973,325	39,657	2,012,982
Due from Other Funds	0	104,766	104,766
TOTAL ASSETS	$ 3,061,448	$ 144,423	$ 3,205,871
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 357,710	$ 37,431	$ 395,141
Notes Payable	272,724	0	272,724
Accrued Expenditures	37,159	0	37,159
Due to Other Funds	104,766	0	104,766
Unearned Revenue	7,500	0	7,500
TOTAL LIABILITIES	779,859	37,431	817,290
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	175,021	0	175,021
FUND BALANCES			
Restricted for:			
Food Service	0	106,992	106,992
Unassigned	2,106,568	0	2,106,568
Total Fund Balances	2,106,568	106,992	2,213,560
TOTAL LIABILITIES , DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,061,448	$ 144,423	$ 3,205,871

The notes to the financial statements are an integral part of this statement.

DETROIT LEADERSHIP ACADEMY
DETROIT, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2023

Total Governmental Fund Balances		$ 2,213,560
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	$ 5,223,865	
Accumulated depreciation is	(1,708,369)	3,515,496
Some liabilities, including net pension and other postemployment benefit obligations, are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability		(24,359)
Net Other Postemployment Benefits Liability		(3,228)
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources		31,139
Deferred Inflows of Resources		(11,117)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Installment Purchase Agreement		(135,699)
Right to Use Lease Obligations		(4,220)
Bonds Payable		(2,001,573)
Governmental funds expense the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Bond Deferred (Gain) Loss on Refunding		22,639
Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable in the funds.		175,021
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 3,777,659

The notes to the financial statements are an integral part of this statement.

DETROIT LEADERSHIP ACADEMY
DETROIT, MICHIGAN

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

YEAR ENDED JUNE 30, 2023

	GENERAL FUND	NON-MAJOR FOOD SERVICE FUND	TOTAL
REVENUES			
Local Sources	$ 163,264	$ 0	$ 163,264
State Sources	8,559,977	10,362	8,570,339
Federal Sources	2,007,502	635,074	2,642,576
Other Transactions	261,533	0	261,533
Total Revenues	10,992,276	645,436	11,637,712
EXPENDITURES			
Instruction			
Basic Programs	3,210,866	0	3,210,866
Added Needs	1,521,316	0	1,521,316
Supporting Services			
Pupil	965,276	0	965,276
Instructional Staff	991,982	0	991,982
General Administration	1,175,415	0	1,175,415
School Administration	715,604	0	715,604
Business	92,762	0	92,762
Operations and Maintenance	1,101,420	0	1,101,420
Pupil Transportation Services	496,398	0	496,398
Central Services	53,462	0	53,462
Other Support Services	51,347	0	51,347
Food Services	0	724,605	724,605
Community Services			
Community Activities	1,197	0	1,197
Facilities Acquisition, Construction, and Improvements	1,900,581	0	1,900,581
Debt Service	677,195	0	677,195
Total Expenditures	12,954,821	724,605	13,679,426
Excess (Deficiency) of Revenues Over Expenditures	(1,962,545)	(79,169)	(2,041,714)
OTHER FINANCING SOURCES (USES)			
Payments to Refunding Bond Escrow Agent	(691,236)	0	(691,236)
Proceeds from Installment Purchase Agreement	150,947	0	150,947
Proceeds from Refinancing Debt	701,800	0	701,800
Face Value of Debt	1,461,700	0	1,461,700
Total Financing Sources (Uses)	1,623,211	0	1,623,211
Net Change in Fund Balance	(339,334)	(79,169)	(418,503)
FUND BALANCE - Beginning of Year (As Restated)	2,445,902	186,161	2,632,063
FUND BALANCE - End of Year	$ 2,106,568	$ 106,992	$ 2,213,560

The notes to the financial statements are an integral part of this statement.

DETROIT LEADERSHIP ACADEMY
DETROIT, MICHIGAN

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

YEAR ENDED JUNE 30, 2023

Net Change in Fund Balances Total Governmental Funds	$	(418,503)
Amounts reported for governmental activities are different because:		
Governmental funds report capital outlay as expenditures. In the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.		
Depreciation Expense		(431,086)
Capital Outlay		2,211,340
Governmental funds report district pension and other postemployment benefit contributions as expenditures. However, in the Statement of Activities, the cost of pension and other postemployment benefits earned net of employee contributions are reported as expenses:		
Changes in Pension Related Items		(3,874)
Changes in Other Postemployment Benefits Related Items		(684)
Change in Restricted Revenue Reported in the Governmental Funds that is deferred to offset the deferred outflows related to Section 147c pension contributions subsequent to the measurement period:		
Change in State Aid Funding for Pension		(4,500)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the premiums, discounts and similar items when debt is first issued, these amounts are deferred and amortized in the Statement of Activities:		
Repayments of Principal on Long-Term Debt		520,084
Loss on Bond Refunding		28,299
Defeasance of Debt		662,937
Amortization of Deferred Charges		(5,660)
Proceeds from Installment Purchase Agreement		(150,947)
Issuance of Debt		(2,163,500)
Under the modified accrual basis of accounting, revenue is recognized when measurable and available. The entity-wide statements recognize revenue when earned:		
Unavailable Revenue		175,021
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	418,927

The notes to the financial statements are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Detroit Leadership Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Academy's accounting policies are described below.

A. Reporting Entity

Detroit Leadership Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on December 10, 2009, and began operation in July 2009.

The Academy operates under an agreement that covers the period through June 30, 2023 with the Central Michigan University Board of Trustees to organize and administer the academy. The agreement requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. The Central Michigan University Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays the Central Michigan University Board of Trustees three percent of state aid foundation funds as administrative fees. The total administrative fees for the year ended June 30, 2023 to the Central Michigan University Board of Trustees were $197,473. The agreement between the Academy and the Central Michigan University Board of Trustees was signed effective July 1, 2023 and expires June 30, 2026.

In July 2018, the Academy entered into a five-year agreement with Champion Education Network. Champion Education Network provides a variety of services including financial management, educational programs and consulting, as well as teacher training. The Academy is obligated to pay Champion Education Network eleven percent of the Academy's funds received from the State of Michigan pursuant to the State School Aid Act. The total paid for these services amounted to $869,687 for the year ended June 30, 2023.

B. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The Academy does not have any business-type activities or component units.

C. 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. Separate financial statements are provided for governmental funds.

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are 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 the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transaction related to the approved current operating budget.

Other non-major funds of the Academy include:

The *Food Service Fund* (Special Revenue Fund Type) is used to account for the food service program operations. The Food Service Fund is a subsidiary operation and is an obligation of the General Fund. Therefore, any shortfall in the special revenue fund will be covered by an operating transfer from the General Fund. This fund is considered a special revenue fund.

E. 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 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 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to 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 obligations 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

F. Budgetary Information

1. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

The District's approved budgets were adopted at the function level for the General and Special Revenue Funds. These are the legal enacted levels under the State Uniform Budgeting and Accounting Act and the level of budgetary control adopted by the Board (the level at which expenditures may not legally exceed appropriations).

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

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

a. In June, the educational service provider submits to the Academy Board a proposed operating budget for the fiscal year commencing on July 1.

b. A public hearing is conducted during June to obtain taxpayer comments.

c. Prior to June 30, the budget is legally adopted by the Academy Board resolution pursuant to the Uniform Budgeting and Accounting Act. 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 financial 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.

d. During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.

e. Budgeted amounts are as originally adopted in June 2023, or as amended by the Academy Board of Education throughout the year.

2. Excess of Expenditures Over Appropriations

	APPROPRIATIONS	EXPENDITURES
General Fund		
Instruction		
Basic Programs	$ 3,092,287	$ 3,210,866
Supporting Services		
Pupil	920,115	965,276
Instructional Staff	976,827	991,982
General Administration	1,157,361	1,175,415
Pupil Transportation Services	495,000	496,398
Central Services	29,500	53,462
Other Support Services	47,810	51,347
Community Services		
Community Activities	1,000	1,197
Facilities Acquisition, Construction, and Improvements	473,015	1,900,581
Debt Service	268,243	677,195

These overages were covered by additional revenues and fund balance.

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

1. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. The government considers all highly liquid investments (including certificates of deposit) to be cash equivalents.

2. Investments

In accordance with Michigan Compiled Laws, the Academy is authorized to invest in the following investment vehicles:

a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.

d. The United States government or federal agency obligations repurchase agreements.

e. Bankers acceptances of United States banks.

f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

3. Inventory and Prepaid Items

Inventory is valued at cost using the first in/first out (FIFO) method. The Academy did not have any inventory as of the end of the fiscal year.

Certain payments made 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.

The nonspendable fund balance at the governmental fund level is equal to the amount of inventories and prepaid items at year-end to indicate the portion of the governmental fund balances that are nonspendable, when applicable.

4. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at the acquisition value on the date received.

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.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings & Improvements	10-50 years
Furniture and Equipment	5-15 years
Computers and Software	3-10 years

The Academy's capitalization policy is to capitalize individual items exceeding $750 individually.

5. Unearned and Unavailable Revenue

Unearned revenue arises when resources are received by the Academy before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The Academy has unearned revenue related to state grants received and unspent due to restrictions on how they can be spent.

Unavailable revenue arises when resources that the government has a legal claim to are received or expected to be received after 60 days from the current fiscal year end. At the modified accrual level, unavailable resources do not meet both the revenue recognition criteria since they are not considered available. The Academy has unavailable revenue related to federal grants that will be received or expected to be received after 60 days from the current fiscal year end.

6. *Deferred Outflows/Inflows of Resources*

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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. The first is the deferred charge on refunding 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 funding debt. The other two 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 pension and other postemployment benefit liabilities and the actual results. Details can be found in footnote 3-I and 3-J.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. They 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 pension and other postemployment benefit liability and the actual results. Details can be found in footnotes 3.I and 3.J.

7. *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.

8. *Fund Balance Flow Assumption*

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.

9. 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 governing board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) 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. The governing board has by resolution authorized the superintendent to assign fund balance. The board 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.

10. Use of Estimates

The process of preparing basic 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 expenditures. 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.

11. Long-Term Obligations

In the government-wide financial statements, long-term and other long-term obligations are reported as liabilities in the applicable governmental activities 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.

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

12. Defined Benefit Plans

For purposes of measuring the net pension and other postemployment benefits liabilities, 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 School Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

13. 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 judgements 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.

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

H. Revenues and Expenditures/Expenses

1. State Revenue

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. 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 Academies based on information supplied by the Academies. For the year ended June 30, 2023 the foundation allowance was based on counts taken in October 2022 and February 2022. For fiscal year ended June 30, 2023, the per pupil allowance was $9,150 for Detroit Leadership Academy.

The State revenue is recognized during the foundation period and is funded through payments from October 2022 to August 2023. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

2. Program Revenues

Amounts reported as program revenue 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 or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note 1.F.2, on the Excess of Expenditures over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2023.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits

As of June 30, 2023 the Academy had deposits subject to the following risks:

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2023, the Academy's bank balance was $1,069,313 of which $819,313 was exposed to custodial credit risk because it was uninsured and uncollateralized. Deposits of $1,069,313 are reported as cash and cash equivalents in the financial statements.

Interest rate risk – In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs).

Concentration of credit risk. The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Foreign currency risk. The Academy is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

B. Receivables

Receivables as of year-end for the government's individual major and nonmajor funds are as follows:

	General	Food Service Fund	Total
Accounts Receivable	$ 18,810	$ 0	$ 18,810
Due from Other Governmental Units			
Local Sources	10,857	0	10,857
State Sources	1,539,313	0	1,539,313
Federal Sources	423,155	39,657	462,812
Total	$ 1,992,135	$ 39,657	$ 2,031,792

C. Oversight Fees

The Academy pays an administrative oversight fee of three percent of its state school aid to the Central Michigan University Center for Charter Schools, as set forth by contract, to reimburse the Board of Control 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, 2023, the Academy incurred approximately $197,473 of expenses for oversight fees.

D. Contracted Services

The Academy contracted with Champion Education Network (CEN) to provide teaching, administrative and various other services for the Academy. The payments made to CEN cover expenses associated with the teachers, administrative, and other services, including wages, payroll taxes, and various employee benefits. In addition, CEN charges the Academy semi-monthly administration fee. Payments also include rent and utility expenses for the use of a facility. The total amount paid to CEN for the year ended June 30, 2023 was $7,920,393.

E. Capital Assets

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

	As Restated Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets being depreciated/amortized:				
Buildings and Improvements	$ 1,639,570	$ 2,032,120	$ 0	$ 3,671,690
Furniture and Fixtures	291,988	153,630	0	445,618
Buses	10,400	0	0	10,400
Computer Equipment	503,008	25,590	0	528,598
Right to Use Assets	762,467	0	194,908	567,559
Subtotal	3,207,433	2,211,340	194,908	5,223,865
Less accumulated depreciation/amortization:				
Buildings and Improvements	260,320	105,607	0	365,927
Furniture and Fixtures	281,747	12,418	0	294,165
Buses	10,400	0	0	10,400
Computer Equipment	469,728	26,144	0	495,872
Right to Use Assets	449,996	286,917	194,908	542,005
Accumulated depreciation/amortization	1,472,191	431,086	194,908	1,708,369
Net Capital assets being depreciated/amortized	$ 1,735,242	$ 1,780,254	$ 0	$ 3,515,496

Depreciation and amortization expense for the fiscal year ended June 30, 2023, amounted to $431,086. The Academy determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

F. Short Term Obligations

On September 28, 2022, the District issued a State Aid Anticipation Note in the amount of $1,500,000. The note matures on August 25, 2023, with interest at 4.33%. The District pledged its State Aid revenue for payment of this liability at maturity. 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. The purpose of the note was to provide for cash flow needs at the beginning of the school year. Interest expense for the year was $22,222. The following is a summary of the Short-Term Obligations transactions for the School District for the year ended June 30, 2023:

Short-Term Obligation at July 1, 2022	$ 454,340
New Obligation Issued	1,500,000
Obligation Retired and Paid	(1,681,616)
Short-Term Obligation at June 30, 2023	$ 272,724

G. Long-Term Obligations

The Academy issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Academy. The following is a summary of the long-term obligation transactions for the Academy for the year ended June 30, 2023:

	NOTES FROM DIRECT BORROWINGS & DIRECT		GENERAL OBLIGATION BONDS				
	RIGHT TO USE LEASE	INSTALLMENT PURCHASE AGREEMENT	REVENUE BONDS	REFUNDING BONDS	NET PENSION LIABILITY	NET OPEB LIABILITY	TOTAL
Balance at July 1, 2022 (As Restated)	$ 323,521	$ 0	$ 686,545	$ 0	$ 12,972	$ 1,912	$ 1,024,950
Additions	0	150,947	1,461,700	701,800	13,591	2,477	2,330,515
Deletions	(319,301)	(15,248)	(832,687)	(15,785)	(2,204)	(1,161)	(1,186,386)
Balance at June 30, 2023	4,220	135,699	1,315,558	686,015	24,359	3,228	2,169,079
Less Current Portion	4,220	25,311	267,285	30,431	Unknown	Unknown	327,247
Net Long-Term Obligations	$ 0	$ 110,388	$ 1,048,273	$ 655,584	$ 24,359	$ 3,228	$ 1,841,832

Long-term obligations at June 30, 2023, was comprised of the following:

Notes from Direct Borrowings & Direct Placements	
Office Equipment - Right to Use Lease - Due in monthly installments of $540 through September 2023. Interest at 6.45%.	$ 1,602
Office Equipment - Right to Use Lease - Due in monthly installments of $663 through September 2023. Interest at 6.45%.	2,618
Installment Purchase Agreement for furniture in the amount of $150,947, due in monthly installments of $3,372 through October 2027. Interest at 12.181%	135,699
General Obligation Bonds	
$1,461,700 2022 Revenue Bonds due in monthly installments of $28,417 through November 2027; Interest at 6.070%	1,315,558
$701,800 2022 Refunding Bonds due in monthly installments of $5,993 through October 2027, which a balloon payment of $541,970 November 2027; Interest at 6.070%.	686,015
Other Obligations	
Net Pension Liability	24,359
Net Other Postemployment Benefit Liability	3,228
	$ 2,169,079

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of $139,919 contains provisions that in the event of default , either by (1) unable to make principal or interest payments (2) false or misrepresentations 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.

Interest expense for the year amounted to $109,199.

The annual requirements to amortize all long-term obligations outstanding as of June 30, 2023, including interest payments of $397,786 are as follows:

YEAR ENDING JUNE 30,	Notes from Direct Borrowings & Direct PRINCIPAL	INTEREST	General Obligation Bonds PRINCIPAL	INTEREST	TOTAL
2024	$ 29,531	$ 15,200	$ 297,716	$ 115,199	$ 457,646
2025	28,573	11,886	316,873	96,042	453,374
2026	32,254	8,204	336,935	75,980	453,373
2027	36,410	4,049	358,265	54,650	453,374
2028	13,151	335	691,784	16,241	721,511
	$ 139,919	$ 39,674	$ 2,001,573	$ 358,112	$ 2,539,278
Net Pension Liability					24,359
Net OPEB Liability					3,228
					$ 2,566,865

H. Defined Benefit Plan and 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 Comprehensive Annual 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 the 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 Investments Board serves as the investment fiduciary and custodian of the System.

Benefits Provided- Overall

Introduction

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.

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.

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.

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 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% to 7% for pension and 0% to 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 plan year ending September 30, 2022, were determined as of the September 30, 2019 actuarial valuations. For the pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2019, are amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

The Academy's 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, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%

The Academy's pension contributions for the year ended June 30, 2023, were equal to the required contribution total. Total pension contributions were $4,500, all of which was contributed to the Defined Benefit Plan.

The Academy did not have any required OPEB contributions for the year ended June 30, 2023.

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

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

Pension Liabilities

At June 30, 2023, the Academy reported a liability of $24,359 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2021, 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. On September 30, 2022 and 2021, the Academy's proportion was 0.00006477% and 0.00005479%.

MPSERS (Plan) Non-University Employers Net Pension Liability

	September 30, 2022	September 30, 2021
Total Pension Liability	$ 95,876,795,620	$ 86,392,473,395
Fiduciary Net Position	(58,268,076,344)	(62,717,060,920)
Net Pension Liability	$ 37,608,719,276	$ 23,675,412,475
Fiduciary Net Position as a percentage of Total Pension Liability	60.77%	72.60%
Net Pension Liability as a percentage of Covered Payroll	386.25%	261.68%

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

For the year ended June 30, 2023, the Academy recognized total pension expense of $7,345. At June 30, 2023, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 244	$ 54
Section 147c revenue related to District Pension contributions subsequent to measurement date	0	4,500
Changes of assumptions	4,186	0
Net difference between projected and actual earnings on pension plan investments	57	0
Changes in proportion and differences between District contributions and proportionate share of contributions	11,295	7
District contributions subsequent to the measurement date	4,500	0
Total	$ 20,282	$ 4,561

$4,500 reported as deferred outflows of resources and $4,500 reported as deferred inflows of resources related to pensions resulting from Academy 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
2023	$	5,647
2024		5,314
2025		3,098
2026		1,662
	$	15,721

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

OPEB Liabilities

At June 30, 2023, the Academy reported a liability of $3,228 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2021, and rolled-forward using generally accepted actuarial procedures. The Academy's proportion of the net OPEB liability 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. At September 30, 2022 and 2021, the Academy's proportion was 0.00001524% and 0.00001253%.

MPSERS (Plan) Non-University Employers Net OPEB Liability

		September 30, 2022		September 30, 2021
Total OPEB Liability	$	12,522,713,324	$	12,046,393,511
Fiduciary Net Position		(10,404,650,683)		(10,520,015,621)
Net OPEB Liability	$	2,118,062,641	$	1,526,377,890
Fiduciary Net Position as a percentage of Total OPEB Liability		83.09%		87.33%
District OPEB Liability as a percentage of Covered Payroll		21.75%		16.87%

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

For the year ended June 30, 2023, the Academy recognized total OPEB benefit of $545.

At June 30, 2023, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 0	$ 6,322
Changes of assumptions	2,877	234
Net difference between projected and actual earnings on pension plan investments	252	0
Changes in proportion and differences between District contributions and proportionate share of contributions	7,728	0
Total	$ 10,857	$ 6,556

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
2023	$ 585
2024	718
2025	818
2026	1,716
2027	404
Thereafter	60
	$ 4,301

K. Actuarial Assumptions

Investment rate of return for Pension – 6.00% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, and Pension Plus 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 of 2.75%.

Inflation – 3.0%

Mortality assumptions –

Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active: RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Disabled Retirees: RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Experience study – The annual actuarial valuation report of the System used for these statements is dated September 30, 2021. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 valuation.

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 was 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, 7.75% for year one graded to 3.5% in year fifteen. Post 65, 5.25% 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 are assumed to have coverage continuing after the retiree's death.

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

The target asset allocation at September 30, 2022 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	25.00%	5.10%
Private Equity Pools	16.00%	8.70%
International Equity	15.00%	6.70%
Fixed Income Pools	13.00%	-0.20%
Real Estate & Infrastructure Pools	10.00%	5.30%
Absolute Return Pools	9.00%	2.70%
Real Return/Opportunistic Pools	10.00%	5.80%
Short-Term Investment Pools	2.00%	-0.50%
	100%	

*Long-term rate of return are net of administrative expenses and 2.2% inflation.

Rate of return

For fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was (4.18)% and (4.99)% 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 Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Academy's proportionate share of the net pension liability calculated using a single discount rate of 6.00%, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension	
1% Decrease	**Pension Discount Rate**	**1% Increase**
$ 32,145	$ 24,359	$ 17,943

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Academy's proportionate share of the net OPEB liability calculated using a single discount rate of 6.00%, as well as what the Academy's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	OPEB	
1% Decrease	**OPEB Discount Rate**	**1% Increase**
$ 5,414	$ 3,228	$ 1,386

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Academy's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate as well as what the Academy's proportionate share of the net other postemployment benefit liability 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:

	OPEB	
1% Decrease	**Current Healthcare Cost Trend Rates**	**1% Increase**
$ 1,352	$ 3,228	$ 5,334

L. Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2022 Annual Comprehensive Financial Report.

M. Payables to the Pension and OPEB Plan

As of June 30, 2023, the Academy is current on all required pension and OPEB plan payments. As of June 30, 2023, the Academy reported no payables to the pension and OPEB plan.

N. Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, damage to and destruction of assets; errors and omissions; injuries to individuals working on the premises and natural disasters. The Academy continues to carry commercial insurance to for the various risks of loss, including general liability, property and casualty, and accident insurance. The Academy has experienced no settled claims resulting from these risks that have exceeded it commercial coverage in any of the past three fiscal years.

O. Retirement Plan

All employees contracted by the Academy are eligible to participate in a retirement plan established by Champion Education Network which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The Academy will match up to 6% of the leased employee contributed funds.

P. Other Information

1. Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required, and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the Academy.

2. Subsequent Events

Subsequent to June 30, 2023, the following items are noted for disclosure:

- The District received a State Aid Anticipation Note in the amount of $1,500,000 on August 22, 2023, to help meet the District’s cash flow needs for the beginning of the 2023-2024 fiscal year.

No adjustments were made to the financial statements for the year ending June 30, 2023 related to this subsequent event.

Q. GASB Statement No. 96 – Subscription-Based Information Technology Arrangements

It has been determined that the Academy has subscription-based information technology arrangements as defined by GASB Statement No. 96. However, the total of these subscription-based information technology arrangements has been determined they are not significant enough to warrant disclosure.

R. 2022 Refunding Bonds

On November 14, 2022, the Academy issued $701,800 in General Obligation Bonds with interest rates of 6.070% to advance refund $662,937 of outstanding 2020 Revenue Bonds with interest rates of 3.62%. As a result, $662,937 of the 2020 Revenue Bonds are considered to be defeased and the liability for those bonds has been removed from the non-current liabilities of the Academy. On November 14, 2022, the bond refunding escrow agent called the entire $662,937 of outstanding 2020 Revenue Bonds and retired them.

The reacquisition price exceeded the net carrying amount of the old debt by $38,863. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same life of the new debt issued. After issuance costs, this refunding resulted in an economic loss of $28,299.

S. Single Audit

Current federal guidelines require entities with federal expenditures exceeding $750,000 to have a "single audit" of federally funded programs. This audit is being performed and the reports based thereon will be issued under a separate cover.

T. Upcoming Accounting Pronouncements

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement N*o. 62. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

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 4 – RESTATEMENT OF NET POSITION AND FUND BALANCE

During the 2022-2023 fiscal year, an adjustment was made to the fund balance and net position stated in the June 30, 2022, audit report. The prior period fund balance and net position was restated to correct accounts for prepaid expenditures/expenses, accounts payable, due from other governments, capital assets, and notes from direct borrowings and direct purchases. The following table summarizes the adjustments made to beginning fund balance and net position:

	Fund Balance
	General Fund
Governmental Activities -	
As Previously Reported as of June 30, 2022	$ 2,504,152
Cash	(30,337)
Prepaid Expenditures	(53,328)
Due from Other Governments	(9,066)
Accounts Payable	34,481
Total Restatement	(58,250)
Governmental Activities -	
Restated as of June 30, 2022	$ 2,445,902

	Net Position
Governmental Activities -	
As Previously Reported as of June 30, 2022	$ 3,416,982
Change in Fund Balance	(58,250)
Capital Assets (Net)	(133,741)
Right to Use Lease Obligation	133,741
Total Restatement	(58,250)
Governmental Activities -	
Restated as of June 30, 2022	$ 3,358,732

DETROIT LEADERSHIP ACADEMY
DETROIT, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE
REVENUES				
Local Sources	$ 421,000	$ 297,328	$ 163,264	$ (134,064)
State Sources	8,326,458	8,623,597	8,559,977	(63,620)
Federal Sources	1,990,859	1,936,906	2,007,502	70,596
Other Transactions	0	0	261,533	261,533
Total Revenues	10,738,317	10,857,831	10,992,276	134,445
EXPENDITURES				
Instruction				
Basic Programs	3,200,295	3,092,287	3,210,866	118,579
Added Needs	1,579,950	1,755,468	1,521,316	(234,152)
Supporting Services				
Pupil	910,690	920,115	965,276	45,161
Instructional Staff	1,091,023	976,827	991,982	15,155
General Administration	1,181,499	1,157,361	1,175,415	18,054
School Administration	733,336	741,765	715,604	(26,161)
Business	110,000	102,524	92,762	(9,762)
Operations and Maintenance	1,101,210	1,222,879	1,101,420	(121,459)
Pupil Transportation Services	393,000	495,000	496,398	1,398
Central Services	2,821	29,500	53,462	23,962
Other Support Services	50,450	47,810	51,347	3,537
Community Services				
Community Activities	1,000	1,000	1,197	197
Facilities Acquisition, Construction, and Improvements	0	473,015	1,900,581	1,427,566
Debt Service	77,763	268,243	677,195	408,952
Contingency	110,802	0	0	0
Total Expenditures	10,543,839	11,283,794	12,954,821	1,671,027
Excess (Deficiency) of Revenues Over Expenditures	194,478	(425,963)	(1,962,545)	(1,536,582)
OTHER FINANCING SOURCES (USES)				
Payments to Refunding Bond Escrow Agent	0	0	(691,236)	(691,236)
Proceeds from Installment Purchase Agreement	0	0	150,947	150,947
Proceeds from Refinancing Debt	0	0	701,800	701,800
Face Value of Debt	0	0	1,461,700	1,461,700
Total Other Financing Sources (Uses)	0	0	1,623,211	1,623,211
Net Change in Fund Balance	194,478	(425,963)	(339,334)	86,629
FUND BALANCE - Beginning of Year (As Restated)	1,884,123	2,504,152	2,445,902	(58,250)
FUND BALANCE - End of Year	$ 2,078,601	$ 2,078,189	$ 2,106,568	$ 28,379

DETROIT LEADERSHIP ACADEMY
DETROIT, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2023

	2031	2030	2029	2028	2027	2026	2025	2024	2023	2022
District's proportion of net pension liability (%)									0.000065%	0.000055%
District's proportionate share of net pension liability									$ 24,359	$ 12,972
District's covered payroll									16,055	12,285
District's proportionate share of net pension liability as a percentage of its covered payroll									151.72%	105.59%
Plan fiduciary net position as a percentage of total pension liability									60.77%	72.60%

DETROIT LEADERSHIP ACADEMY
DETROIT, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2023

	2031	2030	2029	2028	2027	2026	2025	2024	2023	2022
Statutorily required contributions									$ 4,500	$ 3,285
Contributions in relation to statutorily required contributions *									4,500	3,285
Contribution deficiency (excess)									$ 0	$ 0
Covered Payroll									$ 0	$ 16,315
Contributions as a percentage of covered payroll									0.00%	20.13%

* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

DETROIT LEADERSHIP ACADEMY
DETROIT, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2023

	2031	2030	2029	2028	2027	2026	2025	2024	2023	2022
District's proportion of net OPEB liability (%)									0.000015%	0.000013%
District's proportionate share of net OPEB liability									$ 3,228	$ 1,912
District's covered payroll									16,055	12,285
District's proportionate share of net OPEB liability as a percentage of its covered payroll									20.11%	15.56%
Plan fiduciary net position as a percentage of total OPEB liability									83.09%	87.33%

DETROIT LEADERSHIP ACADEMY
DETROIT, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2023

	2031	2030	2029	2028	2027	2026	2025	2024	2023	2022
Statutorily required contributions									$ 0	$ 1,321
Contributions in relation to statutorily required contributions *									0	1,321
Contribution deficiency (excess)									$ 0	$ 0
Covered Payroll									$ 0	$ 16,315
Contributions as a percentage of covered payroll									0.00%	8.10%

* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

Pension Information

Changes of Benefit Terms - There were no changes of benefit terms for the plan year ended September 30, 2022.

Changes of Assumptions – The assumption changes for the plan year ended September 30, 2022 were:

Discount rate for MIP, Basic, and Pension Plus plans decreased to 6.00% from 6.80%.

OPEB Information

Changes of Benefit Terms - There were no changes of benefit terms for the plan year ended September 30, 2022.

Changes of Assumptions – The assumption changes for the plan year ended September 30, 2022 were:

Discount rate decreased to 6.00% from 6.95%.

DETROIT LEADERSHIP ACADEMY
DETROIT, MICHIGAN

SCHEDULE OF REVENUES - GENERAL FUND
YEAR ENDED JUNE 30, 2023

Local Sources	
E-Rate Program	$ 67,336
Private Sourc Donations	20,000
Miscellaneous Local Revenue	75,928
Total Local Sources	163,264
State Sources	
At Risk	769,158
Great Start Readiness Program	538,435
Special Education	165,947
State Aid - Unrestricted	6,713,492
Other State Aid - Restricted	372,945
Total State Sources	8,559,977
Federal Sources	
IDEA	172,201
Title I	673,071
Title II A	49,994
Title IV	36,638
ARP/Esser III Formula Funds	927,262
Esser II 23b Summer Programming	35,708
Other Program Revenue	112,628
Total Federal Sources	2,007,502
Other Transactions	
Wayne RESA Enhancement Millage	261,533
Other Financing Sources	
Proceeds from Issuance of Bonds and Notes	2,314,447
Total General Fund Revenues	$ 13,306,723

DETROIT LEADERSHIP ACADEMY
DETROIT, MICHIGAN

SCHEDULE OF EXPENDITURES - GENERAL FUND
YEAR ENDED JUNE 30, 2023

INSTRUCTION	
Basic Programs	
Purchased Services	$ 2,971,299
Supplies and Materials	198,272
Capital Outlay	12,899
Other Expenditures	28,396
Total Basic Programs	3,210,866
Added Needs	
Purchased Services	1,518,471
Supplies and Materials	2,845
Total Added Needs	1,521,316
TOTAL INSTRUCTION	4,732,182
SUPPORTING SERVICES	
Pupil Support Services	
Guidance Services	
Purchased Services	147,123
Health Services	
Purchased Services	23,814
Psychological Services	
Purchased Services	136,715
Speech Pathology	
Purchased Services	83,009
Social Work Services	
Purchased Services	574,615
Total Pupil Support Services	965,276
Instructional Staff Support Services	
Improvement of Instruction	
Purchased Services	841,575
Instruction Related Technology	
Purchased Services	37,368
Supervision and Direction of Instructional Staff	
Purchased Services	113,039
Total Instructional Staff Support Services	991,982

DETROIT LEADERSHIP ACADEMY
DETROIT, MICHIGAN

SCHEDULE OF EXPENDITURES - GENERAL FUND
YEAR ENDED JUNE 30, 2023

General Administration	
Board of Education	
Purchased Services	73,307
Other Expenditures	4,428
Executive Administration	
Purchased Services	1,097,446
Other Expenditures	234
Total General Administration	1,175,415
School Administration	
Office of the Principal	
Purchased Services	678,839
Supplies and Materials	36,345
Other Expenditures	420
Total School Administration	715,604
Business Support Services	
Fiscal Services	
Purchased Services	15,608
Other Business Services	
Purchased Services	32,401
Other Expenditures	44,753
Total Business Support Services	92,762
Operations and Maintenance	
Operating Building Services	
Purchased Services	496,735
Repairs and Maintenance	237,313
Rentals	37,189
Supplies and Materials	54,486
Capital Outlay	275,194
Other Expenditures	503
Total Operations and Maintenance	1,101,420
Pupil Transportation Services	
Pupil Transportation Services	
Purchased Services	496,398

DETROIT LEADERSHIP ACADEMY
DETROIT, MICHIGAN

SCHEDULE OF EXPENDITURES - GENERAL FUND
YEAR ENDED JUNE 30, 2023

Central Support Services	
Communication Services	
Purchased Services	1,862
Non-Instructional Technology Services	
Purchased Services	28,218
Supplies and Materials	9,095
Pupil Accounting	
Repairs and Maintenance	12,821
Other Expenditures	1,466
Total Central Support Services	53,462
Other Support Services	
Athletic Activities	
Purchased Services	26,657
Supplies and Materials	24,690
Total Athletic Activities	51,347
TOTAL SUPPORTING SERVICES	5,643,666
COMMUNITY SERVICES	
Community Activities	
Community Activities	
Supplies and Materials	1,197
PAYMENTS TO OTHER GOVERNMENTAL AGENCIES, FACILITIES ACQUISITION, AND PRIOR PERIOD ADJUSTMENTS	
Facilities Acquisition, Construction, and Improvements	
Building Improvement Services	
Capital Outlay	1,900,581
OTHER FINANCING USES	
Debt Service	
Other Expenditures	1,368,431
Total General Fund Expenditures	$ 13,646,057

UHY LLP
Certified Public Accountants

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
Detroit, Michigan

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, each major fund, and the aggregate remaining fund information of Detroit Leadership Academy, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Detroit Leadership Academy' basic financial statements, and have issued our report thereon dated November 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Detroit Leadership Academy' 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' internal control. Accordingly, we do not express an opinion on the effectiveness of Detroit Leadership Academy' 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. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Detroit Leadership Academy' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2023-001.

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.

UHY LLP

Cadillac, Michigan
November 27, 2023

UHY LLP
Certified Public Accountants

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
Detroit, Michigan

Report on Compliance for Each Major Federal Program

Opinion On Each Major Federal Program

We have audited Detroit Leadership Academy' 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' major federal programs for the year ended June 30, 2023. Detroit Leadership Academy' 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, 2023.

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' 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' 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' 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' 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' 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' 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' 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.

UHY LLP

Cadillac, Michigan
November 27, 2023

DETROIT LEADERSHIP ACADEMY
DETROIT, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE	FEDERAL ALN	PASS-THROUGH GRANTOR'S NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED UNEARNED REVENUE JULY 1, 2022	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ADJUSTMENTS	CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED UNEARNED REVENUE JUNE 30, 2023	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENT
U.S. Department of Education										
Passed Through Michigan Department of Education (M.D.E.)										
Title I Part A - Imp Basic Program	84.010	231530-2223	$ 472,769	$ 0	$ 0	$ 0	$ 472,769	$ 461,692	$ 11,077	$ 0
Title I Part A - Imp Basic Program	84.010	221530-2122	488,251	57,125	488,089	0	0	57,125	0	0
Passed through Wayne RESA Intermediate School District (I.S.D)										
Title I Part A - Regional Assistance Grant (RAG)	84.010	231570	251,056	0	0	0	251,056	200,302	50,754	0
Title I Part A - Technical Assistance Grant (TAG)	84.010	231580	40,000	0	0	0	40,000	0	40,000	0
Total Title I Part A			1,252,076	57,125	488,089	0	763,825	719,119	101,831	0
Passed Through Michigan Department of Education (M.D.E.)										
Title IV Part A - Student Support and Academic Enrichment	84.424	230750-2223	36,638	0	0	0	36,638	28,593	8,045	0
Title IV Part A - Student Support and Academic Enrichment	84.424	220750-2122	35,635	1,921	34,517	0	0	1,921	0	0
Total Title IV Part A			72,273	1,921	34,517	0	36,638	30,514	8,045	0
Title II Part A Supporting Effective Instruction	84.367	230520-2223	49,994	0	0	0	49,994	36,134	13,860	0
Title II Part A Supporting Effective Instruction	84.367	220520-2122	53,613	4,918	53,613	0	0	4,918	0	0
Total Title II Part A			103,607	4,918	53,613	0	49,994	41,052	13,860	0
Education Stabilization Fund										
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Formula Funds)	84.425D	213712-2021	1,315,794	21,307	1,315,794	0	0	21,307	0	0
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Summer Programming)	84.425D	213722-2122	45,650	0	0	0	35,708	35,708	0	0
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP/ESSER III Formula Funds)	84.425U	213713-2122	2,957,188	53,399	690,330	0	927,262	885,778	94,883	0
Total Education Stabilization Fund			4,318,632	74,706	2,006,124	0	962,970	942,793	94,883	0
Total Passed Through M.D.E.			5,746,588	138,670	2,582,343	0	1,813,427	1,733,478	218,619	0
Passed through Wayne RESA Intermediate School District (I.S.D)										
Special Education Cluster										
IDEA Flowthrough Part B	84.027	230450-2223	172,201	0	0	0	172,201	163,932	8,269	0
IDEA Flowthrough Part B	84.027	220450-2122	246,100	8,907	246,100	0	0	8,907	0	0
Total IDEA Part B			418,301	8,907	246,100	0	172,201	172,839	8,269	0
Total U.S. Department of Education			6,164,889	147,577	2,828,443	0	1,985,628	1,906,317	226,888	0
U.S Department of Health and Human Services										
Passed through Wayne RESA Intermediate School District (I.S.D)										
MDHHS Health Resource Advocate (HRA) Funding	93.323	232810	112,000	0	0	0	112,000	0	112,000	0
Passed Through Michigan Department of Education (M.D.E.)										
Education Development Center First 10 Initiative	93.434	PDGB55.10 - 5.922	84,267	0	0	0	84,267	0	84,267	
Total U.S Department of Health and Human Services			196,267	0	0	0	196,267	0	196,267	0

The accompanying notes are an integral part of this schedule.

DETROIT LEADERSHIP ACADEMY
DETROIT, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE	FEDERAL ALN	PASS-THROUGH GRANTOR'S NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED UNEARNED REVENUE JULY 1, 2022	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ADJUSTMENTS	CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED UNEARNED REVENUE JUNE 30, 2023	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENT
U.S Department of Agriculture										
Passed Through Michigan Department of Education (M.D.E.)										
Child Nutrition Cluster										
Non-Cash Assistance (Commodities & Equipment):										
Entitlement Commodities	10.555	N/A	17,467	0	0	0	17,467	17,467	0	0
Cash Assistance:										
COVID-19 - Seamless Summer Option (SSO) - Breakfast	10.553	221971	94,723	7,377	94,723	0	0	7,377	0	0
COVID-19 - Seamless Summer Option (SSO) - Lunch	10.555	221961	230,786	19,915	230,786	0	0	19,915	0	0
Total Seamless Summer Option (SSO)			325,509	27,292	325,509	0	0	27,292	0	0
School Breakfast Program	10.553	221970	19,042	0	0	0	19,042	19,042	0	0
School Breakfast Program	10.553	231970	167,468	0	0	0	167,468	154,738	12,730	0
Total School Breakfast Program			186,510	0	0	0	186,510	173,780	12,730	0
National School Lunch Program	10.555	221960	39,383	0	0	0	39,383	39,383	0	0
National School Lunch Program	10.555	221980	4,026	169	3,512	0	514	683	0	0
National School Lunch Program	10.555	231960	353,372	0	0	0	353,372	326,628	26,744	0
National School Lunch Program	10.555	231980	5,197	0	0	0	5,197	5,014	183	0
National School Lunch Program - Supply Chain Assistance	10.555	230910-2023	11,897	0	0	0	11,897	11,897	0	0
National School Lunch Program - Supply Chain Assistance	10.555	220910-2023	18,732	0	0	0	18,732	18,732	0	0
Total National School Lunch			432,607	169	3,512	0	429,095	402,337	26,927	0
Total Cash Assistance			944,626	27,461	329,021	0	615,605	603,409	39,657	0
Total Child Nutrition Cluster			962,093	27,461	329,021	0	633,072	620,876	39,657	0
COVID-19 State Pandemic Electronic Benefit Transfer (P-EBT)	10.649	220980-2022	628	0	0	0	628	628	0	0
Local Food for Schools	10.185	230985-2023	2,002	0	0	0	2,002	2,002	0	0
Total U.S. Department of Agriculture			964,723	27,461	329,021	0	635,702	623,506	39,657	0
Total Federal Financial Assistance			$ 7,325,879	$ 175,038	$ 3,157,464	$ 0	$ 2,817,597	$ 2,529,823	$ 462,812	$ 0
							(C)	(D)		

The accompanying notes are an integral part of this schedule.

DETROIT LEADERSHIP ACADEMY
DETROIT, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(A) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards ("the Schedule") includes the federal grant activity of Detroit Leadership Academy under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Detroit Leadership Academy, it is not intended to and does not present the financial position, changes in net position, or cash flows of Detroit Leadership Academy.

(B) 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 not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

(C) Reconciliation of Revenues with Expenditures for Federal Financial Assistance Programs

Revenue from Federal Sources - Per Statement of Revenues, Expenditures and Changes in Fund Balances	$	2,642,576
Federal expenditures that are required to be reported on the Schedule of Expenditures of Federal Awards but are not included in Revenue from Federal Sources due to unavailability as of June 30, 2023		175,021
Federal Expenditures per Schedule of Expenditures of Federal Awards	$	2,817,597

DETROIT LEADERSHIP ACADEMY
DETROIT, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(D) Reconciliation of Grant Auditor Report with Schedule of Expenditures of Federal Awards

Management has utilized the NexSys Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards.

Current Cash Payments per Grant Auditor Report		$ 2,139,216
Add Items Not on Grant Auditor Report:		
Food Distribution Program - Entitlement Commodities	$ 17,467	
Grants Passed Through Wayne RESA I.S.D.		
IDEA Flowthrough Part B	172,839	
Title I Part A Regional Assistance Grant (RAG)	200,302	
Rounding	(1)	390,607
Current Year Receipts (Cash Basis) per		
Schedule of Expenditures of Federal Awards		$ 2,529,823

DETROIT LEADERSHIP ACADEMY
DETROIT, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Financial Statement Findings

None Reported

Federal Award Findings and Questioned Costs

None Reported

DETROIT LEADERSHIP ACADEMY
DETROIT, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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 (GAAP)	Unmodified			
Internal control over financial reporting:				
Material Weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None reported
Noncompliance material to financial statements noted?	X	Yes		No

Federal Awards

Internal control over major programs:				
Material Weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR Section 200.516(a) of the Uniform Guidance?		Yes	X	No

Identification of Major Programs:

ALN Number(s)	Name of Federal Program or Cluster
84.425D, 84.425U	Education Stabilization Fund
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000			
Auditee qualified as low-risk auditee under Title 2 CFR section 200.520?	X	Yes		No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Section II - Financial Statement Findings

2023-001 Unfavorable Budget Variance

Type: 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 and Context: 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.

View of Responsible Officials: The Academy should continue to monitor expenditures against adopted budgets to make appropriate amendments as needed.

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Section III - Federal Award Findings and Questioned Costs

None Reported

Pk – 8
13550 Virgil St
Detroit, MI 48223
(313) 242 – 1500

High School
5845 Auburn St.
Detroit, MI 48228
(313) 769 – 2015

Corrective Action Plan

This finding is caused by the Academy ineffectively monitoring the adopted budget against actual expenditures in the General Fund prior to the end of the fiscal year. The Academy is working on a resolution and anticipates the completion date for the corrective action plan be no later than June 2024. The responsibility for the corrective action will fall on the educational service providers for the Academy. The plan for monitoring adherence is for the educational service provider to compare actual expenditures in the general ledger to the board approved budget on a monthly basis so that any budget amendments can be presented and approved at future board meetings.

UHY LLP
Certified Public Accountants

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE
AT THE CONCLUSION OF THE AUDIT

To the Board of Directors
Detroit Leadership Academy
Detroit, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Detroit Leadership Academy for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards,* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 7, 2023. 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. The significant accounting policies used by Detroit Leadership Academy are described in Note 1 to the financial statements. During the fiscal year, the District adopted GASB Statement No. 96, Subscription-Based Information Technology Arrangements, which requires changes to how subscription-based information technology arrangements are reported in the financial statements and disclosures. The application of existing policies was not changed during 2022-2023. We noted no transactions entered into by the governmental unit 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 estimate affecting the governmental activities, each major fund, and the aggregate remaining fund information financial statements was:

> Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. Management's estimates of the lease liabilities are based on present value of future obligations at an imputed or stated rate. Management's estimates of unfunded liabilities related to the Michigan Public School Employees' Retirement System are based on actuarial valuations. We evaluated the key factors and assumptions used to develop the 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 known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We detected material misstatements as a result of our audit procedures that were corrected by management. The material misstatements detected were a result of providing client assistance as the client knew the adjustment was necessary but requested our assistance.

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 November 27, 2023.

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 District'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 District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of Detroit Leadership Academy for the year ended June 30, 2023, we noted the following item which we feel deserves comment:

> <u>Banking Interest Rate</u>
> The Academy's bank accounts are currently earning no interest. The Academy should consider trying to increase the interest rates it is earning since interest rates have risen significantly in the past year.

<u>Other Matters</u>

We applied certain limited procedures to the Management Discussion and Analysis, the Budgetary Comparison Schedule, the Schedule of Proportionate Share of the Net Pension Liability, the Schedule of Pension Contributions, the Schedule of Proportionate Share of the Net Other Postemployment Benefit Liability, the Schedule of Other Postemployment Benefit Contributions, and Notes to Required Supplementary Information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing 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 schedule of revenues and expenditures and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this 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 out audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and 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 specific parties.

UHY LLP

Cadillac, Michigan
November 27, 2023