



CORNERSTONE

**WASHINGTON-PARKS
ACADEMY**

**(A Michigan Public School Academy)
Financial Statements
For the Year Ended
June 30, 2023**



THE CLAIMOUNT GROUP, PLC
Certified Public Accountants

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THE CLAIMOUNT GROUP, PLC
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Washington - Parks Academy

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund (General Fund), and the aggregate remaining fund information of Washington - Parks Academy as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Washington - Parks Academy basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund (General Fund), and the aggregate remaining fund information of Washington - Parks Academy as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Substantial Doubt About the Academy's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 16 to the financial statements, the Academy has suffered liquidity issues over the past two years and has been notified that it cannot utilize \$4,028,932 in federal funding for its pass-through entity. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

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 Washington - Parks Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Washington - Parks Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Washington - Parks Academy's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 and 29 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Washington - Parks Academy's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 1, 2024, on our consideration of the Washington - Parks Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Washington - Parks Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Washington - Parks Academy's internal control over financial reporting and compliance.

The Clairmount Group, PLC

Detroit, MI 48226
July 1, 2024

Washington-Parks Academy Management's Discussion and Analysis

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

During the fiscal year 2023, the Academy was informed that the Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act funds transferred to another Michigan Public School Academy, and the transfer was not allowable. This development has impacted the academy's financial position, reducing the amount of federal revenue recognized and receivable by \$4,028,932. As of the financial statements issuance, the Academy is yet to reach a conclusion with the State of Michigan and has accounted for the unallowable transfers as a liability in the statement of net position and balance sheet as "Due to State of Michigan."

Using the 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 financially as a whole. The Academy-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the Academy-wide financial statements by providing information about the Academy's most significant funds – the General Fund with the non-major Food Service Fund presented in one column.

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

Basic Financial Statements

Academy-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Fund

Other Supplemental Information

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

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way 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 used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Academy's net position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net 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. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Academy. The statement of net position and the statement of activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction, support services, community services, athletics, and food services. Unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

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

The Academy's fund financial statements provide detailed information about the most significant funds - not the Academy as a whole. Some funds are required to be established by state law and bond covenants. However, the Academy establishes many other funds to help it control and manage money for particular purposes (the Food Service is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and 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 reconciliation.

**Washington-Parks Academy
Management's Discussion and Analysis (Continued)**

The Academy as a Whole

Recall that the statement of net position provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy's net position as of June 30, 2023:

	Governmental Activities (in thousands)	
<u>Assets</u>	<u>2023</u>	<u>2022</u>
Current and other assets	\$7,099.3	\$3,986.5
<u>Deferred Outflows of Resources</u>		
Deferred pension and OPEB costs	101.8	77.8
Total Assets and Deferred Outflows of Resources	\$7,201.1	\$4,064.3
<u>Liabilities</u>		
Current liabilities	\$5,668.3	1,999.1
<u>Deferred Inflows of Resources</u>		
Deferred pension and OPEB costs	28.4	44.6
<u>Net Position</u>		
Invested in capital assets	1,442.9	1,178.4
Restricted	88.1	180.6
Unrestricted	(26.6)	661.5
Total Net Position	1,504.4	2,020.5
Total Liabilities , Deferred Inflows of Resources and Net Position	\$7,201.1	\$4,064.3

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the Academy's governmental activities is discussed below.

The Academy's net position was \$ 1.5 million on June 30, 2023. Capital assets totaling \$1.4 million are the original cost, less depreciation. The restricted net position is reported separately to show legal constraints from enabling legislation that limits the Academy's ability to use those assets for day-to-day operations.

The \$(26.6) thousand in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the Academy to meet working capital and cash flow requirements and to provide for future uncertainties. The operating results of the General Fund will significantly impact the change in unrestricted net position from year to year.

**Washington-Parks Academy
Management's Discussion and Analysis (Continued)**

The Academy as a Whole (continued)

The results of this year's operations for the Academy as a whole are reported in the statement of activities (Table 2), which shows the changes in net position for fiscal years 2023 and 2022.

<u>Revenues</u>	Governmental Activities (in thousands)	
	<u>2023</u>	<u>2022</u>
Program Revenues:		
Operating grants and contributions	\$1,366.5	\$5,665.5
General Revenues:		
State foundation allowance	6,185.8	6,131.70
Other	311.5	37.8
Total Revenues	<u>7,863.7</u>	<u>11,835.0</u>
Function/Program Expenses:		
Instruction	2,969.8	3,314.80
Support services	4,499.0	5,437.3
Food Service	388.6	304.6
Community Activities	49.6	11.4
Payments to other Public Schools within the state of Michigan	14.7	3,082.30
Other debt costs	.0	15.00
Depreciation	458.3	396.8
Total Expenses	<u>8,379.9</u>	<u>12,582.1</u>
Increase/(Decrease) in Net Position	<u><u>\$(516.2)</u></u>	<u><u>\$(727.0)</u></u>

As reported in the statement of activities, the cost of all our governmental activities this year was \$8.4 million. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions of \$1.4 million. We paid for the remaining "public benefit" portion of our governmental activities with \$6.4 million in State foundation allowance and with our other revenues, i.e., interest and general entitlements.

As discussed above, the net cost shows the financial burden that was placed on the State and the Academy's taxpayers by each of these functions. Since unrestricted State aid constitutes the vast majority of the Academy's operating revenue sources, the Board of Education and administration must annually evaluate the needs of the Academy and balance those needs with State-prescribed available unrestricted resources.

**Washington-Parks Academy
Management's Discussion and Analysis (Continued)**

Capital Assets

As of June 30, 2023, the Academy had approximately \$1.4 million invested in net capital assets, including leasehold improvements, furniture, and equipment. This represents a net increase, including additions and depreciation, of approximately \$264.4 thousand from last year.

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Capital assets being depreciated:				
Building and improvements	\$ 1,209,036	\$ 16,977	\$ -	\$ 1,226,013
Furniture & equipment	2,879,412	705,752	-	3,585,164
Subtotal	4,088,448	722,729	-	4,811,177
Accumulated depreciation:				
Building and improvements	1,176,781	849	-	1,177,630
Furniture & equipment	1,733,219	457,434	-	2,190,653
Subtotal	2,910,000	458,283	-	3,368,283
Net capital assets being depreciated	<u>\$ 1,178,448</u>	<u>\$ 264,446</u>	<u>\$ -</u>	<u>\$ 1,442,894</u>

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 accountable for the resources taxpayers and others provide to it and may provide more insight into the Academy's overall financial health.

As the Academy completed this year, the governmental funds reported a combined fund balance of \$88.1 thousand, which is a decrease of \$641.8 thousand from last year.

The balance in the General Fund, our principal operating fund, was depleted by approximately \$549.2 thousand. The General Fund balance is available to fund costs related to allowable school operating purposes.

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted just before the year's end. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

There were significant revisions made to the 2022-2023 General Fund's original budget. Budgeted revenues were increased from \$11.5 million to \$13.0 million due to increased federal revenue. As a result, the budgeted fund balance remained the same.

**Washington-Parks Academy
Management's Discussion and Analysis (Continued)**

Economic Factors Affecting Next Year's Budgets:

The Academy's administration considered many factors when setting the Academy's 2022-2023 fiscal year budget. One of the most important factors affecting last year's budget was the continued impact of the COVID-19 pandemic which made budgeting challenging. The continued uncertainty in enrollment with the move back to 100% in person learning still exists. The increase in per pupil funding at the state level from \$8,700 to \$9,150 has helped to cope with some of this uncertainty.

The June 2023-2024 budget adopted in June was based on an estimated student enrollment expected in September 2023. Approximately 90% percent of the total general fund revenue is from the foundation allowance. As a result, the Academy funding is primarily dependent on the state's ability to fund local school operations; thus, the Academy is focused on maintaining its historical levels of enrollment. The Academy is also looking to receive more grants and private revenues. This will allow the Academy to place more funds in the classroom and enhance its financial position.

Contacting the Academy's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office.

Washington - Parks Academy
Statement of Net Position
June 30, 2023

Assets

Cash and cash equivalents	\$ 72,037
Accounts receivable	9,318
Note receivable	4,284,110
Due from other governmental units	1,290,970
Capital assets - net of accumulated depreciation	<u>1,442,894</u>
 Total assets	 7,099,329

Deferred Outflows of Resources

Deferred pension costs	60,704
Deferred OPEB costs	<u>41,111</u>

Total deferred outflows of resources 101,815

Total assets and deferred outflows of resources \$ 7,201,144

Liabilities

Accounts payable	\$ 251,126
Accrued salaries payable	318,746
Unearned revenue	473,314
Accrued expenses	30,428
Notes payable	285,259
Due to the State of Michigan	4,206,388
Net pension liability	90,979
Net OPEB liability	<u>12,056</u>
 Total liabilities	 <u>5,668,296</u>

Deferred Inflows of Resources

Deferred pension cost reductions	1,792
Deferred OPEB costs	<u>26,642</u>
	28,434

Net Position (Deficit)

Net investment in capital assets	1,442,894
Restricted	88,124
Unrestricted	<u>(26,604)</u>
 Total net position (deficit)	 <u>1,504,414</u>
 Total liabilities, deferred inflows of resources and net position	 <u>\$ 7,201,144</u>

See accompanying notes to the financial statements.

**Washington - Parks Academy
Statement of Activities
Year Ended June 30, 2023**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenues and Changes in Net Assets</u>
Primary government-Governmental Activities:				
Instruction	\$ 2,969,771	\$ -	\$ 743,516	\$ (2,226,255)
Support services				
Pupil	457,233	-	-	(457,233)
Instructional	580,454	-	326,917	(253,537)
General administration	1,182,696	-	-	(1,182,696)
School administration	400,682	-	-	(400,682)
Business services	91,552	-	-	(91,552)
Operation and maintenance	1,344,026	-	-	(1,344,026)
Central services	372,698	-	-	(372,698)
Other services	69,615	-	-	(69,615)
Food services	388,552	-	296,048	(92,504)
Community activity	49,629	-	-	(49,629)
Other debt cost - Pension and OPEB	14,703	-	-	(14,703)
Unallocated depreciation	458,283	-	-	(458,283)
Total Governmental Activities	<u>\$ 8,379,894</u>	<u>\$ -</u>	<u>\$ 1,366,481</u>	\$ (7,013,413)
General Revenues:				
State aid not restricted to specific purposes				6,185,787
Other income				311,481
Total general revenues				<u>6,497,268</u>
Change in net position				\$ (516,145)
Net Position, beginning of year				<u>2,020,559</u>
Net Position, end of year				<u>\$ 1,504,414</u>

See accompanying notes to the financial statements.

Washington - Parks Academy
Balance Sheet
June 30, 2023

	General Fund	Non Major Fund Food Service	Total
Assets			
Cash and cash equivalents	\$ 72,037	\$ -	\$ 72,037
Accounts receivable	9,318	-	9,318
Note receivable	4,284,110	-	4,284,110
Due from other governmental units	1,276,844	14,126	1,290,970
Due from other funds	-	89,200	89,200
Total assets	<u>\$ 5,642,309</u>	<u>\$ 103,326</u>	<u>\$ 5,745,635</u>
Liabilities			
Accounts payable	\$ 235,924	\$ 15,202	\$ 251,126
Accrued salaries	318,746	-	318,746
Accrued other	30,428	-	30,428
Unearned revenue	473,314	-	473,314
Notes payable	285,259	-	285,259
Due to the State of Michigan	4,206,388	-	4,206,388
Due to other funds	89,200	-	89,200
Total liabilities	<u>5,639,259</u>	<u>15,202</u>	<u>5,654,461</u>
Deferred Inflows of Resources			
Unavailable revenue	3,050	-	3,050
Fund Balance			
Nonspendable	4,284,110	-	4,284,110
Unassigned	<u>(4,284,110)</u>	<u>88,124</u>	<u>(4,195,986)</u>
Total fund balances	-	88,124	88,124
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,642,309</u>	<u>\$ 103,326</u>	<u>\$ 5,745,635</u>

See accompanying notes to the financial statements.

Washington-Parks Academy
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position
Year Ended June 30, 2023

Fund Balances Reported in Governmental Funds \$ 88,124

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

Cost of capital assets	4,811,177
Accumulated depreciation	(3,368,283)
Net capital assets used in governmental activities	1,442,894

Certain grant revenues are unavailable to pay for current, period expenditures and, therefore are deferred in the government funds.	3,050
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Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities

Net pension liability and related deferred inflows and outflows	(32,067)
Net OPEB liability and related deferred inflows and outflows	2,413

Net position of Governmental Activities \$ 1,504,414

Washington-Parks Academy
Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2023

	General Fund	Non Major Fund Food Service	Total Governmental Funds
Revenues			
Local sources	\$ 311,481	\$ -	\$ 311,481
State sources	6,319,537	2,835	6,322,372
Federal sources	1,060,777	293,213	1,353,990
Total revenues	7,691,795	296,048	7,987,843
Expenditures			
Current			
Instruction services			
Basic programs	2,129,679	-	2,129,679
Added needs	840,092	-	840,092
Total instruction	2,969,771	-	2,969,771
Support services			
Pupil	457,233	-	457,233
Instructional	580,454	-	580,454
General administration	1,182,696	-	1,182,696
School administration	400,682	-	400,682
Business services	91,552	-	91,552
Operation and maintenance	2,066,755	-	2,066,755
Central services	372,698	-	372,698
Other services	69,615	-	69,615
Total support services	5,221,685	-	5,221,685
Food services	-	388,552	388,552
Community activity	49,629	-	49,629
Total expenditures	8,241,085	388,552	8,629,637
Net change in fund balance	(549,290)	(92,504)	(641,794)
Fund Balance - Beginning of year	549,290	180,628	729,918
Fund Balance - End of year	\$ -	\$ 88,124	\$ 88,124

See accompanying notes to the financial statements.

Washington-Parks Academy
Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures, and Changes
in Fund Balance to the Statement of Activities
Year Ended June 30, 2023

Net Changes in Fund Balance Reported in Governmental Funds	\$	(641,794)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over the estimated useful lives as depreciation:		
Capitalized capital outlay		722,729
Depreciation expense		(458,283)
Revenues in the Statement of Activities that do not provide current financial resources and not reported as revenues in the governmental funds.		3,050
Revenues not included in the Statement of Activities that were unavailable in governmental funds in prior year		(127,144)
Some employee costs (pension and OPEB) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		(14,703)
Change in Net Position of Governmental Activities	\$	(516,145)

See accompanying notes to the financial statements.

Washington-Parks Academy Notes to Financial Statements

NOTE 1 – NATURE OF ORGANIZATION

The accounting policies of Washington - Parks Academy (the “Academy”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Academy:

Reporting Entity

The Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on January 3, 2001, and began operation in July 2009.

On July 1, 2017, the Academy entered into a three-year contract with Grand Valley State University’s Board of Trustees to charter a public school academy through June 30, 2023. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University’s Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws. The Academy pays Grand Valley State University’s Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2023, were approximately \$158,985.

Administrative Services

The Academy entered into a management agreement with Three Pillars: An Educational Provider d/b/a Cornerstone Education Group (“Cornerstone”). The management company was instrumental in the founding of the Academy. The management company is responsible for all of the management, operations, administration, and educational programs of the Academy. In addition, the Academy reimburses the management company for all employee-related and operating costs. The Academy pays a management fee of 13.5 percent of the gross revenue of the Academy, excluding school lunch revenue and funds raised by students or parents through fundraising events. The total paid for these services amounted to approximately \$1,011,032 for the year ended June 30, 2023.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Academy conform to Accounting Principles Generally Accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Academy:

Measurement Focus, Basis Accounting and Financial Statement Presentation

Academy-wide Financial Statements

The academy-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on the primary government’s non-fiduciary activities. The academy-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the academy-wide statements and the statements for governmental funds.

Washington - Parks Academy
Notes to Financial Statements (Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Academy-wide Financial Statements

The academy-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. In creating the academy-wide financial statements the Academy has eliminated inter-fund transactions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions restricted to meeting a particular program's operational or capital requirements. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self-financing or draws from the general revenues of the Academy.

The net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

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. Revenue not meeting this definition is classified as a deferred inflow of resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Fund Classification

The financial activities of the Academy are organized on the basis of funds. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled.

General Fund - The General Fund is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

Non-Major Fund - Food Service Fund - The Food Service Fund is used to account for the food service operations. The fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the funds will be covered by an operating transfer from the general fund. The fund does not maintain its own assets and liabilities; accordingly, no balance sheet is presented for this fund.

Cash and Cash Equivalents

Cash equivalents include cash on hand, demand deposits, and short-term investments with three months or less maturity when acquired.

Washington - Parks Academy
Notes to Financial Statements (Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due to/from Other Funds

In general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

Due from Other Governmental Units

Receivables consist primarily of state school aid due from the State of Michigan and the federal government.

Capital Assets

Capital assets, which include leasehold improvements, furniture, and equipment, are reported in the applicable governmental column in the academy-wide financial statements. The Academy defines capital assets as assets with an initial individual cost of more than \$750 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Normal repair and maintenance costs that do not add to the value or materially extend asset life are not capitalized. The Academy does not have infrastructure-type assets.

Leasehold improvements	10 to 50 years
Furniture and other equipment	5 to 15 years
Computers and software	3 to 10 years

Accounts Payable, Accrued Salaries, and Accrued Other

All payables and accrued liabilities are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources.

Due to the State of Michigan

Amounts due to the State of Michigan consist primarily of federal funding that is ineligible for use by the Academy.

Unearned Revenues

Unearned revenues arise when the Academy receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet, and revenues are recognized.

Washington - Parks Academy
Notes to Financial Statements (Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred outflows of resources are reported related to pensions and OPEB.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition net asset that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy has two types of deferred inflows, one of which arises only under a modified accrual basis of account that qualifies for reporting in this category. Accordingly, unavailable revenue is reported only in the governmental fund balance sheet. The governmental fund reports unavailable revenues from grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Additionally, deferred inflows are report-related pensions and OPEB.

Net Position

Net position represents the difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

Fund Balance

Fund balances may be classified as nonspendable, restricted, committed, assigned, or unassigned. The term nonspendable refers to the portion of fund balance which cannot be spent either because the underlying resources are not in spendable form or because the government is legally or contractually required to maintain the resources intact. The term restricted is used indicate the portion of fund balance that is subject to externally enforceable constraints, constitutional provisions or enabling legislation. The term committed represents amounts that can only be used for the specific purpose determined by a formal resolution of the board. The term assigned is used to classify the fund balance intended to be used by the board but does not meet the criteria to be restricted or committed. The term unassigned is used for amounts that have not been restricted, committed, or otherwise assigned for future uses.

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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Washington - Parks Academy Notes to Financial Statements (Continued)

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with accounting principles generally accepted and state law for the General fund and all special revenue funds, except that capital outlay is budgeted by function. All annual appropriations lapse at fiscal year end.

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. Expenditures in excess of the amounts budgeted are a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2023, the budget was amended in a legally permissible manner. A comparison of amounts appropriated against actual results can be found on page 29 of these financial statements.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders or contracts) are not traced during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

NOTE 4 – DEPOSITS

State statutes authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations with Michigan offices. The Academy has designated one bank for the deposit of its funds.

Custodial Credit Risk– Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. At year end, the Academy's deposits were fully insured by FDIC.

NOTE 5 – DUE FROM GOVERNMENTAL UNITS

Receivables as of year-end were as follows:

State of Michigan	\$	1,104,166
Federal		186,804
	\$	<u>1,290,970</u>

The Academy's management evaluates its receivables for collectability annually. As of June 30, 2023, Management believes all receivables are collectible, and no allowance is necessary.

NOTE 6 – NOTES RECEIVABLE

The Academy entered into an agreement with Lincoln-King Adams-Young Academy for Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act amounts transferred to Lincoln-King Adams-Young Academy in error. As of June 30, 2023, the Academy has deemed no allowance needed.

Washington - Parks Academy
Notes to Financial Statements (Continued)

NOTE 7 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Capital assets being depreciated:				
Leasehold improvements	\$ 1,209,036	\$ 16,977	\$ -	\$ 1,226,013
Furniture & equipment	2,879,412	705,752	-	3,585,164
Subtotal	<u>4,088,448</u>	<u>722,729</u>	-	<u>4,811,177</u>
Accumulated depreciation:				
Leasehold improvements	1,176,781	849	-	1,177,630
Furniture & equipment	1,733,219	457,434	-	2,190,653
Subtotal	<u>2,910,000</u>	<u>458,283</u>	-	<u>3,368,283</u>
Net capital assets being depreciated	<u>\$ 1,178,448</u>	<u>\$ 264,446</u>	<u>\$ -</u>	<u>\$ 1,442,894</u>

Depreciation expenses were not charged to activities as the Academy considers its assets to impact multiple activities, and allocation is not practical.

NOTE 8 –UNEARNED REVENUE

Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2023, the components of unearned revenue were as follows:

Payments received prior to meeting all eligibility requirements	
Federal grants	\$ 104,609
State aid payments	349,703
Other	<u>19,002</u>
Total	<u>\$ 473,314</u>

NOTE 9 –UNAVAILABLE REVENUE

Unavailable revenue relates to certain federal grant reimbursements, primarily Title I, Part A, where reimbursed amounts were received after the availability period. At June 30, 2023, unavailable revenue was \$3,050.

Washington - Parks Academy
Notes to Financial Statements (Continued)

NOTE 10 – DUE TO THE STATE OF MICHIGAN

Amounts due to the State of Michigan consist of the following:

Educational Stabilization Fund Under the the Coronavirus Aid, Relief and Economic Security Act	\$4,028,931
Title I, Part A	138,336
Title II, Part A	<u>39,121</u>
Total	<u>\$4,167,267</u>

NOTE 11 – NOTES PAYABLE

The Academy participated in the State Aid Borrowing Program and borrowed \$1,600,000 at an interest rate of 5.4% percent. The note is repaid monthly through State Aid intercept beginning in October and ending in August. The borrowing was utilized for working capital. The interest paid was \$47,374.

	Beginning Balance	Additions	Reductions	Ending Balance
State Aid Borrowing 21/22	\$ 254,223	\$ -	\$ 254,223	\$ -
State Aid Borrowing 22/23	<u>-</u>	<u>1,600,000</u>	<u>1,314,741</u>	<u>285,259</u>
Total	<u>\$ 254,223</u>	<u>\$ 1,600,000</u>	<u>\$ 1,568,964</u>	<u>\$ 285,259</u>

NOTE 12 – LEASES

The Academy entered into a lease agreement for a facility to house the Academy. The lease term is from July 1, 2021, through June 30, 2023. The lease payments are based on a variable rate that are not considered a lease liability because they are not fixed in substance. The lease is based on 15% student enrollment. Lease payments totaled \$766,502 for the year ended June 30, 2023.

The Academy is not a party to any leasing arrangements that meet the criteria for recognizing lease assets or liabilities under GASB Statement No. 87, Leases based on the variable payment structure.

Washington - Parks Academy Notes to Financial Statements (Continued)

NOTE 13 – MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Academy participates in the Michigan Public School Employees' Retirement System (the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers retirees hired by the Academy during the fiscal year who are the consider eligible employees of the Academy. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides post-employment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employee's Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and post-employment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>.

Benefits Provided

Benefits provisions of the defined benefit pension plan and post-employment health care plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan.

Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced by 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPERS offers the option of participating in the defined contribution (DC) plan that provides a 50% percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MSPERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on member's date of hire, the subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Washington - Parks Academy
Notes to Financial Statements (Continued)

NOTE 13 – MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

Contributions

Public Act 300 of 1980, as amended, required the Academy to contribute amounts necessary to finance the coverage of the pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provision, each Academy’s contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of their monthly premium amount for health, dental, and vision coverage at the time of receiving the benefits. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given a choice between continuing the 3 percent contribution to the retiree health care and keeping the premium subsidy benefit described above or choosing not to pay the 3 percent contribution and, instead, opting out of the subsidy benefit and becoming participants in the Personal Healthcare Fund (PHF), a portable tax-deferred fund that can be used to pay health care expense in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 accounts as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stopped paying the 3 percent contribution to retiree health care as of the day before their transition date, and their prior contributions were deposited into their 401(k) accounts.

The Academy’s contributions are determined based on employee elections. There are multiple different pension and health care benefit options included in the plan available to employees based on the date of hire and the elections available at the time. Contributions rates are adjusted annually by the ORS.

The ranges of rates are as follows:

	<u>Pension</u>	<u>OPEB</u>
October 1, 2021 – September 30, 2022	13.73% - 20.14%	7.23% - 8.09%
October 1, 2022 – September 30, 2023	13.75% - 20.16%	7.21% - 8.07%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The Academy's required and actual pension contributions to the plan for the year ended June 30, 2023, were \$8,234.

Net Pension Liability

At June 30, 2023, the Academy reported a liability of \$90,979 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021, which used updated procedures to roll forward the estimated liability to September 30, 2023. The Academy’s proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2022 and 2021, the Academy’s proportion was .00024 and .00018.

Washington - Parks Academy
Notes to Financial Statements (Continued)

NOTE 13 – MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

Net OPEB Liability

At June 30, 2023, the Academy reported a liability of \$12,056 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2022 was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020, which used update procedures to roll forward the estimated liability to September 30, 2021. The Academy’s proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2021 the Academy’s proportion was .00057 and .00004.

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

For 2023, the Academy recognized pension expense of \$25.591. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 910	\$ (203)
Changes in assumptions	15,633	-
Net difference between projected and actual earnings on pension plan investments	213	-
Changes in proportion and differences between the Academy's contributions and proportionate share of contributions	<u>43,948</u>	<u>(1,589)</u>
Total	<u>\$ 60,704</u>	<u>\$ (1,792)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending</u>	<u>Amount</u>
2024	\$ 19,618
2025	19,779
2026	12,576
2027	<u>6,939</u>
Total	<u>\$ 58,912</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

Washington - Parks Academy
Notes to Financial Statements (Continued)

NOTE 13 – MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (23,613)
Changes in assumptions	10,746	(875)
Net difference between projected and actual earnings on OPEB plan investments	942	
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	29,423	(2,154)
Employer contributions to the plan subsequent to the measurement date	-	-
	<u> </u>	<u> </u>
Total	<u>\$ 41,111</u>	<u>\$ (26,642)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

<u>Years Ending</u>	<u>Amount</u>
2024	\$ 1,421
2025	1,627
2026	2,857
2027	6,209
2028	1,996
Thereafter	<u>359</u>
Total	<u>\$ 14,469</u>

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2022 are based on the results of an actuarial valuation as of September 30, 2021 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return – Pension	6.00%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.00%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	5.25% - 7.75%	Year 1 graded to 3.5% in year 15, 3.0% in year 120
Mortality basis		RP-2014 Male and Female Employee Annuitant
		Mortality tables, scaled 100% (retirees: 82% for
		males and 78% for females) and adjusted for
		mortality improvements using projection scale
		MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Washington - Parks Academy
Notes to Financial Statements (Continued)

NOTE 13 – MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

Assumption changes as a result of an experience study for periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 valuation.

Significant assumption changes since the prior measurement date, September 30, 2021, for the OPEB plan include a decrease in the discount rate used on September 30, 2022, measurement date by .80 percent points in the pension plan and .96 percentage points in the OPEB plan. The investment rate of return used on the September 30, 2022 measurement date decreased by .80 percentage points in the Pension plan and .95 percentage points in the OPEB plans. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2021.

Discount Rate

The discount rate used to measure the total pension and OPEB liability was 6.00 percent as of September 30, 2022, depending on the plan option. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that academy contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan’s fiduciary net position and the OPEB plan’s fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense, and inflation) are developed for each major asset class. These managements are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.00%	5.10 %
Private equity pools	16.00	8.70
International equity pools	15.00	6.70
Fixed-income pools	13.00	(0.20)
Real estate and infrastructure pools	10.00	5.30
Absolute return pools	9.00	2.70
Real return/opportunist pools	10.00	5.80
Short-term investment pools	2.00	(0.50)
	100.00%	
Total	100.00%	

Long-term rates of return are net of administrative expense and inflation of 2.2 percent.

Washington - Parks Academy
Notes to Financial Statements (Continued)

NOTE 13 – MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Academy's net pension liability, calculated using the discount rate depending on the plan option. It also reflects the Academy's net pension liability if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00%)	1 Percentage Point Increase (7.00%)
Net pension liability of the Academy	\$ 120,059	\$ 90,979	\$ 67,016

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension OPEB liability of the Academy, calculated using the current discount rate. It also reflects what the Academy's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00%)	1 Percentage Point Increase (7.00%)
Net OPEB liability of the Academy	\$ 20,223	\$ 12,056	\$ 5,179

Sensitive of the Net OPEB liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the Academy, calculated using the current health care cost trend rate. It also reflects what the Academy's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00%)	1 Percentage Point Increase (7.00%)
Net OPEB liability of the Academy	\$ 5,048	\$ 12,056	\$ 19,922

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

NOTE 14 – RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), and medical benefits. The risk of employee injuries and medical benefits for management company employees is covered by insurance held by the employee leasing company. The Academy has purchased commercial insurance for all other claims.

Washington - Parks Academy
Notes to Financial Statements (Continued)

NOTE 15 – CONTINGENCIES

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

NOTE 16 – BUSINESS CONTINUATION PLAN

During the fiscal year 2023, the Academy was informed that the Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act funds transferred to another Michigan Public School Academy, and the transfer was not allowable. This development has impacted the academy's financial position, reducing the amount of federal revenue recognized and receivable by an amount of \$4,028,932. As of the financial statements issuance, the Academy is yet to reach a conclusion with the State of Michigan and has accounted for the unallowable transfers as a liability in the statement of net position and balance sheet as "Due to State of Michigan."

Management has evaluated the events and conditions that lead to the going concern as reflected in the unmodified opinion and has developed plans to address the concern. Management has developed a plan to reduce expenses, and based on its March 31, 2024, financial statements, revenue exceeds expenditures by over \$1,400,000. Management continues to work with MDE to resolve this issue.

NOTE 17 – SUBSEQUENT EVENTS

On July 1, 2023, the Academy's Charter Agreement with Grand Valley University was renewed for a period of five years.

On August 10, 2023, the Academy participated in the State Aid Borrowing Program and borrowed \$707,000 at a rate of 6.25%.

Subsequent events have been evaluated through July 1, 2024, which is the date the financial statements were available to be issued. No events other than the one above require adjustment or disclosure to the financial statements.

Required Supplemental Information

**Washington - Parks Academy
Required Supplemental Information
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 16,000	\$ 410,000	\$ 311,481	\$ (98,519)
State sources	5,969,000	5,900,000	6,319,537	419,537
Federal sources	5,550,000	6,697,000	1,060,777	(5,636,223)
	<u>11,535,000</u>	<u>13,007,000</u>	<u>7,691,795</u>	<u>(5,315,205)</u>
Total Revenue				
Expenditures				
Current				
Instruction:				
Basic programs	2,637,000	2,566,000	2,129,679	(436,321)
Added needs	996,000	656,000	840,092	184,092
Total Instruction	3,633,000	3,222,000	2,969,771	(252,229)
Support Services:				
Pupil	547,000	465,000	457,233	(7,767)
Instructional	546,000	705,000	580,454	(124,546)
General administration	1,267,000	1,162,000	1,182,696	20,696
School administration	397,000	408,000	400,682	(7,318)
Business support	41,000	86,000	91,552	5,552
Operation and maintenance	2,838,000	2,241,000	2,066,755	(174,245)
Pupil transportation and services	32,000	2,000	-	(2,000)
Central services	388,000	373,000	372,698	(302)
Other services	40,000	71,000	69,615	(1,385)
Community Service	15,000	48,000	49,629	1,629
Outgoing Transfers	1,791,000	4,224,000	-	(4,224,000)
Total Expenditures	11,535,000	13,007,000	8,241,085	(4,765,915)
Net Change in Fund Balance	-	-	(549,290)	(549,290)
Fund Balance - July 1, 2022	638,446	638,446	549,290	89,156
Fund Balance - June 30, 2023	<u>\$ 638,446</u>	<u>\$ 638,446</u>	<u>\$ -</u>	<u>\$ (460,134)</u>

**Washington - Parks Academy
Required Supplemental Information
Michigan Public School Employees' Retirement System
Year Ended June 30, 2023**

**Schedule of Proportionate Share of the Net Pension Liability
Plan Year Ended September 30**

	<u>2022</u>	<u>2021</u>
Academy's portion of the net pension liability	0.00024%	0.00018%
Academy's proportionate share of the net pension liability	\$ 90,979	\$ 41,898
Academy's covered payroll	\$ 59,969	\$ 39,685
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	151.71%	105.58%
Plan fiduciary net position as a percentage of total pension liability	60.77%	72.32%

**Schedule of Pension Contributions
Year Ended June 30**

	<u>2022</u>	<u>2021</u>
Statutorily required contributions	\$ 8,234	\$ 5,314
Contributions in relation to the statutorily required contribution	<u>1,409</u>	<u>5,314</u>
Contribution Deficiency	<u>\$ 6,825</u>	<u>\$ -</u>
Academy's Covered Payroll	\$ 7,110	\$ 68,274
Contributions as a Percentage of Covered Payroll	19.82%	7.78%

**Washington - Parks Academy
Required Supplemental Information
Michigan Public School Employees' Retirement System
Year Ended June 30, 2023**

**Schedule of Proportionate Share of the Net OPEB Liability
Plan Year Ended September 30**

	<u>2022</u>	<u>2021</u>
Academy's portion of the OPEB liability	0.00057%	0.0004%
Academy's proportionate share of the net OPEB liability	\$ 12,056	\$ 6,117
Academy's covered payroll	\$ 7,110	\$ 39,685
Academy's proportionate share of the net OPEB liability as a percentage of its covered payroll	169.57%	15.41%
Plan fiduciary net position as a percentage of total OPEB liability	60.77%	88.87%

**Schedule of OPEB Contributions
Year Ended June 30**

	<u>2022</u>	<u>2021</u>
Statutorily required contributions	\$ 4,336	\$ 3,004
Contributions in relation to the statutorily required contribution	-	-
Contribution Deficiency	<u>\$ 4,336</u>	<u>\$ 3,004.00</u>
Academy's Covered Payroll	\$ 7,110	\$ 39,685
Contributions as a Percentage of Covered Payroll	0.00%	0.00%

**Washington - Parks Academy
Notes to Required Supplemental Information
Michigan Public School Employees' Retirement System
Year Ended June 30, 2023**

Pension Information

Note 1

This is the first year of participation in the Michigan Public School Employees' Retirement System.

Benefit Changes

There were no changes in benefit terms for the reported plan year that ended September 30.

Changes in Assumptions

There were no significant changes in assumptions for the reported plan year that ended September 30.

OPEB Information

Benefit Changes

There were no changes in benefit terms for the reported plan year that ended September 30.

Changes in Assumptions

There were no significant changes in assumptions for the reported plan year that ended September 30.

SINGLE AUDIT



THE CLAIRMOUNT GROUP, PLC
Certified Public Accountants

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

To the Board of Directors of
Washington - Parks Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Washington - Parks Academy, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Washington - Parks Academy's basic financial statements, and have issued our report thereon dated July 1, 2024.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. There were material weaknesses discovered. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002 and 2023-004 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-003.

Washington - Parks Academy's Response to Findings

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

Purpose of this Report

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

The Clairmount Group, PLC

Detroit, MI 48226

July 1, 2024



THE CLAIRMOUNT GROUP, PLC
Certified Public Accountants

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

To the Board of Directors of
Washington - Parks Academy

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Washington - Parks Academy's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Washington - Parks Academy's major federal programs for the year ended June 30, 2023. Washington - Parks Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act

In our opinion, except for the possible effect of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, Washington-Parks Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act for the year ended June 30, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Washington-Parks complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Matter Giving Rise to Education Stabilization Fund Under The Coronavirus Aid, Relief, and Economic Security Act

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of Washington-Parks Academy with the Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act as described in finding number 2023-005 for Activities Allowed or Unallowed and Allowable Costs/Cost Principles. Consequently, we were unable to determine whether Washington-Parks Academy complied with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor's Responsibility 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 Washington - Parks Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than 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 Washington-Parks Academy's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Washington-Parks Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Washington-Parks Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Washington-Parks Academy's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-005. Our opinion on its major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-005 to be material weaknesses.

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 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.

Government Auditing Standards require the auditor to perform limited procedures on the Washington-Parks Academy's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Washington-Parks Academy's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

The Clairmount Group, PLLC

Detroit, MI 48226
July 1, 2024

Washington - Parks Academy
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor Pass Through Grantor Program Title or Cluster	Assistance Listing Number	Pass-Through Grantor's Number	Approved Awards Amount	Prior Year Federal Expenditures	Accrued (Unearned) Revenue at July 1, 2022	Adjustments	Current Year Receipts	Current Year Federal Expenditures	Accrued (Unearned) Revenue at June 30, 2023
U.S. Department of Agriculture -									
Passed through the State of Michigan									
Non-Cash Assistance (Commodities):									
Food Distribution Cluster									
Commodity Supplemental Food Program - 2021-2022	10.565	-	\$ -	\$ -	\$ -	\$ -	\$ 19,506	\$ 19,506	\$ -
Cash Assistance:									
Local Food for School :	10.185	230985	2,153				2,153	2,153	-
Child Nutrition Cluster:									
School Breakfast Program	10.553	221971	35,280	35,280	2,655	-	2,655		-
School Breakfast Program		221970	4,304	-	-	-	4,304	4,304	-
School Breakfast Program		231970	37,222	-	-	-	30,163	31,877	1,714
Total School Breakfast Program			41,526	-	-	-	37,122	36,181	1,714
National School Lunch Program	10.555	220910	15,526	-	-	-	15,526	15,526	-
National School Lunch Program		221960	21,233	-	-	-	21,233	21,233	-
National School Lunch Program		221961	187,958	207,650	19,692	-	19,692	-	-
National School Lunch Program		230190	12,033	-	-	-	10,049	12,033	1,984
National School Lunch Program		231960	185,329	-	-	-	175,933	185,329	9,396
National School Lunch Program		231980	1,253	-	-	-	1,253	1,253	-
Total National School Lunch Program			423,332	207,650	19,692	-	243,686	235,374	11,380
Total Child Nutrition Cluster			464,858	207,650	19,692	-	300,314	271,555	13,094
Pandemic EBT Local Level Costs	10.649	220980	628	-	-	-	628	628	-
Total U.S Department of Agriculture Nutrition			467,639	207,650	19,692	-	303,095	293,842	13,094

Washington - Parks Academy
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor Pass Through Grantor Program Title or Cluster	Assistance Listing Number	Pass-Through Grantor's Number	Approved Awards Amount	Prior Year Federal Expenditures	Accrued (Unearned) Revenue at July 1, 2022	Adjustments	Current Year Receipts	Current Year Federal Expenditures	Accrued (Unearned) Revenue at June 30, 2023
U.S. Department of Education:									
Passed through the Wayne County ISD									
Special Education Cluster:									
IDEA Part B Project number 220450	84.027	2204502122	224,668	224,668	224,700	-	224,700	-	-
IDEA Part B Project number 230450		2304502223	87,248	-	-	-	87,248	87,248	-
Total IDEA, Part B			311,916	224,668	224,700	-	311,948	87,248	-
Passed through the Michigan Department of Education -									
Title I, Part A	84.010	2215302122	392,081	150,871	41,197	-	174,686	3,374	(130,115)
Title I, Part A		2315302223	424,827	-	-	-	265,042	326,594	61,552
Total Title I, Part A			816,908	150,871	41,197	-	439,728	329,968	(68,563)
Passed through the Michigan Department of Education -									
Title II, Part A	84.367	2205202122	62,237	298	(196)	-	38,923	-	(39,119)
Title II, Part A	84.367	2305202223	67,657	-	-	-	-	16,782	16,782
Total Title II, Part A			129,894	298	(196)	-	38,923	16,782	(22,337)
Passed through the Michigan Department of Education -									
Title IV, Part A	84.424	22305202223	53,013	-	-	-	-	25,538	25,538
Passed through the Michigan Department of Education:									
COVID-19 - Education Stabilization Fund									
COVID-19 - Governor's Emergency Education Relief (GEER) Fund	84.425C	2012002021	138,328	90,436	37,926	-	37,926	-	-
COVID-19 - Governor's Emergency Education Relief (GEER) Fund	84.425C	2112022122	24,250	24,000	24,000	-	24,000	-	-
Total GEER			162,578	114,436	61,926	-	61,926	-	-
COVID-19 -Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	2037101920	685,975	43,012	43,012	54,262	(11,250)	-	-
COVID-19 -Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	2137122021	3,355,481	2,808,122	255,179	-	797,275	8,672	(533,424)
COVID-19 -Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	2137522122	25,000	-	-	-	2,834	2,834	-
COVID-19 -Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	2137822223	36,740	-	-	-	-	18,061	18,061
Total ESSER			4,103,196	2,851,134	298,191	54,262	788,859	29,567	(515,363)
COVID-19- American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	2137132122	7,541,293	786,680	(683,606)	-	3,310,629	446,951	(3,547,284)
Total COVID-19 - Educational Stabilization Fund			11,807,067	3,752,250	(323,489)	54,262	4,161,414	476,518	(4,062,647)
Total U. S. Department of Education			13,118,798	4,128,087	(57,788)	54,262	4,952,013	936,054	(4,128,009)
Total Federal Awards			13,586,437	4,335,737	(38,096)	54,262	5,255,108	1,229,896	(4,114,915)

Washington - Parks Academy
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

NOTE 1 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards (the "Schedule") includes the federal grant activity of Washington - Parks Academy under programs of the federal government for the year ended June 30, 2023. Expenditures reported on the Schedule are reported on the same basis of accounting as the general-purpose financial statements. The information in the 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). Therefore, some amounts presented in the schedule may differ from amounts presented in or used in the preparation of the general-purpose financial statements.

Because the Schedule presents only a selected portion of Washington-Parks Academy's operations, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of Washington-Parks Academy. Pass-through entity identifying numbers are presented where available.

NOTE 2 – GRANT AUDITOR'S REPORT

Management has utilized the Cash Management System (CMS) Grant Auditor's Report to prepare the expenditure schedule for federal awards. There were no exceptions for Entitlement and IDEA Part B cash receipts, which are not included in CMS.

Cash Received - Grant Auditor's Report	\$ 5,055,078
Amounts excluded from Grant Auditor's Report	
IDEA	311,948
Entitlement Commodities	19,506
Amounts included in Grant Auditor's Report	
Cash received after June 30, 2022 and recognized in current year	31,871
Cash received after June 30, 2023 and recognized in subsequent year	<u>(163,295)</u>
Cash Received - Schedule of Expenditures of Federal Awards	<u>\$ 5,255,108</u>

NOTE 3 – FEDERAL REVENUE RECONCILIATION

Federal Revenue - Statement of Revenue, Expenditures and Changes in Fund Balance	\$ 1,353,990
Unavailable revenue - June 30, 2022	(127,144)
Unavailable revenue - June 30, 2023	<u>3,050</u>
Federal Expenditures - Schedule of Expenditures of Federal Awards	<u>\$ 1,229,896</u>

NOTE 4 – NONCASH ASSISTANCE

The value of the noncash assistance received in the form of food commodities was determined in accordance with the value provided by the State of Michigan.

NOTE 5- INDIRECT COST RATE

Management has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Washington - Parks Academy
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None noted

Noncompliance material to financial statements noted? X Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None noted

Type of auditor's report issued on compliance for major programs: Qualified and Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X Yes No

Identification of major programs:

Assistant Number Listing	Name of Federal Program or Cluster:
84.425	Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act
84.452C	COVID-19 - Governor's Emergency Education Relief (GEER) Fund
84.425D	COVID-19 -Elementary and Secondary School Emergency Relief (ESSER) Fund
84.425U	COVID 19- American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund
84.367	Title II, Part A - Supporting Effective Instruction State Grant

Dollar threshold used to distinguish between type A and type B program: \$750,000

Auditee qualified as low-risk auditee? Yes X No

Washington - Parks Academy
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section II – Financial Statement Findings

Reference Number	Findings
2023-001, 2022-001	<p data-bbox="358 422 802 453">Finding Type: Material Weakness</p> <p data-bbox="358 520 456 552"><u>Criteria</u></p> <p data-bbox="358 585 1498 684">The Academy’s internal control structure should ensure that the accounting data is appropriately calculated, reconciled, and reported in accordance with generally accepted accounting principles.</p> <p data-bbox="358 720 483 751"><u>Condition</u></p> <p data-bbox="358 785 1498 884">The Academy’s accounts required significant adjustments to the general ledger to properly reflect the appropriate balance after the books and records were presented for audit.</p> <p data-bbox="358 919 529 951"><u>Cause/Effect</u></p> <p data-bbox="358 984 1498 1083">While the accounts were reconciled throughout the year, the reconciliations completed had certain instances where the year-end reconciliation process didn’t match to the general ledger.</p> <p data-bbox="358 1119 589 1150"><u>Recommendation</u></p> <p data-bbox="358 1184 1498 1251">The Academy should institute monthly and yearly closing procedures to ensure that all accounts are reconciled and match the general ledger.</p> <p data-bbox="358 1287 691 1318"><u>Management’s Response</u></p> <p data-bbox="358 1352 1498 1451">The Accounting Team will adhere to the established month-end close checklist procedures. The Finance Director will review month-end close checklists and review financials with the Accounting Team monthly.</p>

Washington - Parks Academy
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section II – Financial Statement Findings (Continued)

Reference Number	Findings
2023-002 2022-002	<p>Finding Type: Material Weakness</p> <p><u>Criteria</u></p> <p>The Academy should monitor the general ledger appropriately to ensure timely and accurate financial statements.</p> <p><u>Condition</u></p> <p>The Academy lacked appropriate overall monitoring of account balances during the year to compile complete and accurate financial reports, which resulted in many auditor-proposed journal entries.</p> <p><u>Context</u></p> <p>We noted that the Academy didn't have a process in place to ensure that financial statements were accurate and complete.</p> <p><u>Cause/Effect</u></p> <p>The Academy did not identify the resources necessary to ensure general ledger accounts were monitored and analyzed by appropriate individuals, including taking an overview of fund activity to finalize the accounting records. As a result of the lack of appropriate overall monitoring procedures, there were many auditor-proposed journal entries.</p> <p><u>Recommendation</u></p> <p>The Academy should develop an overall monitoring procedure to ensure that all fund activity is complete, accurate, and logical. This includes assigning an appropriate individual to each general ledger account, and several individuals are responsible for the entire general ledger and financial statements to perform monitoring, analytical analysis, and adjustment as needed.</p> <p><u>Management's Response</u></p> <p>The director of finance will review staffing resources and make appropriate adjustments to ensure that adequate staffing levels and quality staff are recruited and retained. New ERP software has been purchased to facilitate input, reporting, and analysis of fund accounting and accurate GL classification.</p>

Washington - Parks Academy
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section II – Financial Statement Findings (Continued)

Reference Number	Findings
2023-003 2022-003	<p>Finding Type: Material Weakness and Material Noncompliance</p> <p><u>Criteria</u></p> <p>There should be a process in place to ensure that the Academy complies with laws and regulations.</p> <p><u>Condition</u></p> <p>There was an instance identified where the Academy was not in compliance with laws and regulations. State School Aid Act MCL 388.1718 requires that annual audits are submitted by November 1 to the Michigan Department of Education.</p> <p><u>Cause/Effect</u></p> <p>There was a change in staff and staff shortages, which led to noncompliance with MCL 388.1718.</p> <p><u>Recommendation</u></p> <p>We recommend that the Academy implement a process that identifies specific individuals to identify and monitor applicable compliance requirements throughout the year.</p> <p><u>Management's Response</u></p> <p>Necessary review and analysis of GL accounts will be completed according to the established month-end and annual close procedures. Audit engagement will begin no later than August for 2024 FY. Any new, as well as current staff, will receive periodic continuing education and training offered by MSBO to increase their public school accounting knowledge.</p>

Washington - Parks Academy
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section II – Financial Statement Findings (Continued)

Reference Number	Findings
2023-004 2022-004	<p data-bbox="367 422 808 453">Finding Type: Material Weakness</p> <p data-bbox="367 520 461 552"><u>Criteria</u></p> <p data-bbox="367 585 1471 617">There should be a process to ensure grant revenue is accurately and timely recorded.</p> <p data-bbox="367 653 490 684"><u>Condition</u></p> <p data-bbox="367 718 1487 783">The Academy didn't have a process in place to ensure that grant revenue was reported accurately and timely.</p> <p data-bbox="367 821 472 852"><u>Context</u></p> <p data-bbox="367 886 1487 1018">During our testing, we noted errors in recording various revenue, accounts receivable, and unearned revenue accounts. This included instances where revenues were not properly recorded, and drawdowns for grants were processed beyond the sixty-day requirement, which reduced revenue.</p> <p data-bbox="367 1056 537 1087"><u>Cause/Effect</u></p> <p data-bbox="367 1121 1487 1186">There is no process to ensure that grant revenues are timely and accurately accounted for.</p> <p data-bbox="367 1224 597 1255"><u>Recommendation</u></p> <p data-bbox="367 1289 1487 1354">We recommend that the Academy implement a process that would allow for the accurate recording of grant revenue and timely request of cash drawdowns.</p> <p data-bbox="367 1392 699 1423"><u>Management's Response</u></p> <p data-bbox="367 1457 1487 1554">Management will ensure experienced staff is recruited, retained, and trained to support the grant process. This includes recording the grants correctly in the GL and also pulling the correct draws from the State website accurately and timely.</p>

Washington - Parks Academy
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section III – Federal Award Findings and Questioned Costs

Reference Number	Findings
2023-005 2022-006	<p data-bbox="367 422 1495 478">Finding Type: Material Weakness – Noncompliance – Educational Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act</p> <p data-bbox="367 520 461 552"><u>Criteria</u></p> <p data-bbox="367 590 1495 716">Michigan Department of Education awarded the American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) program to public school academies operating before fiscal year 2022. Under the program, Academies cannot allow the transfer of ESSER funding to academies open after fiscal year 2021.</p> <p data-bbox="367 753 488 785"><u>Condition</u></p> <p data-bbox="367 823 1495 949">The Academy transferred ESSER funds based on the State of Michigan's approved consolidated application that identified Lincoln-King Adams-Young Academy as a second tier subrecipient. Subsequent to year-end, the State of Michigan deemed the transfer as unallowable incurred expenditures ineligible.</p> <p data-bbox="367 987 1495 1083">The Academy firmly disputes that the transfers were unallowable because of the pre-approvals received by the Academy to be a sub-recipient of a federal award but supports trying to resolve the relevant issues.</p> <p data-bbox="367 1121 586 1152"><u>Questioned Cost</u></p> <p data-bbox="367 1190 1495 1247">Questioned costs included amounts transferred to Lincoln-King Adams-Young Academy, which totaled \$3,345,325 in Fiscal Year 23.</p> <p data-bbox="367 1285 469 1316"><u>Context</u></p> <p data-bbox="367 1354 1438 1386">Subsequent to year-end, we were made aware that the transfers were unallowable.</p> <p data-bbox="367 1423 591 1455"><u>Cause and Effect</u></p> <p data-bbox="367 1493 1495 1589">The Academy improperly made an unallowable transfer of ESSER funds to an ineligible entity. The unallowable transfer of ESSERS funds may result in the requirement to repay these federal funds to the Michigan Department of Education.</p> <p data-bbox="367 1627 699 1659"><u>Management's Response</u></p> <p data-bbox="367 1696 1495 1854">The Academy transferred \$4,028,932 of ESSER funds to another academy. The Academy itself did incur ESSER-eligible costs that could have been applied against these ESSER dollars if they had remained within the Academy. The costs incurred involved improvements to technology, maintaining and increasing additional staff, curriculum materials, instructional supplies, and staff training, to name a few..</p>

Washington - Parks Academy
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section IV - Summary Schedule of Prior Audit Findings

Reference	Findings
Number	

2022-23	Finding Type: Material Weakness – Finding Resolved.
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