

**Detroit Community Schools**

**Financial Statements**

**June 30, 2024**



**YEO & YEO**

**BUSINESS SUCCESS  
PARTNERS**

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**Detroit Community Schools  
Members of the Board of Directors  
June 30, 2024**

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**Members of the Board of Directors**

Patrick Devlin, President

Nicholas Tobier, Vice President

Sheryl Thomas Mathews, Treasurer

Marie Hocker, Secretary

## **Independent Auditors' Report**

Management and the Board of Directors  
Detroit Community Schools  
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 the Detroit Community Schools, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Detroit Community Schools' basic financial statements as listed in the table of contents.

In our opinion, based on our audit, 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 Community Schools, as of June 30, 2024, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Detroit Community Schools, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Detroit Community Schools' 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.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Detroit Community Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Detroit Community Schools' 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 budgetary comparison information identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Detroit Community Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is 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 other supplementary information, as identified in the table of contents, 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 other supplementary information, as identified in the table of contents, is 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 20, 2024 on our consideration of Detroit Community Schools' 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 Community Schools' 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 Community Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Ann Arbor, MI

November 20, 2024

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Detroit Community Schools**  
**Management's Discussion and Analysis**  
**June 30, 2024**

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Detroit Community Schools, a Michigan Public School Academy, has the legal standing of a "School District", but will be referred to as "The Academy". This section of the Academy's annual financial report represents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2024. Please read it in conjunction with the Academy's financial statements that immediately follow this section.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy as a whole, financially. The Academy's financial statements provide information about the activities of the Academy, and present both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, the statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the Academy's financial statements by providing information about the major funds; the General Fund and the Debt Retirement Fund with all other funds presented in one column as non-major funds.

Management's Discussion and Analysis (MD&A)  
(Required Supplementary Information)

Academy-wide Financial Statements  
Fund Financial Statements

Notes to Financial Statements

Budgetary Information for the General Fund  
(Required Supplementary Information)

**Reporting the Academy as a Whole - Academy-wide Financial Statements**

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**Detroit Community Schools**  
**Management's Discussion and Analysis**  
**June 30, 2024**

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These two statements report the Academy's net position, the difference between assets and liabilities, as reported in the statement of net position, as one way to measure the Academy's financial health or financial position. Over time, increases and decreases in the Academy's net position, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results.

The Academy experienced a decrease in net position of \$183,066 for the current year. The Academy considers this significant. This is attributed to the excess of expenditures over revenues in the General Fund and Cafeteria Fund for the year. The Academy continued to spend down its remaining COVID-19 funding and had higher costs related to operations, including increased transfers to debt service fund in anticipation of principal and interest payments in 2025.

The State of Michigan uses a blended student count to fund the Academy, so as the enrollment increases and/or decreases, there is a timing lag in the amount of funds provided. We may have more students, but we are not funded 100% for those students. The Academy's goal is to provide services to our students, not to generate profit as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Academy.

The statement of net position and statement of activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction, support services, food services, athletics, community services, and interest on long-term debt. Unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

**Reporting the Academy's Most Significant Funds - Fund Financial Statements**

The Academy's fund financial statements provide detailed information about the most significant funds, not the Academy as a whole. Some funds are required to be established by State law. However, the Academy establishes other funds to help it control and manage money or to show it is meeting legal responsibilities for using certain grants, or other money. The governmental funds of the Academy use the following accounting approach:

Governmental funds - All of the Academy's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

**Detroit Community Schools  
Management's Discussion and Analysis  
June 30, 2024**

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**The Academy as Trustee - Reporting the Academy's Fiduciary Responsibilities**

The Academy is the trustee, or fiduciary, for its student activity funds. All of the Academy's fiduciary activities are reported in the separate statement of fiduciary net position. We exclude these activities from the Academy's other financial statements because the Academy cannot use these assets to finance its operations. The Academy is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**The Academy as a Whole**

Recall that the statement of net position provides the perspective of the Academy as a whole. Table I provides a summary of the Academy's net position as of June 30, 2024 and 2023. For comparative purposes, the Academy has provided the net position as of June 30:

**Table I**

	Governmental Activities	
	2024	2023
Assets		
Current and other assets	\$ 3,823,705	\$ 4,092,584
Capital assets, net of accumulated depreciation	5,281,657	5,507,334
Total assets	<u>\$ 9,105,362</u>	<u>\$ 9,599,918</u>
Liabilities		
Current liabilities	\$ 1,594,450	\$ 1,852,933
Long-term liabilities	8,388,035	8,441,042
Total liabilities	<u>9,982,485</u>	<u>10,293,975</u>
Net position		
Net deficit investment in capital assets	(3,106,378)	(2,818,841)
Restricted for Food service	263,435	320,448
Restricted for Debt service	1,294,684	901,240
Unrestricted	671,136	903,096
Total net position	<u>\$ (877,123)</u>	<u>\$ (694,057)</u>

**Detroit Community Schools  
Management's Discussion and Analysis  
June 30, 2024**

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The above analysis focuses on the net position (see Table I). The change in net position (see Table II) of the Academy's governmental activities is discussed below. The Academy's net position decreased by \$183,066 at June 30, 2024. Capital assets, net of related debt, compares the original cost, less depreciation of the Academy's capital assets to long-term obligations which were used to finance the acquisition of those assets.

The \$(877,123) in total net position represents the accumulated results of all past years' operations. The operating results of the funds will have a significant impact on the change in unrestricted net position from year to year. The \$3,106,378 deficit in net capital assets is a function of the net book value of capital assets less the outstanding bonded debt.

The results of this year's operations for the Academy as a whole are reported in the statement of activities (see Table II), which shows the changes in net assets for year ended June 30, 2024. For comparative purposes, the Academy has provided the statement of activities as of June 30, 2023:

<b>Table II</b>	Governmental Activities	
	2024	2023
Revenue		
Program revenue		
Charges for services	\$ 30,217	\$ 31,488
Grants and contributions	3,993,974	2,457,228
General revenue		
State foundation allowance	5,327,432	5,343,458
Interest and investment earnings	54,673	29,096
Other	124,088	209,725
Total revenue	9,530,384	8,070,995
Functional/Program Expense		
Instruction	3,486,487	3,079,748
Support services	5,013,235	3,842,224
Student and school activities	27,914	29,829
Food services	528,175	413,659
Athletics	149,886	119,855
Community services	86,344	88,792
Interest on long-term obligations	421,409	443,577
Total expenses	9,713,450	8,017,684
Change in net position	\$ (183,066)	\$ 53,311

**Detroit Community Schools**  
**Management's Discussion and Analysis**  
**June 30, 2024**

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As reported in the statement of activities, the cost of all of our governmental activities this year were \$9,713,450 compared to \$8,017,684 in the prior year. Certain activities were partially funded from those individuals that benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions (\$3,993,974 current and \$2,457,228 prior). We paid for the remaining "public benefit" portion of our government activities with \$5,327,432 in 2024 and \$5,343,458 in 2023 in State Foundation Allowance, and with our other revenues.

**The Academy's Funds**

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources taxpayers, via the State Foundation, and others provide to it and may provide more insight into the Academy's overall financial health.

In the General Fund, our principal operating fund, the fund balance decreased by \$232,129 to a \$655,719 surplus. The change is primarily due to the increase in transfers out to debt service fund for principal and interest payments along with a decrease in state revenue tied to lower enrollment than the prior year.

The Academy maintains a debt retirement fund to account for the resources to retire its bonds. The Academy's bond issuances feature a savings account be held as a reserve fund of approximately \$1,300,000. The Academy does not receive local property tax revenues to assist in paying its principal and interest obligations. Therefore, the Academy relies on transfers from the General Fund to the Debt Retirement Fund to pay amounts due under the bond agreement.

The Academy maintains two nonmajor governmental funds. The Academy's Cafeteria Fund provides meals to students and is responsible for all food service claims and all food service-related costs. The Academy had food sales of \$478,261 before expenditures of \$535,274 which resulted in a decrease in food service fund balance of \$57,013. The Academy's Student and School Activities Fund maintains revenue and pays expenditures related to certain activities benefiting students and families and the Academy. The Student and School Activities Fund had revenue of \$28,083 before expenditures of \$27,914 which resulted in an increase in fund balance of \$169.

**General Fund Budgetary Highlights**

Over the course of the year, the Academy can revise its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure the expenditures do not exceed appropriations. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements. There were significant changes to the original budget because of decreases in revenues and decreases in expenditures due to controlled spending.

There were significant revisions made to the 2023-2024 General Fund original budget.

Budgeted revenue was increased by \$453,682 due to increases in foundation allowance and Federal award spending. Budgeted expenditures were increased by \$922,856, primarily due to increased employment, occupancy and capital outlay costs associated with equipment and improvements.

**Detroit Community Schools  
Management's Discussion and Analysis  
June 30, 2024**

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**Capital Asset and Debt Administration**

**Capital Assets**

At June 30, 2024 the Academy had \$15,222,655 invested in a broad range of capital assets, including land and building, furniture and equipment, computers and vehicles.

	2024	2023
Land	\$ 132,754	\$ 132,754
Building and improvements	12,385,814	12,308,656
Land improvements	130,720	130,720
Furniture and equipment	2,272,280	2,231,118
Vehicles	163,296	163,296
Right to use asset - equipment and furniture	-	30,786
Right to use asset - buses and other vehicles	137,791	137,791
Total capital assets	15,222,655	15,135,121
Less accumulated depreciation	9,940,998	9,512,920
Net capital assets	\$ 5,281,657	\$ 5,622,201

We present more detailed information about our capital assets in the notes to the financial statements.

**Debts**

The Academy had \$516,967 and \$53,007 as current debt and \$7,871,068 and \$8,388,035 in long-term debt obligations as of June 30, 2024 and 2023, respectively. The general obligation bond was refunded in 2022 which will reduce the Academy's debt service needs until principal payments resume in fiscal year 2025.

**Economic Factors and Next Year's Budgets and Rates**

The Academy's preliminary budget for the year end June 30, 2024 was based on 563 blended student count. The student count was based on the stabilization for enrollment from the prior year, which the Academy expects to level out at around 545 students due the relocation of students based on families' economic factors, such as transportation. Once the final student count and related pupil finding is validated, the budget will be amended. State law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund the original appropriations.

**Detroit Community Schools  
Management's Discussion and Analysis  
June 30, 2024**

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Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts.

**Contingency**

Bay Mills Community College entered into a Charter School authorized contract with Detroit Community Schools. The charter school authorized contract is effective through June 30, 2026.

**Contacting the Academy's Financial Management**

This financial report is designed to provide the Academy's customers, 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 any questions about this report or need additional financial information, contact the Business Office, 12675 Burt Rd, Detroit, MI 48223.

## BASIC FINANCIAL STATEMENTS

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**Detroit Community Schools**  
**Statement of Net Position**  
**June 30, 2024**

	Governmental Activities
<b>Assets</b>	
Cash	\$ 2,439,959
Accounts receivable	12,974
Due from other governmental units	1,368,483
Prepaid items	2,289
Capital assets not being depreciated	132,754
Capital assets - net of accumulated depreciation	5,148,903
Total assets	9,105,362
<b>Liabilities</b>	
Accounts payable	415,001
Accrued expenditures	556,068
Unearned revenue	623,381
Long-term liabilities	
Due within one year	516,967
Due in more than one year	7,871,068
Total liabilities	9,982,485
<b>Net Position</b>	
Net investment in capital assets	(3,106,378)
Restricted for	
Food service	263,435
Debt service	1,294,684
Unrestricted	671,136
Total net position	\$ (877,123)

See Accompanying Notes to the Financial Statements

**Detroit Community Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2024**

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions		Net (Expense) Revenue and Changes in Net Position
<b>Functions/Programs</b>				
Governmental activities				
Instruction	\$ 3,486,487	\$ -	\$ 1,502,167	\$ (1,984,320)
Supporting services	5,013,235	-	1,999,661	(3,013,574)
Athletics	149,886	2,134	-	(147,752)
Student and school activities	27,914	28,083	-	169
Food services	528,175	-	478,261	(49,914)
Community services	86,344	-	13,885	(72,459)
Interest and fiscal charges on long-term debt	421,409	-	-	(421,409)
Total governmental activities	\$ 9,713,450	\$ 30,217	\$ 3,993,974	(5,689,259)
General revenues				
				5,327,432
				54,673
				124,088
			Total general revenues	5,506,193
			Change in net position	(183,066)
			Net position - beginning	(694,057)
			Net position - ending	\$ (877,123)

See Accompanying Notes to the Financial Statements

**Detroit Community Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2024**

	General Fund	Debt Retirement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 1,083,578	\$ 1,356,381	\$ -	\$ 2,439,959
Accounts receivable	12,974	-	-	12,974
Due from other funds	-	-	272,172	272,172
Due from other governmental units	1,361,803	-	6,680	1,368,483
Prepaid items	<u>2,289</u>	<u>-</u>	<u>-</u>	<u>2,289</u>
Total assets	<u>\$ 2,460,644</u>	<u>\$ 1,356,381</u>	<u>\$ 278,852</u>	<u>\$ 4,095,877</u>
<b>Liabilities</b>				
Accounts payable	\$ 415,001	\$ -	\$ -	\$ 415,001
Due to other funds	272,172	-	-	272,172
Accrued expenditures	494,371	-	-	494,371
Unearned revenue	<u>623,381</u>	<u>-</u>	<u>-</u>	<u>623,381</u>
Total liabilities	<u>1,804,925</u>	<u>-</u>	<u>-</u>	<u>1,804,925</u>

See Accompanying Notes to the Financial Statements

**Detroit Community Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2024**

	General Fund	Debt Retirement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Fund Balances</b>				
Non-spendable				
Prepaid items	2,289	-	-	2,289
Restricted for				
Food service	-	-	263,435	263,435
Debt service	-	1,356,381	-	1,356,381
Committed for student and school activities	-	-	15,417	15,417
Unassigned	<u>653,430</u>	<u>-</u>	<u>-</u>	<u>653,430</u>
 Total fund balances	<u>655,719</u>	<u>1,356,381</u>	<u>278,852</u>	<u>2,290,952</u>
 Total liabilities and fund balances	<u>\$ 2,460,644</u>	<u>\$ 1,356,381</u>	<u>\$ 278,852</u>	<u>\$ 4,095,877</u>

See Accompanying Notes to the Financial Statements

**Detroit Community Schools**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2024**

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<b>Total fund balances for governmental funds</b>	\$ 2,290,952
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	132,754
Capital assets - net of accumulated depreciation	5,148,903
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(61,697)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Bonds payable	(8,325,000)
Other loans payable and liabilities	<u>(63,035)</u>
<b>Net position of governmental activities</b>	<u>\$ (877,123)</u>

**Detroit Community Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2024**

	General Fund	Debt Retirement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local sources	\$ 124,564	\$ 54,673	\$ 28,083	\$ 207,320
State sources	6,860,021	-	13,011	6,873,032
Federal sources	1,624,055	-	465,250	2,089,305
Interdistrict sources	360,727	-	-	360,727
	<u>8,969,367</u>	<u>54,673</u>	<u>506,344</u>	<u>9,530,384</u>
Total revenues				
<b>Expenditures</b>				
Current				
Education				
Instruction	3,287,985	-	-	3,287,985
Supporting services	4,726,504	-	-	4,726,504
Student and school activities	-	-	27,914	27,914
Food services	-	-	535,274	535,274
Community services	87,527	-	-	87,527
Athletic activities	117,765	-	-	117,765
Capital outlay	168,528	-	-	168,528
Debt service				
Principal	53,007	-	-	53,007
Interest and other expenditures	2,509	418,900	-	421,409
	<u>8,443,825</u>	<u>418,900</u>	<u>563,188</u>	<u>9,425,913</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>525,542</u>	<u>(364,227)</u>	<u>(56,844)</u>	<u>104,471</u>

See Accompanying Notes to the Financial Statements

**Detroit Community Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2024**

	General Fund	Debt Retirement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	757,671	-	757,671
Transfers out	<u>(757,671)</u>	<u>-</u>	<u>-</u>	<u>(757,671)</u>
Total other financing sources (uses)	<u>(757,671)</u>	<u>757,671</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(232,129)	393,444	(56,844)	104,471
Fund balances - beginning	<u>887,848</u>	<u>962,937</u>	<u>335,696</u>	<u>2,186,481</u>
Fund balances - ending	<u>\$ 655,719</u>	<u>\$ 1,356,381</u>	<u>\$ 278,852</u>	<u>\$ 2,290,952</u>

See Accompanying Notes to the Financial Statements

**Detroit Community Schools**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2024**

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**Net change in fund balances - Total governmental funds** \$ 104,471

Total change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.

Depreciation and amortization expense	(458,864)
Capital outlay	118,320

Bond and note proceeds and leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Repayments of long-term debt	<u>53,007</u>
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**Change in net position of governmental activities** \$ (183,066)

**Detroit Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2024**

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**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Detroit Community Schools (Academy) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the Academy's significant accounting policies:

**Reporting Entity**

The Academy is authorized to operate as a Public School Academy under a 6 year contract with Bay Mills Community College which expires on June 30, 2026. The Academy is governed by a Board of Directors (the Board) appointed by the College. The Academy paid authorizer fees of \$205,489 to Bay Mills Community College for the year ended June 30, 2024.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Academy's reporting entity, and which organizations are legally separate component units of the Academy. The Academy has no component units.

**Academy-wide Financial Statements**

The Academy's basic financial statements include both academy-wide (reporting for the Academy as a whole) and fund financial statements (reporting the Academy's major funds). The academy-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the Academy's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net position is reported in three parts (1) net investment in

capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the Academy's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). In creating the academy-wide financial statements the Academy has eliminated interfund transactions.

The academy-wide focus is on the sustainability of the Academy as an entity and the change in the Academy's net position resulting from current year activities.

**Fund Financial Statements**

Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**Detroit Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2024**

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Unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Academy reports the following major governmental funds:

General Fund - The General Fund is used to record the general operations of the Academy pertaining to education and those operations not required to be provided for in other funds.

Debt Retirement Fund - The Debt Retirement Fund is used to record interest and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Additionally, the Academy reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Academy's Special Revenue Funds include the Cafeteria Fund and Student and School Activity Fund.

**Assets, Liabilities and Net Position or Equity**

Receivables and Payables - Generally, outstanding amounts owed between funds are classified as "due from/to other funds" These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade receivables are shown net of an allowance for uncollectible amounts. The Academy considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the Academy follows the consumption method, and they therefore are capitalized as prepaid items in both academy-wide and fund financial statements.

Capital Assets - Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Academy defines capital assets as assets with an initial individual cost in excess of \$500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Academy does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20 - 50 years
Site improvements	10 - 20 years
Equipment and furniture	5 - 10 years
Buses and other vehicles	5 - 10 years

Long-term Obligations - In the academy-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the Academy's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

**Detroit Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2024**

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**Fund Balance** - In the fund financial statements, governmental funds report fund balances in the following categories:

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

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

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

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

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

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

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

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows

of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**Eliminations and Reclassifications**

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

**Adoption of New Accounting Standards**

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

**Upcoming Accounting and Reporting Changes**

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

Statement No. 102, *Certain Risk Disclosures*, requires organizations to provide users of the financial statements with essential information about risks related to the organization's vulnerabilities due to certain concentrations or constraints. This statement is effective for the year ending June 30, 2025.

**Detroit Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2024**

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an organization's accountability while also addressing certain application issues. This statement included changes to management's discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information. This statement is effective for the year ending June 30, 2026.

The Academy is evaluating the impact that the above GASBs will have on its financial reporting.

**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. An Academy is not considered in violation of the law if reasonable procedures are in use by the Academy to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

Budgeted amounts are as originally adopted or as amended by the Board of Directors throughout the year. Individual amendments were not material in relation to the original appropriations.

**Excess of Expenditures over Appropriations**

During the year, the Academy incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Basic programs	\$ 2,942,876	\$ 2,958,521	\$ 15,645
Pupil	575,131	609,294	34,163
School administration	319,340	329,728	10,388
Business	146,054	185,241	39,187
Central	277,303	282,230	4,927
Athletic activities	113,162	117,765	4,603
Community services	81,526	87,527	6,001
Student and School Activities Fund	26,774	27,914	1,140

**Note 3 - Deposits and Investments**

The breakdown between deposits and investments for the Academy is as follows:

Deposits (checking, savings accounts,  
money markets, certificates of deposit) \$ 2,439,959

Concentration of credit risk - The Academy has no policy that would limit the amount that may be invested with any one issuer. The Academy maintains a policy that types of authorized securities may be made with the provision that no more than 50% of the total current investment portfolio consists of one type of security.

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. The Academy does not have a deposit policy for custodial credit risk. As of year end, \$750,000 of the Academy's bank balance of \$2,618,489 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Detroit Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2024**

***Custodial credit risk - investments*** - For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Note 4 - Capital Assets**

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 132,754	\$ -	\$ -	\$ 132,754
Capital assets being depreciated				
Buildings and additions	12,308,656	77,158	-	12,385,814
Site improvements	130,720	-	-	130,720
Equipment and furniture	2,231,118	41,162	-	2,272,280
Buses and other vehicles	163,296	-	-	163,296
Right to use asset - equipment and furniture	30,786	-	30,786	-
Right to use asset - buses and other vehicles	137,791	-	-	137,791
Total capital assets being depreciated	<u>15,002,367</u>	<u>118,320</u>	<u>30,786</u>	<u>15,089,901</u>
Less accumulated depreciation for				
Buildings and additions	7,065,699	367,240	-	7,432,939
Site improvements	130,367	354	-	130,721
Equipment and furniture	2,144,848	26,844	-	2,171,692
Buses and other vehicles	118,296	10,800	-	129,096
Right to use asset - equipment and furniture	23,090	7,696	30,786	-
Right to use asset - buses and other vehicles	30,620	45,930	-	76,550
Total accumulated depreciation	<u>9,512,920</u>	<u>458,864</u>	<u>30,786</u>	<u>9,940,998</u>
Net capital assets being depreciated	<u>5,489,447</u>	<u>(340,544)</u>	<u>-</u>	<u>5,148,903</u>
Net capital assets	<u>\$ 5,622,201</u>	<u>\$ (340,544)</u>	<u>\$ -</u>	<u>\$ 5,281,657</u>

Depreciation expense of capital assets and amortization expense of right to use assets were charged to activities of the Academy as follows:

**Governmental activities**

Instruction	\$ 174,368
Supporting services	252,375
Food services	<u>32,121</u>

Total governmental activities \$ 458,864

**Note 5 - Interfund Receivables, Payables, and Transfers**

Individual interfund receivable and payable balances at year end were:

	Payable Fund	Receivable Fund	Amount
General Fund		Nonmajor Governmental Fund	<u>\$ 272,172</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Interfund transfers consist of the following:

	Transfers in	Transfers Out
		General Fund
Debt Retirement Fund	<u>\$ 757,671</u>	

Transfers from the General Fund to Debt Retirement Fund were made to cover the Academy's debt needs that could not be provided by Debt Retirement Fund revenue.

**Detroit Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2024**

**Note 6 - Unearned Revenue**

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>\$ 623,381</u>
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**Note 7 - Leases**

At June 30, 2024, the Academy has the following multi-year lease agreements:

Three buses with an initial lease liability of \$137,791 due in monthly installments of \$4,050 at a discount rate of 3.92%. Payments began November 2022 and continue for 36 months until the final payment in October 2025.

	<u>\$ 63,035</u>
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As of June 30, 2024, the value of the future required annual principal and interest payments are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 46,966	\$ 1,633
2026	<u>16,069</u>	<u>131</u>
Total	<u>\$ 63,035</u>	<u>\$ 1,764</u>

**Note 8 - State Aid Anticipation Note**

The Academy issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These

notes are necessary because the Academy receives state aid from October through the following August for its fiscal year ending June 30<sup>th</sup>.

Short-term debt activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State Aid Note Payable dated September 2022 bearing interest at 5.40%, due August 2023	<u>\$ 171,531</u>	<u>\$ -</u>	<u>\$ 171,531</u>	<u>\$ -</u>

**Note 9 - Long-Term Debt**

The Academy issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Academy. Other long-term obligations include lease liabilities.

Long-term obligation activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Bonds and notes payable					
General obligation bonds	\$ 8,325,000	\$ -	\$ -	\$ 8,325,000	\$ 470,000
Other liabilities					
Leases	<u>116,042</u>	<u>-</u>	<u>53,007</u>	<u>63,035</u>	<u>46,967</u>
Total	<u>\$ 8,441,042</u>	<u>\$ -</u>	<u>\$ 53,007</u>	<u>\$ 8,388,035</u>	<u>\$ 516,967</u>

**Detroit Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2024**

General obligation bonds payable at year end, consist of the following:

\$8,325,000 2021 refunding bond due in annual installments of \$470,000 to \$1,635,000 through November 2036, interest at 5.0% \$ 8,325,000

Future principal and interest requirements for bonded debt and direct borrowings and direct placements are as follows:

Year Ending June 30,	Bonds	
	Principal	Interest
2025	\$ 470,000	\$ 416,250
2026	495,000	392,750
2027	520,000	368,000
2028	545,000	342,000
2029	575,000	314,750
2030-2034	3,320,000	1,114,250
2035-2036	2,400,000	201,750
Total	\$ 8,325,000	\$ 3,149,750

The general obligation bonds are payable from the Debt Retirement Fund. As of year end, the fund had a balance of \$1,356,381 to pay this debt. Future debt and interest will be payable from future tax levies.

The Academy is bound to two covenants related to the outstanding bond debt. The first covenant, operating reserve balance covenant, requires that the Academy maintain at least 60 days cash on hand as measured on the last day of each fiscal year. The second covenant, debt service coverage ratio covenant, further requires the Academy to maintain 90 days cash on hand and a debt service coverage ratio that will be at least 1.0 times during the fiscal year or, if the Academy maintains fewer than 90 days of cash on hand, the Academy will maintain a debt service coverage ratio that will be at least 1.1 times during the fiscal year. The Academy is required to provide a certification to the Trustee for both covenants by December 31 of each fiscal year. As of June 30, 2024, the Academy met the cash on hand covenant test,

but did not meet the debt service coverage covenant test.

**Note 10 - Risk Management**

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The Academy has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

**Note 11 - Contingent Liabilities**

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the Academy expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2024.

The Academy is a defendant in a lawsuit. Although the outcome of this lawsuit is not presently determinable, in the opinion of the Academy's attorneys, the resolution of this matter may result in a liability in the range of \$35,000 to \$75,000 for damages to the Academy.

## REQUIRED SUPPLEMENTARY INFORMATION

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**Detroit Community Schools**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2024**

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
<b>Revenues</b>				
Local sources	\$ 133,433	\$ 98,067	\$ 124,564	\$ 26,497
State sources	6,857,033	7,118,734	6,860,021	(258,713)
Federal sources	1,267,132	1,638,206	1,624,055	(14,151)
Interdistrict sources	192,250	48,523	360,727	312,204
	<u>8,449,848</u>	<u>8,903,530</u>	<u>8,969,367</u>	<u>65,837</u>
<b>Expenditures</b>				
Instruction				
Basic programs	2,993,250	2,942,876	2,958,521	15,645
Added needs	212,338	330,064	329,464	(600)
Supporting services				
Pupil	317,474	575,131	609,294	34,163
Instructional staff	258,189	517,578	485,232	(32,346)
General administration	938,737	872,871	869,175	(3,696)
School administration	323,200	319,340	329,728	10,388
Business	153,484	146,054	185,241	39,187
Operations and maintenance	1,394,428	1,471,262	1,445,364	(25,898)
Pupil transportation services	378,189	522,025	520,240	(1,785)
Central	295,885	277,303	282,230	4,927
Athletic activities	91,615	113,162	117,765	4,603
Community services	44,547	81,526	87,527	6,001
Capital outlay	15,000	170,000	168,528	(1,472)
Debt service				
Principal	53,007	53,007	53,007	-
Interest and fiscal charges	2,509	2,509	2,509	-
	<u>7,471,852</u>	<u>8,394,708</u>	<u>8,443,825</u>	<u>49,117</u>
Excess (deficiency) of revenues over expenditures	977,996	508,822	525,542	16,720

**Detroit Community Schools**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2024**

	<u>Budgeted Amounts</u>			Over (Under) Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(760,218)</u>	<u>(788,263)</u>	<u>(757,671)</u>	<u>(30,592)</u>
Net change in fund balances	217,778	(279,441)	(232,129)	47,312
Fund balance - beginning	<u>887,848</u>	<u>887,848</u>	<u>887,848</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,105,626</u>	<u>\$ 608,407</u>	<u>\$ 655,719</u>	<u>\$ 47,312</u>

## OTHER SUPPLEMENTARY INFORMATION

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**Detroit Community Schools  
Other Supplementary Information  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2024**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Cafeteria	Student and School Activities Fund	
<b>Assets</b>			
Due from other funds	\$ 256,755	\$ 15,417	\$ 272,172
Due from other governmental units	6,680	-	6,680
Total assets	\$ 263,435	\$ 15,417	\$ 278,852
<b>Fund Balances</b>			
Restricted for			
Food service	\$ 263,435	\$ -	\$ 263,435
Committed	-	15,417	15,417
Total fund balances	\$ 263,435	\$ 15,417	\$ 278,852

**Detroit Community Schools  
Other Supplementary Information  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2024**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Cafeteria Fund	Student and School Activities Fund	
<b>Revenues</b>			
Local sources	\$ -	\$ 28,083	\$ 28,083
State sources	13,011	-	13,011
Federal sources	465,250	-	465,250
	478,261	28,083	506,344
<b>Expenditures</b>			
Current			
Education			
School and student activities	-	27,914	27,914
Food services	535,274	-	535,274
	535,274	27,914	563,188
Total expenditures	535,274	27,914	563,188
Net change in fund balances	(57,013)	169	(56,844)
Fund balances - beginning	320,448	15,248	335,696
Fund balances - ending	\$ 263,435	\$ 15,417	\$ 278,852

**Detroit Community Schools**

**Single Audit**

**June 30, 2024**



**YEO & YEO**

**BUSINESS SUCCESS  
PARTNERS**

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# 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*

## Independent Auditors' Report

Management and the Board of Directors  
Detroit Community Schools  
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 Community Schools, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Detroit Community Schools' basic financial statements, and have issued our report thereon dated November 20, 2024.

### Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Detroit Community Schools' 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Detroit Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Detroit Community Schools' 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 or significant deficiencies may exist that were not identified.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Detroit Community Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have

a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Yeo & Yeo, P.C.*

Ann Arbor, MI

November 20, 2024

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

### **Independent Auditors' Report**

Management and the Board of Directors  
Detroit Community Schools  
Detroit, Michigan

#### **Report on Compliance for Each Major Federal Program**

##### **Opinion on Each Major Federal Program**

We have audited Detroit Community Schools' 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 Community Schools' major federal programs for the year ended June 30, 2024. Detroit Community Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Detroit Community Schools complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

##### **Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Detroit Community Schools 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 Community Schools' 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 agreements applicable to Detroit Community Schools' federal programs.

## Auditors' 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 Community Schools' 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 GAAS, *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 Community Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Community Schools' 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 Community Schools' 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 Community Schools' 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 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 Auditors' 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.

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Detroit Community Schools, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Detroit Community Schools' basic financial statements. We issued our report thereon dated November 20, 2024, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Yeo & Yeo, P.C.*

Ann Arbor, MI  
November 20, 2024

**Detroit Community Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2024**

Federal Grantor Pass-Through Grantor Program or Cluster Title	Grant/ Project Number	Federal Assistance List Number	Approved Grant Amount	Accrued (Unearned) Revenue July 1, 2023	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Unearned) Revenue June 30, 2024
<b>U.S. Department of Agriculture</b>								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Cash assistance								
National School Breakfast Program								
National School Breakfast Program 2022-2023	231970	10.553	\$ 149,175	\$ 8,042	\$ 124,043	\$ 25,132	\$ 33,174	\$ -
National School Breakfast Program 2023-2024	241970	10.553	120,117	-	-	120,117	118,468	1,649
Total National School Breakfast Program				<u>8,042</u>	<u>124,043</u>	<u>145,249</u>	<u>151,642</u>	<u>1,649</u>
National School Lunch Program								
Non-cash assistance (commodities)								
Entitlement Commodities	N/A	10.555	22,186	-	-	22,186	22,186	-
Bonus Commodities	N/A	10.555	301	-	-	301	301	-
Total non-cash assistance				<u>-</u>	<u>-</u>	<u>22,487</u>	<u>22,487</u>	<u>-</u>
National School Lunch Program								
Cash assistance								
National School Lunch Program 2022-2023	231960	10.555	297,008	18,419	248,557	48,451	66,870	-
National School Lunch Program 2023-2024	241960	10.555	221,514	-	-	221,514	217,143	4,371
Supply Chain Assistance	240910	10.555	18,395	-	-	18,395	18,395	-
Total cash assistance				<u>18,419</u>	<u>248,557</u>	<u>288,360</u>	<u>302,408</u>	<u>4,371</u>
Total National School Lunch Program				<u>18,419</u>	<u>248,557</u>	<u>310,847</u>	<u>324,895</u>	<u>4,371</u>
Total Child Nutrition Cluster				<u>26,461</u>	<u>372,600</u>	<u>456,096</u>	<u>476,537</u>	<u>6,020</u>
Passed through Michigan Department of Education								
Child and Adult Care Food Program								
Child and Adult Care Food Program - Cash in Lieu	242010	10.558	594	-	-	594	551	43
Child and Adult Care Food Program	241920	10.558	8,560	-	-	8,560	7,943	617
Total Child and Adult Care Food Program				<u>-</u>	<u>-</u>	<u>9,154</u>	<u>8,494</u>	<u>660</u>
Total U.S. Department of Agriculture				<u>26,461</u>	<u>372,600</u>	<u>465,250</u>	<u>485,031</u>	<u>6,680</u>
<b>U.S. Department of Education</b>								
Passed through Wayne County Regional Educational Service Agency								
Special Education Cluster								
Special Education - Grants to States	N/A	84.027	121,888	-	-	121,888	121,888	-

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Detroit Community Schools  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2024**

Federal Grantor Pass-Through Grantor Program or Cluster Title	Grant/ Project Number	Federal Assistance List Number	Approved Grant Amount	Accrued (Unearned) Revenue July 1, 2023	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Unearned) Revenue June 30, 2024
Passed through Calhoun County ISD								
Title I, Part A - Grants to Local Educational Agencies - Technical Assistance Grant (TAG)								
	231580	84.010	20,000	19,017	19,017	-	19,017	-
Passed through Michigan Department of Education								
Grants to Local Educational Agencies								
Title I, Part A - Grants to Local Educational Agencies								
	231530-2223	84.010	522,884	49,514	304,867	124,011	173,525	-
Title I, Part A - Grants to Local Educational Agencies								
	241530-2324	84.010	447,064	-	-	245,146	188,863	56,283
				<u>49,514</u>	<u>304,867</u>	<u>369,157</u>	<u>362,388</u>	<u>56,283</u>
Total Grants to Local Educational Agencies				<u>68,531</u>	<u>323,884</u>	<u>369,157</u>	<u>381,405</u>	<u>56,283</u>
Passed through Michigan Department of Education								
Supporting Effective Instruction State Grants								
Title II, Part A - Supporting Effective Instruction State Grants								
	230520-2223	84.367	81,786	15,451	48,842	13,800	29,251	-
Title II, Part A - Supporting Effective Instruction State Grants								
	240520-2324	84.367	53,876	-	-	35,572	7,096	28,476
Total Supporting Effective Instruction State Grants				<u>15,451</u>	<u>48,842</u>	<u>49,372</u>	<u>36,347</u>	<u>28,476</u>
Passed through Michigan Department of Education								
Student Support and Academic Enrichment Program								
Title IV, Part A - Student Support and Academic Enrichment Program								
	230750-2223	84.424A	63,865	13,006	56,185	612	13,618	-
Title IV, Part A - Student Support and Academic Enrichment Program								
	240750-2324	84.424A	38,106	-	-	30,306	30,306	-
Total Student Support and Academic Enrichment Program				<u>13,006</u>	<u>56,185</u>	<u>30,918</u>	<u>43,924</u>	<u>-</u>
Passed through Michigan Department of Education								
Education Stabilization Fund								
Elementary and Secondary School Emergency Relief Fund								
COVID-19 Elementary and Secondary School Emergency Relief Fund (Formula Funds II)								
	213712-2021	84.425D	1,363,228	46,001	1,324,798	31,357	77,358	-
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund								
COVID-19 ARP/ESSER III								
	213713-2122	84.425U	3,063,795	315,007	1,878,573	1,021,363	1,336,370	-
Total Education Stabilization Fund				<u>361,008</u>	<u>3,203,371</u>	<u>1,052,720</u>	<u>1,413,728</u>	<u>-</u>
Total Passed through Michigan Department of Education				<u>438,979</u>	<u>3,613,265</u>	<u>1,502,167</u>	<u>1,856,387</u>	<u>84,759</u>
Total U.S. Department of Education				<u>457,996</u>	<u>3,632,282</u>	<u>1,624,055</u>	<u>1,997,292</u>	<u>84,759</u>
Total Federal awards				<u>\$ 484,457</u>	<u>\$ 4,004,882</u>	<u>\$ 2,089,305</u>	<u>\$ 2,482,323</u>	<u>\$ 91,439</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Detroit Community Schools**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2024**

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**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Detroit Community Schools under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Detroit Community Schools, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Detroit Community Schools.

**Note 2 - Summary of Significant Accounting Policies**

**Expenditures**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate**

Detroit Community Schools has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3 - Michigan Department of Education (MDE) Disclosures**

The federal amounts reported on the grant auditor report are in agreement with the schedule of expenditures of federal awards except for the following timing differences of when the deposits were made:

Name	Federal Assistance List Number	Grant/Project Number	Reported on Grant Auditor Report	Reported on Schedule of Expenditures of Federal Awards	Variance
COVID-19 Elementary and Secondary School Emergency Relief Fund (Formula Funds II)	84.425D	213712-2021	\$ -	\$ 77,358	\$ (77,358)

**Note 4 - Subrecipients**

No amounts were provided to subrecipients.



**Detroit Community Schools  
Schedule of Findings and Questioned Costs  
June 30, 2024**

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**Section II – *Government Auditing Standards* Findings**

There were no *Government Auditing Standards* findings for the year ended June 30, 2024.

**Section III – Federal Award Findings**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2024.

**Detroit Community Schools  
Summary Schedule of Prior Audit Findings  
June 30, 2024**

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**Section IV – Prior Audit Findings**

***Government Auditing Standards Findings***

Finding 2023-001 – Material Weakness in Internal Control Over Financial Reporting and Material Noncompliance – Unfavorable Budget Variances

**Criteria:** The Uniform Budgeting and Accounting Act (the Act) requires the Academy to adopt a budget for the General Fund and special revenue funds. Additionally, the Act also requires the Academy to amend the original adopted budget “as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined”. The Act also states that “an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body”.

**Status:** Partially corrected. See management comment letter.

**Federal Award Findings**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2023.



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November 20, 2024

Management and the Board of Directors  
Detroit Community Schools  
Detroit, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Detroit Community Schools (the Academy) as of and for the year ended June 30, 2024. We are required to communicate certain matters to you in accordance with generally accepted auditing standards that are related to internal control and the audit.

Our communication includes the following:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

We discussed these matters with various personnel in the Academy during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

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

*Yeo & Yeo, P.C.*

Ann Arbor, Michigan

## Appendix I

### Auditors' Communication of Significant Matters with Those Charged with Governance

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 engagement letter to you dated June 3, 2024. 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 the Academy are described in the footnotes of the financial statements. The Academy has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2023:

- Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections.

We noted no transactions entered into by the Academy during the year for which there is 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. The most sensitive estimates affecting the Academy's financial statements were:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Right of use assets and lease liabilities. The estimate is based on management's assessment of the likelihood of exercising renewal options and utilizing interest and discount rates.

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

Disclosures in the financial statements are neutral, consistent and clear.

We have identified the following significant risks of material misstatement as part of our audit planning:

- Management override of controls
- Improper revenue recognition

##### Accounting Standards and Regulatory Updates

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in the footnotes of the financial statements.

## **Difficulties Encountered in Performing the Audit**

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

## **Corrected and Uncorrected Misstatements.**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial and communicate them to the appropriate level of management. Management has corrected all such misstatements.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

There were no known uncorrected misstatements that were more than trivial.

## **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 auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

## **Management Representations**

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

## **Management's Consultations with Other Accountants**

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

## **Other Audit Findings or Issues**

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

## **Other Reports**

Other information that is required to be reported to you is included in the: Independent Auditors' 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*; Independent Auditors' Report on Compliance for Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Grant Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

## **Report on Required Supplementary Information**

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

## **Report on Other Supplementary Information**

We were engaged to report on other supplementary information as described in the table of contents of the financial statements, 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 our 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.

## **Appendix II**

### **Matters for Management’s Consideration**

In planning and performing our audit of the financial statements of the Academy as of and for the year ended June 30, 2024, we considered the Academy’s internal control over financial reporting (internal control) as a basis for designing audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy’s internal control.

However, during our audit we became aware of the following matters for management’s consideration that are opportunities for strengthening internal controls. This letter does not affect our report dated November 20, 2024, on the financial statements of the Academy.

#### **Net Cash Resources**

As a result of the COVID-19 pandemic and flexibilities awarded related to eligibility and food distribution, meal claim revenues were in excess of anticipated amounts. A proportional increase to expenditures did not occur, resulting in the continuation of net cash resources exceeding the three-month average expenditure requirement included in the federal regulations. The noncompliance has not been determined to be material to the federal program or the financial statements, as it has not resulted in questioned costs, or negatively impacted the program; as the Academy is actively working on using the funds to enhance the program and has adopted a spend down plan with Michigan Department of Education (MDE). However, the Academy must continue to take action to return to compliance. The Academy may reduce lunch prices in a manner that is consistent with the paid lunch equity provisions, improve food quality, or take other action designated to improve the program. We recommend that the Academy look at possible enhancements to the program in order to continue or amend its spend down plan to return to compliance with this requirement.

#### **Budget Monitoring and Variances**

The Uniform Budgeting and Accounting Act requires the Academy to amend the original adopted budget “as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined”. The Act also states that “an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body”. During our review of the Academy’s compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated in certain areas within the General Fund and Student and School Activities Fund. Additionally, total expenditures (before transfers) exceed final budgeted expenditures by \$49,117. Although the amounts were not significant the Academy should strive to adopt a complete budget to ensure compliance with the Uniform Budgeting and Accounting Act.

#### **Federal Reimbursement Grants**

The Academy receives several federal grants that are paid to the Academy on a reimbursement basis. We noted federal grants for Grants to Local Educational Agencies (Title 1), Elementary and Secondary School Emergency Relief Fund (Formula Funds II), American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund (ESSER III), and Supporting Effective Instruction State Grants (Title II) where revenue did not equal expenditures for the fiscal year ended June 30, 2024. Ensuring that revenue equals expense for federal reimbursement grants is crucial for maintaining compliance and financial integrity. Federal grants are designed to reimburse specific, allowable costs incurred during the execution of a project. Therefore, the revenue received from these grants should directly correspond to the expenses incurred. This could result in inaccurate final expenditure reporting and ineffective budget management. We recommend that the Academy monitors the grants closely to avoid these issues to occur.

#### **Wage Rate Requirements**

The Academy engaged a reputable construction manager for a project funded by federal funds. The contract included a provision for compliance with the Davis-Bacon Act so that prevailing wages would be paid on labor costs. However, the Academy did not receive the payroll certifications from the construction manager during the project’s completion and, therefore, was not sufficiently monitoring that contract requirements were met. The lack of monitoring could have resulted in prevailing wages not being paid appropriately on labor costs. We

recommend that the Academy ensure payroll certifications are received during construction contracts related to federally funded projects in the future.

### **Financial Reporting**

The State of Michigan requires Academies to submit their audited financial statements and financial information database (FID) by November 1 of each year. The Academy was unable to complete year end close timely and provide sufficient workpapers for the audit to meet the November 1 deadline. The Academy is unable to receive state aid payments from the State of Michigan for the new school year until the financial statements and FID are filed. We recommend the Academy ensure it has sufficient personnel and procedures in place to accumulate the necessary financial information in a timely manner and enable submission of the financial statements and FID by the State's required deadline.