

DETROIT INNOVATION ACADEMY

AUDIT COMMUNICATION LETTER

JUNE 30, 2018



Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740
Detroit, MI 48202

(313) 873-7500 (Tel.)
(313) 873-7502 (Fax)
www.alancyoung.com

October 23, 2018

To the Board of Directors
Detroit Innovation Academy
Detroit, Michigan

We have recently completed our audit of the financial statements of Detroit Innovation Academy (the Academy) for the year ended June 30, 2018. In addition to our audit report, we are providing the following required communication and recommendations, which impact the Academy.

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We are grateful for the opportunity to be of service to the Academy. Should you have any questions regarding the comments in this report, please do not hesitate to contact us.

Very truly yours,

Alan C. Young and Associates, P.C.
Detroit, Michigan



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RESULTS OF AUDIT

October 23, 2018

Board of Directors
Detroit Innovation Academy
Detroit, Michigan

We have audited the financial statements of the governmental activities, major fund and aggregate remaining fund information of Detroit Innovation Academy (the Academy) for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 23, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 23, 2018, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the Management Discussion & Analysis, and the Budgetary Comparison Schedule, which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions examined and the areas tested.

Results of Audit
(Continued)

Scope and Timing of the Audit (Continued)

Our audit included obtaining an understanding of the Academy and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the Academy.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. We would like to commend management and staff on the assistance provided to us during the audit.

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Results of Audit
(Continued)

Significant Audit Findings (Continued)

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 23, 2018.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

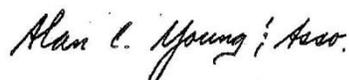
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were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

Other Matters

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

Restriction on Use

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



Detroit, Michigan
October 23, 2018

OTHER COMMENTS AND RECOMMENDATIONS

DETROIT INNOVATION ACADEMY

**Other Comments and Recommendations
June 30, 2018**

1) FUND BALANCE IN SCHOOL LUNCH FUND

During our audit, it was determined that the fund balance in the School Lunch Fund is in excess of three months' average expenditures when considering State of Michigan rules of accumulated fund balance of non-enterprise funds. There is a risk to the School District that these amounts could be recaptured by the MDE if there is not a plan in place to spend the funds in the following year.

We recommend that the School District plan for the usage of the excess fund balance to bring the balance within the three month limit.

2) VENDOR PAYMENTS

During the year ended June 30, 2018 we noted instances of late vendor payments, with payments made on invoices outstanding for sixty days or longer. The vendors in question had invoices submitted for all of the schools under the leadership of the management company. It is our understanding that subsequent to year end some processes have changed and now all payments are made directly out of the Academy's bank account rather than the management company's account. Additionally, as invoices are received, they are uploaded and are immediately available to the Academy for review.

We recommend that the Academy and management company continue these new processes to help ensure more timely payments are made. Although it is not uncommon for payments to occasionally be delayed, for one reason or another, it should be avoided when possible in order to help prevent the Academy from developing an image from vendors and the public as an entity that is difficult to get paid from on a timely basis.

INFORMATIONAL ITEMS

DETROIT INNOVATION ACADEMY

**Informational Items
June 30, 2018**

State Aid Funding

State of Michigan funding for public schools continued to focus on several recurring themes and some new ones for the fiscal year ended June 30, 2018: limited increases in the foundation allowance, additional funding boosts for Michigan schools at the minimum foundation, continued student count blending formula, and additional resources dedicated to assisting with funding school district retirement/postretirement healthcare obligation (MPERS), including implications from changes in plan assumptions and costs incurred from changes to retirement system programs. A new revenue source provided an additional \$25 per pupil for high school enrollment. This was no addition to the Academy's foundation allowance funding. For the 2017-2018 fiscal year, the base foundation increased once again by \$60, from \$8,229 to \$8,289. The State continued its use of the "2X" formula, providing Michigan schools at the minimum foundation with an increase of \$120 per pupil to \$7,631. The Academy's foundation allowance was increased from \$7,511 to \$7,631.