

**Audited Financial Statements**

# **Charlton Heston Academy**

St. Helen , Michigan

**June 30, 2023**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of Charlton Heston Academy

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charlton Heston Academy, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Charlton Heston Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Charlton Heston 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 Charlton Heston Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Charlton Heston 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 Charlton Heston 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 Charlton Heston 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 as detailed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2023, on our consideration of the Charlton Heston 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 Charlton Heston 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 Charlton Heston Academy's internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, Michigan  
November 1, 2023

## MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Charlton Heston Academy’s annual financial report presents our discussion and analysis of the public school Academy’s financial performance during the fiscal year that ended on June 30, 2023. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

### Financial Highlights

- The Academy’s financial status remains positive.
- General Fund revenues were \$10,556,659 and expenditures were \$16,869,382.
- Blended enrollment for state aid purpose was 761 compared to 708 last year.
- The Academy has a positive general fund balance of \$1,225,351.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

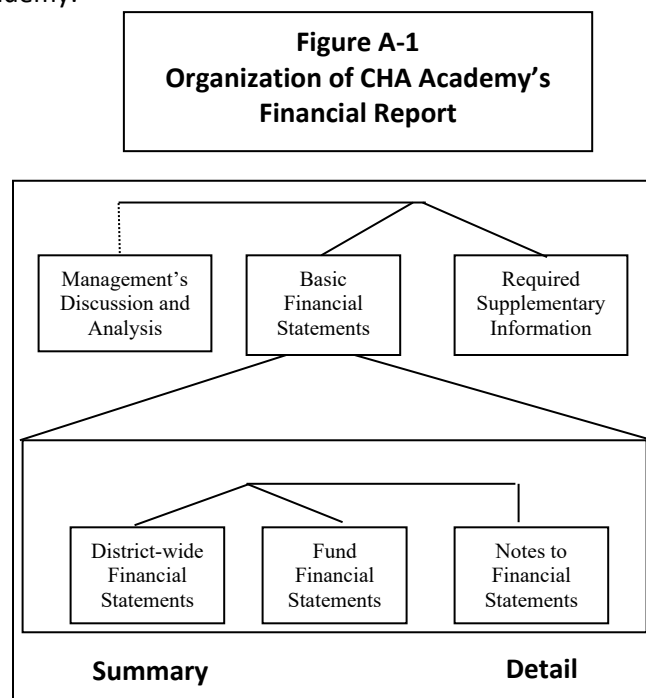


Figure A-2 summarized the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents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

**Figure A-2 Major Features of the Academy-Wide and Fund Financial Statements**

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

### **Academy-Wide Statements**

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



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

- Over time, increases or decreases in the Academy's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy's enrollment, the condition of school buildings and other facilities, and the Academy's ability to be competitive with other public school academies and area school districts.

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

### **Fund Financial Statements**

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

- Some funds are required by State law.
- The Academy establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or show that it is properly using certain revenues (like school lunch).

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

### **Financial Analysis of the Academy as a Whole**

The comparison of current year to prior year financial information is on the following page, see Figures A-3 and A-4.

## Academy Governmental Activities

**Figure A-3**  
**Charlton Heston Academy's Net Position**

	<b>2023</b>	<b>2022</b>
Current assets	\$ 3,625,257	\$ 3,790,045
Capital assets, net	12,334,339	6,829,166
Total assets and deferred outflows	15,959,596	10,619,211
Current liabilities	2,724,145	2,075,985
Long term liabilities	10,347,222	5,103,012
Total liabilities	13,071,367	7,178,997
Net Position:		
Net investment in capital assets	1,529,188	1,178,485
Restricted	173,382	206,382
Unrestricted	1,185,659	2,055,347
Total net position	\$ 2,888,229	\$ 3,440,214

**Figure A-4**  
**Changes in Charlton Heston Academy's Net Position**

	<b>2023</b>	<b>2022</b>
Revenues:		
Program revenues:		
Federal and state categorical grants	\$ 4,212,538	\$ 5,745,327
Charges for service	-	2,661
Total program revenues	4,212,538	5,747,988
General revenues:		
State aid - unrestricted	7,002,068	6,498,262
Other	142,551	51,383
Total general revenues	7,144,619	6,549,645
Total revenues	11,357,157	12,297,633
Expenses:		
Instruction	5,014,133	5,265,746
Support services	5,648,724	5,196,697
Unallocated depreciation / amortization	862,854	850,174
Unallocated interest	383,431	312,506
Total expenses	11,909,142	11,625,123
Change in net position	\$ (551,985)	\$ 672,510

## Financial Analysis of the Academy's Funds

The financial operation of the Academy is considered stable. The general fund balance at June 30, 2023 is \$1,225,351.

### General Fund Budgetary Highlights

Over the course of the year, the Academy reviewed the annual operating budget, changes were made to account for changes in enrollment and assumptions since the original budget was adopted.

The Academy had a decrease in the fund balance due to increased capital outlay purchases and acquisitions.

The Academy increased its expenditures on its buildings and a new maintenance garage.

The cost of staff increased throughout the budget to continue to provide the necessary support for the students.

### Capital Asset and Debt Administration

#### Capital Assets

As of June 30, 2023, the Academy had invested \$12,334,339 in capital assets net of accumulated depreciation/amortization as summarized in Figure A-5. This amount represents a net increase of \$6,145,309 from the beginning of the year. Total depreciation/amortization expense for the year was \$862,854. More detailed information about capital assets can be found in Note 5 to the financial statements.

The Academy's capital assets are as follows:

<b>Figure A-5</b>		
<b>Charlton Heston Academy's Capital Assets</b>		
	<b>Balance June 30, 2023</b>	<b>Balance June 30, 2022</b>
Land	\$ 321,517	\$ 107,675
Building and improvements	12,599,216	6,710,872
Right to use assets	659,950	844,201
Computers, furniture and equipment	1,783,803	1,556,429
Total cost	15,364,486	9,219,177
Less accumulated depreciation / amortization	3,030,147	2,390,011
Net book value	<u>\$ 12,334,339</u>	<u>\$ 6,829,166</u>

#### Long-Term Debt

The Academy had a mortgage, land contract for facilities, and multiple equipment loans and leases that are a result of GASB 87. The balance owing as of June 30, 2023 was \$10,805,151.

### **Factors Bearing on the Academy's Future**

- The Academy has budgeted 750 students. Enrollment continues to be stable.
- State Aid Foundation Grant has increased to \$9,608.
- The Academy is reinvesting in the future with the early childhood, CTE and other programs.

### **Contacting the Academy's Financial Management**

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

Charlton Heston Academy, 1350 North St. Helen Road., St. Helen, Michigan 48656

# CHARLTON HESTON ACADEMY

## STATEMENT OF NET POSITION JUNE 30, 2023

### ASSETS AND DEFERRED OUTFLOWS

#### Current Assets

Cash and cash equivalents	\$ 727,764
Accounts receivable	73,365
Due from other governmental units	2,823,528
Prepaid expenses	<u>600</u>
Total current assets	3,625,257

#### Capital Assets - Net of Accumulated Depreciation / Amortization

12,334,339

Total assets and deferred outflows	<u><u>\$ 15,959,596</u></u>
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### LIABILITIES, DEFERRED INFLOWS AND NET POSITION

#### Current Liabilities

Accounts payable	\$ 345,790
Notes payable	1,400,000
Unearned revenue	453,402
Other accrued expenses	67,024
Long-term debt - current portion	<u>457,929</u>
Total current liabilities	2,724,145

#### Long-Term Debt - Long-Term Portion

10,347,222

#### Net Position

Net investment in capital assets	1,529,188
Restricted	173,382
Unrestricted	<u>1,185,659</u>
Total net position	<u>2,888,229</u>
Total liabilities, deferred inflows and net position	<u><u>\$ 15,959,596</u></u>

See accompanying notes to financial statements

# CHARLTON HESTON ACADEMY

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
<b>Functions</b>				
Instruction				
Basic programs	\$ 3,695,227	\$ -	\$ 2,033,474	\$ (1,661,753)
Added needs	1,318,906	-	919,599	(399,307)
Support services				
Pupil support services	412,088	-	412,088	-
Instructional staff support services	204,979	-	25,439	(179,540)
General administration	1,051,855	-	-	(1,051,855)
School administration	639,947	-	-	(639,947)
Business support services	75,724	-	-	(75,724)
Operations and maintenance	889,710	-	-	(889,710)
Pupil transportation services	827,820	-	-	(827,820)
Central support services	14,526	-	-	(14,526)
Athletic activities	153,343	-	-	(153,343)
Food services	914,592	-	821,938	(92,654)
Community services	464,140	-	-	(464,140)
Unallocated depreciation / amortization	862,854	-	-	(862,854)
Unallocated interest	383,431	-	-	(383,431)
Total primary government	<u>\$ 11,909,142</u>	<u>\$ -</u>	<u>\$ 4,212,538</u>	<u>(7,696,604)</u>
<b>General Purpose Revenues</b>				
State school aid - unrestricted				7,002,068
Gain (loss) on disposal of assets and related debt				24,228
Miscellaneous revenues				<u>118,323</u>
Total general purpose revenues				<u>7,144,619</u>
Change in net position				(551,985)
Net position - July 1, 2022				<u>3,440,214</u>
Net position - June 30, 2023				<u>\$ 2,888,229</u>

See accompanying notes to financial statements

# CHARLTON HESTON ACADEMY

## COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2023

### ASSETS

	General	Non-Major Funds	Total
Cash and cash equivalents	\$ 579,534	\$ 148,230	\$ 727,764
Accounts receivable	73,365	-	73,365
Due from other funds	-	263	263
Due from other governmental units	2,775,291	48,237	2,823,528
Prepaid expenses	600	-	600
Total assets	<u>\$ 3,428,790</u>	<u>\$ 196,730</u>	<u>\$ 3,625,520</u>

### LIABILITIES AND FUND BALANCE

#### Liabilities

Accounts payable	\$ 324,921	\$ 20,869	\$ 345,790
Notes payable	1,400,000	-	1,400,000
Due to other funds	263	-	263
Unearned revenue	453,402	-	453,402
Total liabilities	2,178,586	20,869	2,199,455

#### Deferred Inflows of Resources

Unavailable Revenue	24,853	2,479	27,332
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#### Fund Balance

Nonspendable	600	-	600
Restricted	-	173,382	173,382
Unassigned	1,224,751	-	1,224,751
Total fund balance	<u>1,225,351</u>	<u>173,382</u>	<u>1,398,733</u>
Total liabilities and fund balance	<u>\$ 3,428,790</u>	<u>\$ 196,730</u>	<u>\$ 3,625,520</u>

See accompanying notes to financial statements

## CHARLTON HESTON ACADEMY

### RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2023

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

<b>Total Governmental Fund Balances</b>	\$ 1,398,733
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$15,364,486 and the accumulated depreciation / amortization is \$3,030,147.	12,334,339
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(67,024)
Deferred inflows of resources (unavailable revenue) not available to benefit the current period and are not reported in the statement of net position.	27,332
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(10,805,151)</u>
<b>Net Position of Governmental Activities</b>	<u>\$ 2,888,229</u>

See accompanying notes to financial statements



# CHARLTON HESTON ACADEMY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2023

	General	Non-Major Funds	Total
<b>Revenues</b>			
Local sources	\$ 118,323	\$ -	\$ 118,323
State sources	8,098,265	14,639	8,112,904
Federal sources	2,340,071	807,299	3,147,370
Total governmental fund revenues	10,556,659	821,938	11,378,597
<b>Expenditures</b>			
Instruction			
Basic programs	3,695,227	-	3,695,227
Added needs	1,318,906	-	1,318,906
Support services			
Pupil support services	412,088	-	412,088
Instructional staff support services	204,979	-	204,979
General administration	1,051,855	-	1,051,855
School administration	639,947	-	639,947
Business support services	75,724	-	75,724
Operations and maintenance	889,710	-	889,710
Pupil transportation services	827,820	-	827,820
Central support services	14,526	-	14,526
Athletic activities	153,343	-	153,343
Food services	-	914,592	914,592
Community services	464,140	-	464,140
Capital outlay	6,432,606	158,139	6,590,745
Debt principal and interest	688,511	-	688,511
Total governmental fund expenditures	16,869,382	1,072,731	17,942,113
Excess (deficiency) of revenues over expenditures	(6,312,723)	(250,793)	(6,563,516)
<b>Other Financing Sources (Uses)</b>			
Proceeds from leases	5,761,185	-	5,761,185
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(551,538)	(250,793)	(802,331)
Fund balance - July 1, 2022	1,776,889	424,175	2,201,064
Fund balance - June 30, 2023	\$ 1,225,351	\$ 173,382	\$ 1,398,733

See accompanying notes to financial statements

## CHARLTON HESTON ACADEMY

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

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

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>(802,331)</b>
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Capital outlay	\$	6,590,745	
Depreciation and amortization expense		(862,854)	
Gain (loss) on disposal of assets and related debt		<u>24,228</u>	5,752,119

Revenue is reported in the statement of activities when earned, but not reported in the funds until collected or collectible within 60 days of year end.		(45,667)
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The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Proceeds from leases	\$	(5,761,185)	
Repayment of loan principal		359,769	
Interest expense		<u>(54,690)</u>	<u>(5,456,106)</u>

<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>(551,985)</u></b>
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See accompanying notes to financial statements

# **CHARLTON HESTON ACADEMY**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023**

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Charlton Heston Academy (the “Academy”) conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

#### **Reporting Entity**

Charlton Heston 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 May 14, 2012, and began operation in July 2012.

In June 2022, the Academy extended a contract with Lake Superior State University’s Board of Trustees to charter a public school Academy June 30, 2027. 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 Lake Superior 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 \$232,200.

In 2021, the Academy entered into a six-year agreement with MM1, Inc., (“MM1”) through June 30, 2027. Under the terms of this agreement, MM1 provides a variety of services including financial management, payroll, other human resource services, and various business services. The Academy is obligated to pay MM1 nine percent of its state aid revenue. The total paid for these services amounted to approximately \$633,259 for the year ended June 30, 2023.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the public school Academy. Based on application of criteria, the Academy does not contain component units.

#### **Fund Financial Statements**

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

#### **Basis of Presentation – Fund Accounting**

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue 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. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

## CHARLTON HESTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Governmental Funds

A governmental fund is a fund through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities, are accounted for through a governmental fund.

**General Fund** - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

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

**Capital Projects Fund** - The capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

## **CHARLTON HESTON ACADEMY**

### **NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEAR ENDED JUNE 30, 2023**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

##### **Government-Wide Financial Statements**

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-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 government-wide statements and the statements for governmental funds.

The government-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 government-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 that are restricted to meeting the operational or capital requirements of a particular program. 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. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

Net position should be reported as restricted when constraints placed on net position's use is 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.

##### **Cash and Cash Equivalents**

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity.

The Academy held no investments during the year ended June 30, 2023. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications

**CHARLTON HESTON ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**Receivables**

Receivables at June 30, 2023 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2023 and are considered current for the purposes of these financial statements.

**Prepaid Assets**

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

**Capital Assets and Depreciation**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations 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. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

## CHARLTON HESTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### Net Position

Net position represents the difference between assets, deferred outflows and liabilities, and deferred inflows. 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 Equity

The Academy has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available. There are no governmental funds with a deficit.

## CHARLTON HESTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### *Leases and Subscription Based IT Arrangements (SBITA)*

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

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

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

- The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITA.
- The lease/SBITA term includes the noncancelable period of the lease/subscription. Lease/SBITA payments included in the measurement of the lease/SBITA liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

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

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

#### **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.



## CHARLTON HESTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### Upcoming Accounting Pronouncements

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

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

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

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 amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt a general fund and special revenue fund budgets. During the year ended June 30, 2023 the budget was amended in a legally permissible manner. Comparison of board approved appropriations to actual expenditures is detailed on page 20 of these financial statements.

## **CHARLTON HESTON ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### **NOTE 3 - DEPOSITS AND INVESTMENTS**

#### **Interest Rate Risk**

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

#### **Credit Risk**

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2023, the Academy held no investments.

#### **Concentration of Credit Risk**

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

#### **Custodial Credit Risk - Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2023, \$414,388 of the Academy's cash was exposed to custodial credit risk. All cash balances were uncollateralized as of June 30, 2023.

#### **Custodial Credit Risk - Investments**

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

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

#### **Foreign Currency Risk**

The Academy is not authorized to invest in investments which have this type of risk.

## CHARLTON HESTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

#### Fair Value

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data).

The Academy does not have any investments that are subject to the fair value measurement.

### NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

Local sources	\$ 7,391
State sources	1,475,864
Federal sources	<u>1,340,273</u>
Total	<u>\$ 2,823,528</u>

## CHARLTON HESTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 5 - CAPITAL ASSETS

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

	<b>Balance July 1, 2022</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance June 30, 2023</b>
Capital assets not subject to depreciation				
Land	\$ 107,675	\$ 213,842	\$ -	\$ 321,517
Capital assets subject to depreciation / amortization				
Right to use - assets	844,201	261,185	445,436	659,950
Building and improvements	6,710,872	5,888,344	-	12,599,216
Equipment	257,071	81,673	-	338,744
Furniture and equipment	767,765	145,701	-	913,466
Computer	531,593	-	-	531,593
Total asset cost basis	9,219,177	6,590,745	445,436	15,364,486
Accumulated depreciation / amortization				
Right to use - assets	400,506	247,179	222,718	424,967
Building and improvements	1,387,383	388,738	-	1,776,121
Equipment	105,901	63,624	-	169,525
Furniture and equipment	153,809	75,730	-	229,539
Computer	342,412	87,583	-	429,995
Sub-total	2,390,011	862,854	222,718	3,030,147
Total net capital assets	<u>\$ 6,829,166</u>	<u>\$ 5,727,891</u>	<u>\$ 222,718</u>	<u>\$ 12,334,339</u>

Depreciation and amortization expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

## CHARLTON HESTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 6 – NOTES PAYABLE

Notes payable at June 30, 2023 can be summarized as follows:

#### Loan Information

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Other</b>
SAAN 22/23	4.06%	May, 2023	Paid in full
SAAN 23/24	6.51%	June, 2024	Issued to provide funds to Academy to finance school operations; secured by future state aid payments

#### Loan Activity

	<b>Balance July 1, 2022</b>	<b>Additions</b>	<b>Retirements and Payments</b>	<b>Balance June 30, 2023</b>
SAAN 22/23	\$ 800,000	\$ -	\$ 800,000	\$ -
SAAN 23/24	-	1,400,000	-	1,400,000
Total notes payable	<u>\$ 800,000</u>	<u>\$ 1,400,000</u>	<u>\$ 800,000</u>	<u>\$ 1,400,000</u>

### NOTE 7 – OTHER ACCRUED EXPENSES

Other accrued expenses may be summarized as follows:

Interest	<u>\$ 67,024</u>
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## CHARLTON HESTON ACADEMY

### NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEAR ENDED JUNE 30, 2023

#### NOTE 8 – LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2023:

##### Loan Information

	Interest Rate	Maturity Date	Other
Direct borrowing - bus	6.0%	October, 2023	Payable monthly at \$1,289. Secured by Academy equipment.
Direct borrowing - 4 buses	6.0%	July, 2022	Paid in full
Direct borrowing - 4 buses	6.0%	January, 2026	Payable monthly at \$7,946. Secured by Academy equipment.
Direct borrowing - 6 buses	6.0%	December, 2023	Payable monthly at \$8,172. Secured by Academy equipment.
Direct borrowing - copier	6.0%	November, 2023	Payable monthly at \$2,804. Secured by Academy equipment.
Direct borrowing - CTE	6.0%	July, 2023	Payable monthly at \$19,742. Secured by Academy equipment.
Equipment loan	0.0%	September, 2026	Payable monthly at \$893. Secured by the equipment financed.
Land contract	5.0%	November, 2027	Payable monthly at \$3,000
Mortgage	5.0%	July, 2043	Interest rate will reprice every 5 years and reset to the FHLB Des Moines advance rate plus 2.76%
USDA bond	2.5%	July, 2053	Payable twice annually in January (interest only) and July (interest and principal) at set payment schedule

##### Loan Activity

	Balance July 1, 2022	Additions	Retirements and Payments	Balance June 30, 2023	Due Within One Year
Direct borrowing - bus	\$ 17,390	\$ -	\$ 14,831	\$ 2,559	\$ 2,559
Direct borrowing - buses	5,132	-	5,132	-	-
Direct borrowing - buses	-	261,185	40,340	220,845	84,394
Direct borrowing - buses	140,336	-	92,151	48,185	48,185
Direct borrowing - Copier	45,588	-	31,776	13,812	13,812
Direct borrowing - CTE	246,946	-	246,946	-	-
Equipment loan	45,549.00	-	10,717	34,832	10,717
Land contract	169,627	-	28,082	141,545	29,526
Mortgage	4,980,113	-	136,740	4,843,373	143,736
USDA bond	-	5,500,000	-	5,500,000	125,000
Total	<u>\$ 5,650,681</u>	<u>\$ 5,761,185</u>	<u>\$ 606,715</u>	<u>\$ 10,805,151</u>	<u>\$ 457,929</u>

## CHARLTON HESTON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE - Continued

Following are maturities of long-term obligations for principal and interest for the next five years and in total:

	<u>Principal</u>	<u>Interest</u>
2024	\$ 457,929	\$ 394,050
2025	402,776	375,449
2026	388,700	358,475
2027	338,940	344,222
2028	327,507	330,752
2029 - 2033	1,766,648	1,454,038
2034 - 2038	2,153,142	1,065,015
2039 - 2043	2,635,665	551,190
2044 - 2048	1,110,844	222,845
2049 - 2053	1,223,000	78,495

### NOTE 9 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

## SUPPLEMENTARY INFORMATION



# CHARLTON HESTON ACADEMY

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Local sources	\$ 20,000	\$ 83,005	\$ 118,323	\$ 35,318
State sources	7,659,807	8,160,826	8,098,265	(62,561)
Federal sources	1,881,067	2,366,907	2,340,071	(26,836)
Interdistrict sources	-	261,185	-	(261,185)
Total general fund revenues	9,560,874	10,871,923	10,556,659	(315,264)
<b>Expenditures</b>				
Instruction				
Basic programs	3,293,717	3,649,655	3,695,227	45,572
Added needs	895,990	1,412,723	1,318,906	(93,817)
Support services				
Pupil support services	314,990	450,033	412,088	(37,945)
Instructional staff support services	132,593	214,028	204,979	(9,049)
General administration	1,042,639	1,057,896	1,051,855	(6,041)
School administration	528,992	596,773	639,947	43,174
Business support services	63,743	71,500	75,724	4,224
Operations and maintenance	851,602	943,222	889,710	(53,512)
Pupil transportation services	523,274	1,140,782	827,820	(312,962)
Central support services	15,000	12,983	14,526	1,543
Athletic activities	-	-	153,343	153,343
Community services	381,105	506,940	464,140	(42,800)
Capital outlay	-	-	6,432,606	6,432,606
Debt principal and interest	1,311,053	1,227,663	688,511	(539,152)
Total general fund expenditures	9,354,698	11,284,198	16,869,382	5,585,184
Excess (deficiency) of revenues over expenditures	206,176	(412,275)	(6,312,723)	(5,900,448)
<b>Other Financing Sources (Uses)</b>				
Proceeds from leases	-	-	5,761,185	5,761,185
Operating transfers out	(86,250)	(149,421)	-	149,421
Total other financing sources (uses)	(86,250)	(149,421)	5,761,185	5,910,606
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	119,926	(561,696)	(551,538)	10,158
Fund balance - July 1, 2022	1,776,889	1,776,889	1,776,889	-
Fund balance - June 30, 2023	\$ 1,896,815	\$ 1,215,193	\$ 1,225,351	\$ 10,158

# CHARLTON HESTON ACADEMY

## SUPPLEMENTARY INFORMATION COMBINING BALANCE SHEET – NON-MAJOR FUNDS JUNE 30, 2023

### ASSETS

	<u>Special Revenue - Food Service</u>	<u>Capital Projects</u>	<u>Total</u>
Cash and cash equivalents	\$ 140,742	\$ 7,488	\$ 148,230
Due from other funds	-	263	263
Due from other governmental units	<u>48,237</u>	<u>-</u>	<u>48,237</u>
Total assets	<u>\$ 188,979</u>	<u>\$ 7,751</u>	<u>\$ 196,730</u>

### LIABILITIES AND FUND BALANCE

#### Liabilities

Accounts payable	\$ 20,869	\$ -	\$ 20,869
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#### Deferred Inflows of Resources -

Unavailable Revenue	2,479	-	2,479
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#### Fund Balance

Restricted	<u>165,631</u>	<u>7,751</u>	<u>173,382</u>
Total liabilities and fund balance	<u>\$ 188,979</u>	<u>\$ 7,751</u>	<u>\$ 196,730</u>

# CHARLTON HESTON ACADEMY

## SUPPLEMENTARY INFORMATION COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – NON-MAJOR FUNDS FOR THE YEAR ENDED JUNE 30, 2023

	Special Revenue - Food Service	Capital Projects	Total
<b>Revenues</b>			
State sources	\$ 14,639	\$ -	\$ 14,639
Federal sources	807,299	-	807,299
Total governmental fund revenues	821,938	-	821,938
<b>Expenditures</b>			
Food services	914,592	-	914,592
Capital outlay	158,139	-	158,139
Total governmental fund expenditures	1,072,731	-	1,072,731
Excess (deficiency) of revenues over expenditures	(250,793)	-	(250,793)
Fund balance - July 1, 2022	416,424	7,751	424,175
Fund balance - June 30, 2023	\$ 165,631	\$ 7,751	\$ 173,382

## CHARLTON HESTON ACADEMY

### SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2023

#### Local Sources

Earnings on investments	\$ 9
Other local revenues	<u>118,314</u>
Total local sources	118,323

#### State Sources

At risk	669,164
Great start readiness program	365,639
Special education	61,394
State aid	<u>7,002,068</u>
Total state sources	8,098,265

#### Federal Sources

IDEA	240,623
Title I	360,506
Title II A	25,439
Title IV	28,376
Other program revenue	<u>1,685,127</u>
Total federal sources	<u>2,340,071</u>
Total general fund revenues	<u>\$ 10,556,659</u>

## CHARLTON HESTON ACADEMY

### SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2023

#### Basic Programs

Purchased services	\$ 3,480,552
Supplies and materials	139,865
Other expenditures	<u>74,810</u>
Total basic programs	3,695,227

#### Added Needs

Purchased services	1,262,751
Other purchased services	892
Supplies and materials	51,130
Other expenditures	<u>4,133</u>
Total added needs	1,318,906

#### Pupil Support Services

Truancy services	46,083
Psychological services	16,285
Speech pathology and audiology	71,301
Social work services	10,455
Other pupil services	<u>267,964</u>
Total pupil support services	412,088

#### Instructional Staff Support Services

Purchased services	110,977
Rentals	453
Supplies and materials	93,303
Other expenditures	<u>246</u>
Total instructional staff support services	204,979

#### General Administration

Purchased services	1,039,965
Supplies and materials	831
Other expenditures	<u>11,059</u>
Total general administration	1,051,855

## CHARLTON HESTON ACADEMY

### SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2023

#### **School Administration**

Purchased services	610,010
Supplies and materials	5,664
Other expenditures	<u>24,273</u>
Total school administration	639,947

#### **Business Support Services**

Purchased services	8,121
Other expenditures	<u>67,603</u>
Total business support services	75,724

#### **Operations and Maintenance**

Purchased services	535,783
Repairs and maintenance	68,793
Rentals	21,742
Other purchased services	2,246
Supplies and materials	248,059
Other expenditures	<u>13,087</u>
Total operations and maintenance	889,710

#### **Pupil Transportation Services**

Purchased services	615,763
Repairs and maintenance	4,949
Supplies and materials	205,196
Other expenditures	<u>1,912</u>
Total pupil transportation services	827,820

#### **Central Support Services**

Purchased services	14,526
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## CHARLTON HESTON ACADEMY

### SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2023

#### **Athletic Activities**

Purchased services	64,659
Rentals	3,413
Supplies and materials	55,209
Other expenditures	<u>30,062</u>

Total athletic activities 153,343

#### **Community Services**

Purchased services	450,580
Supplies and materials	10,679
Other expenditures	<u>2,881</u>

Total community services 464,140

**Capital Outlay** 6,432,606

**Debt Principal and Interest** 688,511

Total general fund expenditures \$ 16,869,382

# APPENDIX

## Federal Awards Report





**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 Charlton Heston 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, each major fund, and the aggregate remaining fund information of Charlton Heston Academy, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Charlton Heston Academy's basic financial statements, and have issued our report thereon dated November 1, 2023.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of the 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 item 2023-001 that we consider to be a material weakness.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Charlton Heston Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2023-001.

**Charlton Heston Academy's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on Charlton Heston Academy's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Charlton Heston 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.



Croskey Lanni, PC

Rochester, Michigan  
November 1, 2023



**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 Charlton Heston Academy**

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

We have audited Charlton Heston 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 Charlton Heston Academy's major federal programs for the year ended June 30, 2023. Charlton Heston Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Charlton Heston Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

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

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

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

***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Charlton Heston Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Charlton Heston 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 Charlton Heston 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 Charlton Heston 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 Charlton Heston Academy's internal control over compliance. Accordingly, no such opinion is expressed.

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

## Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Croskey Lanni, PC

Rochester, Michigan  
November 1, 2023

# CHARLTON HESTON ACADEMY

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

Program Title/Project Number Subrecipient Name	Grant/ Project Number	Federal ALN	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2022	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2023	Current Year Cash Transferred To Subrecipient
<b>Clusters:</b>										
<b>Child Nutrition Cluster - U.S. Department of Agriculture - Passed Through the Michigan Department of Education:</b>										
<b>National School Lunch Program:</b>										
<b>Noncash Assistance (Commodities) -</b>										
National School Lunch Program Commodities 2022-2023	N/A	10.555	\$ 32,049	\$ -	\$ -	\$ -	\$ 29,250	\$ 29,250	\$ -	\$ -
National School Lunch Program Bonus Commodities 2022-2023	N/A	10.555	3,467	-	-	-	3,467	3,467	-	-
<b>Total National School Lunch Program Commodities</b>		10.555	35,516	-	-	-	32,717	32,717	-	-
<b>Cash Assistance -</b>										
COVID-19 - Supply Chain Assistance 2022-2023	220910/ 230910	10.555	32,011	-	-	-	32,011	32,011	-	-
National School Lunch Program 2022-2023	221960/ 231960	10.555	403,139	23,453	23,453	-	382,858	379,686	20,281	-
NSLP - After School Snack 2022-2023	221980/ 231980	10.555	185,201	72,952	6,814	-	106,571	105,435	5,678	-
<b>Total National School Lunch Program Cash and Noncash Assistance</b>		10.555	655,867	96,405	30,267	-	554,157	549,849	25,959	-
<b>National School Lunch Program:</b>										
National School Breakfast Program 2022-2023	221970/ 231970	10.553	229,687	13,489	13,489	-	217,517	216,198	12,170	-
<b>Summer Food Service Program:</b>										
Summer Food Service Operating 2022-2023	220900	10.559	41,550	926	926	-	35,712	40,624	5,838	-
<b>Total Child Nutrition Cluster</b>			927,104	110,820	44,682	-	807,386	806,671	43,967	-
<b>Special Education Cluster - U.S. Department of Education - Passed Through the COOR ISD:</b>										
<b>IDEA Special Education – Formula Grants to ISDs:</b>										
IDEA Flowthrough 2122	220450	84.027A	243,232	243,232	243,232	-	243,232	-	-	-
IDEA Flowthrough 2223	230450	84.027A	240,622	-	-	-	202,071	240,622	38,551	-
<b>Total Special Education Cluster</b>			483,854	243,232	243,232	-	445,303	240,622	38,551	-
<b>Other Federal Awards:</b>										
<b>U.S. Department of Agriculture - Passed Through the Michigan Department of Education:</b>										
<b>Pandemic EBT Local Level Costs:</b>										
COVID-19 - Pandemic EBT Local Level Cost 2022	220980	10.649	628	-	-	-	628	628	-	-
<b>U.S. Department of Treasury - Passed Through Roscommon County:</b>										
<b>Coronavirus State &amp; Local Fiscal Recovery Fund – Other Programs:</b>										
COVID-19 - Roscommon County ARP Grant 2023	N/A	21.027	500,000	-	-	-	252,279	252,279	-	-
<b>Passed Through the COOR ISD:</b>										
<b>Coronavirus State &amp; Local Fiscal Recovery Fund - GSRP:</b>										
COVID-19 - ARP-GSRP 2122	N/A	21.027	145,638	99,254	99,254	-	145,638	46,384	-	-

See accompanying notes to schedule of expenditures of federal awards

# CHARLTON HESTON ACADEMY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued FOR THE YEAR ENDED JUNE 30, 2023

Program Title/Project Number Subrecipient Name	Grant/ Project Number	Federal ALN	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2022	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2023	Current Year Cash Transferred To Subrecipient
<b>Other Federal Awards (Continued):</b>										
<b>Federal Communications Commission (FCC) - Emergency Connectivity Fund Program:</b>										
COVID-19 - Emergency Connectivity Funds 2021-2022	N/A	32.009	47,603	47,603	47,603	-	42,750	-	4,853	-
<b>U.S. Department of Education - Passed Though the Michigan Department of Education:</b>										
<b>Title I, Part A: Improving Basic Programs Operated by LEAS:</b>										
Title I Part A 2021	221530	84.010A	352,937	305,626	112,962	-	120,168	7,206	-	-
Title I Part A 2122	231530	84.010A	408,752	-	-	-	130,641	353,300	222,659	-
<b>Title I Part A Subtotal</b>		84.010A	761,689	305,626	112,962	-	250,809	360,506	222,659	-
<b>Passed Though the Calhoun ISD:</b>										
<b>Title I, Part A: Technical Assistance Grant (TAG):</b>										
Title I Part A TAG 2223	231580	84.010A	20,000	-	-	-	-	20,000	20,000	-
<b>Total Title I Part A</b>		84.010A	781,689	305,626	112,962	-	250,809	380,506	242,659	-
<b>Title V, Part B: Rural and Low-Income School Program:</b>										
Title V Part B 2122	220660	84.358	18,082	15,110	15,110	-	15,110	-	-	-
Title V Part B 2223	230660	84.358	23,241	-	-	-	-	23,241	23,241	-
<b>Total Title V Part B</b>		84.358	41,323	15,110	15,110	-	15,110	23,241	23,241	-
<b>Title II, Part A, Supporting Effective Instruction:</b>										
Title II Part A 2122	220520	84.367	46,151	44,214	10,996	-	10,996	-	-	-
Title II Part A 2223	230520	84.367	45,353	-	-	-	-	25,439	25,439	-
<b>Total Title II Part A</b>		84.367	91,504	44,214	10,996	-	10,996	25,439	25,439	-
<b>Title IV, Part A, Student Support and Academic Enrichment:</b>										
Title IV Part A 2223	230750	84.424A	28,376	-	-	-	21,729	28,376	6,647	-
<b>Education Stabilization Fund:</b>										
COVID-19 - GEER II - Benchmark Assessments 2022	211222	84.425C	6,375	-	-	-	6,375	6,375	-	-
COVID-19 - ESSER III Formula - American Rescue Plan (ARP-ESSER) 2122	213713	84.425U	2,683,717	1,674,610	1,379,207	-	1,433,398	1,009,107	954,916	-
<b>Total Education Stabilization Fund</b>		84.425	2,690,092	1,674,610	1,379,207	-	1,439,773	1,015,482	954,916	-
<b>Total Federal Awards</b>			<u>\$ 5,737,811</u>	<u>\$ 2,540,469</u>	<u>\$ 1,953,046</u>	<u>\$ -</u>	<u>\$ 3,432,401</u>	<u>\$ 2,819,628</u>	<u>\$ 1,340,273</u>	<u>\$ -</u>

See accompanying notes to schedule of expenditures of federal awards

## CHARLTON HESTON ACADEMY

### RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL REVENUE AND RECEIVABLES WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2023

#### Revenues to Expenditures

Revenue from federal sources - As reported on modified accrual financial statements  
(includes all funds):

General Fund	\$ 2,340,071
Special Revenue Fund - Food Service	<u>807,299</u>
Subtotal	3,147,370
Prior year unavailable revenue collected	(63,930)
Current year unavailable revenue not collected within 60 days	24,853
ARP Child Care Stabilization Grant received not included on the SEFA	<u>(288,665)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 2,819,628</u></u>



# **CHARLTON HESTON ACADEMY**

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

### **NOTE 1 – BASIS OF PRESENTATION**

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

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

### **NOTE 3 – INDIRECT COST RATE**

Charlton Heston Academy has elected to not use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

### **NOTE 4 - NONCASH ASSISTANCE**

The value of the noncash assistance received was determined in accordance with the provisions of Uniform Guidance.

### **NOTE 5 - GRANT AUDITOR REPORT**

Management has utilized the Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

## CHARLTON HESTON ACADEMY

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

#### SECTION I - SUMMARY OF THE AUDITOR'S RESULTS

##### *Financial Statements*

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes     no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?     yes X none reported

Noncompliance material to financial statements noted? X yes     no

##### *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?     yes X no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?     yes X none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

    yes X no

Identification of major programs:

Assistance Listing Number(s)  
10.553, 10.555, 10.559  
84.425

Name of Federal Program or Cluster  
Child Nutrition Cluster  
Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs as described in 2 CFR section 200.518(b):

\$750,000

Auditee qualified as low-risk auditee?

    yes X no

## CHARLTON HESTON ACADEMY

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS – Continued FOR THE YEAR ENDED JUNE 30, 2023

#### SECTION II – FINANCIAL STATEMENT FINDINGS

Reference Number	Findings
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2023-001

**Finding Type** – Material weakness and noncompliance

**Repeat Finding** – No

**Criteria** – The Michigan Public School Accounting Manual, Section IV, indicates that, when used appropriately, a budget provides the school board and administration with the ability to control and evaluate the use of the Academy's funds. Further, The Academy's books and records were missing material transactions that needed inclusion and revision in order to properly present the financial statements. Transactions were being improperly treated or omitted causing the financial statements to be materially incorrect.

**Condition** – The Academy's financial statements required revision and correction in order to properly account for material transactions that occurred during the fiscal year. Upon recording these transactions, actual expenditures exceeded board approved appropriations by \$5,585,184.

**Cause / Effect** – As a result of the recording the omitted transaction, actual expenditures exceeded Board approved appropriations. The budget while amended during the year, did not accurately reflect actual final expenditures.

**Recommendation** – The Academy should ensure it has proper internal controls in place to ensure that information is shared with the appropriate responsible parties and that transactions are appropriately accounted for. The Academy should fully review actual and anticipated expenditures and in response amend the budget accordingly in order to comply with state law.

**Auditee Response** – The Academy agrees with the finding and is revising and implementing controls to provide for proper sharing of information and reviews to ensure all transactions are recorded accurately and timely into the accounting system which will allow for more accurate budgeting.

**CHARLTON HESTON ACADEMY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2023**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**NONE**

## CHARLTON HESTON ACADEMY

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

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**1) *Audit findings that have been fully corrected:***

**Fiscal Year:** 2022

**Finding Number:** 2022-001

**Repeat Finding:** Yes, 2021-003

**Finding:** Charlton Heston Academy's NSFSA's fund balance exceeded the allowable three months' average expenditures balance at June 30, 2022. Charlton Heston Academy had approximately 4.61 months of expenditures as fund balance at June 30, 2022.

**Comments:** The Academy worked towards its spend-down plan developed with the Michigan Department of Education to lower its NSFSA fund balance to 1.65 months' average expenditures at June 30, 2023.

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**2) *Audit findings not corrected or partially corrected:***

NONE

**Charlton Heston Academy  
Corrective Action Plan**

<i><b>Findings and Recommendations</b></i>	<i><b>Corrective Action Plan</b></i>	<i><b>Responsible Department</b></i>	<i><b>Responsible Person</b></i>	<i><b>Planned Completion Date (TBD or Date)</b></i>
<p><b>2023 – 001:</b></p> <p><b>Finding Type: Material Weakness and Noncompliance with Laws and Regulations.</b></p> <p><b>Condition:</b> The Academy’s financial statements required revision and correction in order to properly account for material transactions that occurred during the fiscal year. Upon recording these transactions, actual expenditures exceeded board approved appropriations by \$5,585,184.</p> <p><b>Recommendation:</b> The Academy should ensure it has proper internal controls in place to ensure that information is shared with the appropriate responsible parties and that transactions are appropriately accounted for. The Academy should fully review actual and anticipated expenditures and in response amend the budget accordingly in order to comply with state law.</p>	<p>The business department will implement additional policies and procedures to ensure the Academy accurately and timely records transactions and expenditures are consistent with board approved appropriations.</p>	<p>Business department.</p>	<p>Business Office (Frank Patterson; Stephanie Sinischo, School Administration (David Patterson)</p>	<p>Immediate.</p>

**Charlton Heston Academy  
Corrective Action Plan**

<i><b>Findings and Recommendations</b></i>	<i><b>Corrective Action Plan</b></i>	<i><b>Responsible Department</b></i>	<i><b>Responsible Person</b></i>	<i><b>Planned Completion Date (TBD or Date)</b></i>
<p><b>2021 – 002:</b></p> <p><b>Finding Type: Material Weakness.</b></p> <p><b>Condition:</b> The Academy’s financial statements required multiple revisions and corrections in order to properly account for certain past and current transactions.</p> <p><b>Recommendation:</b> The Academy should ensure it has proper internal controls in place to ensure that information is shared with appropriate responsible parties and that the transactions are properly accounted for.</p>	<p>The business office will implement additional policies and procedures for reconciliation and review of the general ledger. This will include a time schedule to:</p> <ol style="list-style-type: none"> <li>1. Review actual revenues and expenditures, compare against Board appropriations and inform the Board.</li> <li>2. Reconcile accounts to third party documentation and review monthly.</li> <li>3. Review and reconcile all accounts prior to books and records being presented for audit.</li> </ol>	Business department.	Business Office (Frank Patterson; Stephanie Sinischo, School Administration (David Patterson)	Immediate with ultimate completion June 30, 2024.

**Charlton Heston Academy  
Corrective Action Plan**

<i><b>Findings and Recommendations</b></i>	<i><b>Corrective Action Plan</b></i>	<i><b>Responsible Department</b></i>	<i><b>Responsible Person</b></i>	<i><b>Planned Completion Date (TBD or Date)</b></i>
<p><b>2021 – 003:</b></p> <p><b>Finding Type: Material Noncompliance with Laws and Regulations.</b></p> <p><b>Condition:</b> The Academy's NSFSA's fund balance exceeded the allowable three months' average expenditures at June 30, 2021. The Academy had approximately 6.86 months of expenditures as fund balance at June 30, 2021.</p> <p><b>Recommendation:</b> The Academy should submit a spend down plan and obtain Michigan Department of Education's prior approval to improve the food quality or take other action to improve the program in accordance with 7 CFR 210.19(a)(2).</p>	<p>The Academy is aware of the finding and has implemented procedures in order to prevent further noncompliance in the future. The Academy is working towards completion of the spend down plan currently in place which was previously approved by Michigan Department of Education.</p>	<p>Business department and Food Service department.</p>	<p>Frank Patterson (Business Manager) in conjunction with the Food Service Director.</p>	<p>Spend-down plan currently implemented and expected completion prior to June 30, 2022.</p>



November 1, 2023

To the School Board and Management of  
Charlton Heston Academy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charlton Heston Academy for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Matters

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Charlton Heston Academy are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Charlton Heston Academy changed accounting policies related to Subscription Based IT Arrangements (SBITA) by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 96, Subscription Based Information Technology Arrangements, in 2023. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Net Position. We noted no transactions entered into by Charlton Heston Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of depreciation is based on management's best judgement of the useful lives of the assets. We evaluated the key factors and assumptions used to develop the depreciable lives in determining that it is reasonable in relation to the financial statements taken as a whole.

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

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

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

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 1, 2023.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Charlton Heston 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 Charlton Heston 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 management's discussion and analysis, and budgetary comparison schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Very truly yours,

A handwritten signature in blue ink, reading "Croskey Lanni, PC".

Croskey Lanni, PC