

CHARLTON HESTON ACADEMY

**REPORT ON FINANCIAL STATEMENTS
(with required and additional
supplementary information)**

YEAR ENDED JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Charlton Heston Academy

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, 2024, 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, 2024, and the respective changes in financial position, thereof 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 other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 October 31, 2024 on our consideration of 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.

Maney Costeiran PC

October 31, 2024

CHARLTON HESTON ACADEMY MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Charlton Heston Academy (the Academy) annual financial report presents our discussion and analysis of the Academy's financial performance during the fiscal year ending June 30, 2024. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

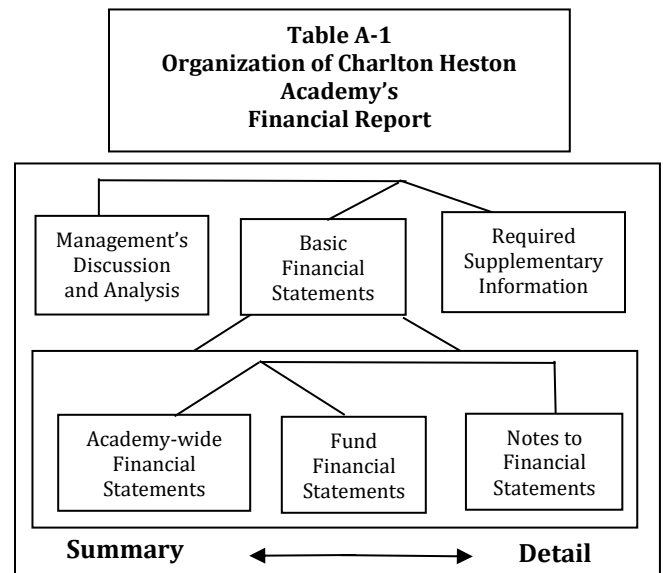
Financial Highlight

- The Academy had an increase in the general fund balance of \$117,479 compared to a budgeted increase of \$32,504, which resulted in an ending general fund balance of \$1,342,830 for the year.

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. Table A-1 shows how the various parts of the annual report are arranged and related to one another.

**CHARLTON HESTON ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table A-2 Major Features of the Academy-wide and Fund Financial Statements		
	Academy-wide Statements	Governmental Funds
Scope	Entire Academy	The activities of the Academy that are not proprietary or fiduciary, such as special education and building maintenance
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 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 are 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 in here, such as regular education and special education, transportation and administration. State foundation aid finances most of these activities.

CHARLTON HESTON ACADEMY MANAGEMENT'S DISCUSSION AND ANALYSIS

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 and by obligation agreements.
- The Academy establishes other funds to control and manage money for particular purposes (like repaying its long-term obligations) or to show that it is properly using certain revenues (like food services).

All of the Academy's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets 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 difference) between them.

Financial Analysis of the Academy as a Whole

Net Position - the Academy's combined net position of \$2,586,343 decreased by \$301,886 during the year, (see Figures A-3 and A-4).

The total revenues decreased by 0.1% to \$11,340,864. State aid foundation allowance included in revenue from state sources accounts for 64.2% of the Academy's revenues in 2024.

The total cost of instruction decreased by 6.4% to \$4,695,420. Total support services decreased by 0.9% to \$4,231,264.

Figure A-3 Charlton Heston Academy's Net Position		
	2024	2023
ASSETS		
Current and other	\$ 3,167,217	\$ 3,625,257
Capital assets	11,871,395	12,334,339
TOTAL ASSETS	15,038,612	15,959,596
LIABILITIES		
Other liabilities	1,883,864	2,724,145
Noncurrent liabilities	10,568,405	10,347,222
TOTAL LIABILITIES	12,452,269	13,071,367
NET POSITION		
Net investment in capital assets	1,302,990	1,529,188
Restricted for food service	-	165,631
Restricted for capital projects	7,711	7,751
Unrestricted	1,275,642	1,185,659
TOTAL NET POSITION	\$ 2,586,343	\$ 2,888,229

**CHARLTON HESTON ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Figure A-4 Changes in Charlton Heston Academy's Net Position		
	2024	2023*
REVENUES		
Program revenues		
Operating grants	\$ 3,977,056	\$ 4,212,538
Charges for services	20,978	-
Total program revenues	3,998,034	4,212,538
General revenues		
State sources - unrestricted	7,278,502	7,002,068
Other	64,328	142,551
Total general revenues	7,342,830	7,144,619
TOTAL REVENUES	11,340,864	11,357,157
EXPENSES		
Instruction	4,695,420	5,014,133
Support services	4,231,264	4,269,992
Community services	424,486	464,140
Food services	1,102,087	914,592
Interest and fees	398,403	383,431
Unallocated depreciation/amortization	791,090	862,854
TOTAL EXPENSES	11,642,750	11,909,142
Change in net position	\$ (301,886)	\$ (551,985)

*Certain amounts in the prior year figures have been reclassified.

Financial Analysis of the Academy's Funds

The Academy's general fund balance increased by \$117,479 to \$1,342,830 compared to a budgeted increase of \$32,504.

General Fund Budgetary Highlights

Over the course of the year, the Academy revised the general fund annual operating budget when necessary. Changes were made in both the revenue and expenditures which reflected anticipated changes in state aid and actual salary figures for staff.

While the Academy's final budget for the general fund anticipated revenues and other financing sources would exceed expenditures and other financing uses by \$32,504, the actual results for the year showed revenues and other financing sources exceeded expenditures and other financing uses by \$117,479.

Actual revenues were \$383,916 less than budgeted primarily due to lower than anticipated revenue from federal and local sources. The actual expenditures were \$60,438 less than budgeted primarily due to lower than anticipated basic programs, added needs, general administration, school administration, community services, and debt service expenditures.

**CHARLTON HESTON ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Asset and Long-term Obligations

Capital Assets

As of June 30, 2024, the Academy has invested \$11,871,395 in capital assets net of accumulated depreciation/amortization as summarized in Figure A-5. This amount represents a net decrease in capital assets of \$462,944 from the beginning of the year. Total depreciation/amortization expense for the year was \$791,090. More detailed information about capital assets can be found in Note 3 to the financial statements.

The Academy's capital assets are as follows:

Figure A-5 Charlton Heston Academy's Capital Assets				
	2024			2023
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value
Land	\$ 321,517	\$ -	\$ 321,517	\$ 321,517
Building and improvements	12,659,925	2,175,769	10,484,156	10,823,095
Furniture and equipment	913,466	312,487	600,979	683,927
Vehicles	319,405	206,283	113,122	169,219
Right to use - equipment	167,764	15,978	151,786	13,021
Right to use - vehicles	339,577	185,011	154,566	221,962
Technology	531,593	486,324	45,269	101,598
Total	\$ 15,253,247	\$ 3,381,852	\$ 11,871,395	\$ 12,334,339

Long-Term Obligations

The Academy had \$10,568,405 in long-term obligations outstanding consisting of a general obligation bond, lease obligations, equipment loan, building loan, and a land contract. The Academy continued to pay down its obligations, retiring \$482,903 of long-term obligations during the current year. See Note 6 for more information.

Economic Factors Bearing on the Academy's Future

At the time these financial statements were prepared and audited, the Academy was aware of existing circumstances that could significantly affect its financial health in the future.

- Enrollment is projected to be at 720 students for kindergarten through twelfth grade.
- Per pupil foundation allowance is constant at \$9,608 per pupil.
- The Academy has utilized the COVID-19 pandemic related grants. There is no other funding for the ESSER I-III grants for the 2024-2025 fiscal year

**CHARLTON HESTON ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 money it receives. If you have questions about this report or need additional information, contact the Academy's office at 1350 North St. Helen Road, St. Helen, Michigan 48656.

BASIC FINANCIAL STATEMENTS

**CHARLTON HESTON ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2024**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 904,892
Accounts receivable	935
Intergovernmental receivable	2,260,790
Prepays	600
Capital assets not being depreciated	321,517
Capital assets, net of accumulated depreciation/amortization	<u>11,549,878</u>
TOTAL ASSETS	<u>15,038,612</u>
LIABILITIES	
Accounts payable	154,964
Accrued salaries and related items	199,295
Accrued interest	67,188
Unearned revenues	515,075
State aid note payable	947,342
Noncurrent liabilities	
Due within one year	464,263
Due in more than one year	<u>10,104,142</u>
TOTAL LIABILITIES	<u>12,452,269</u>
NET POSITION	
Net investment in capital assets	1,302,990
Restricted for capital projects	7,711
Unrestricted	<u>1,275,642</u>
TOTAL NET POSITION	<u><u>\$ 2,586,343</u></u>

See notes to financial statements.

**CHARLTON HESTON ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 4,695,420	\$ -	\$ 2,259,040	\$ (2,436,380)
Support services	4,231,264	20,978	946,153	(3,264,133)
Community service	424,486	-	432	(424,054)
Food services	1,102,087	-	771,431	(330,656)
Interest and fees	398,403	-	-	(398,403)
Unallocated depreciation/amortization	791,090	-	-	(791,090)
Total governmental activities	<u>\$ 11,642,750</u>	<u>\$ 20,978</u>	<u>\$ 3,977,056</u>	<u>(7,644,716)</u>
General revenues				
State sources - unrestricted				7,278,502
Local sources				<u>64,328</u>
Total general revenues				<u>7,342,830</u>
CHANGE IN NET POSITION				(301,886)
Net position, beginning of year				<u>2,888,229</u>
Net position, end of year				<u>\$ 2,586,343</u>

See notes to financial statements.

**CHARLTON HESTON ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 901,052	\$ 3,840	\$ 904,892
Receivables			
Accounts receivable	935	-	935
Intergovernmental receivable	2,221,791	38,999	2,260,790
Due from other funds	27,682	3,871	31,553
Prepays	600	-	600
TOTAL ASSETS	\$ 3,152,060	\$ 46,710	\$ 3,198,770
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 154,964	\$ -	\$ 154,964
Accrued salaries and related items	187,978	-	187,978
Unearned revenue	515,075	11,317	526,392
Due to other funds	3,871	27,682	31,553
State aid note payable	947,342	-	947,342
TOTAL LIABILITIES	1,809,230	38,999	1,848,229
FUND BALANCES			
Nonspendable			
Prepays	600	-	600
Restricted			
Capital projects	-	7,711	7,711
Unassigned	1,342,230	-	1,342,230
TOTAL FUND BALANCES	1,342,830	7,711	1,350,541
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,152,060	\$ 46,710	\$ 3,198,770

See notes to financial statements.

CHARLTON HESTON ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2024

Total governmental fund balances		\$ 1,350,541
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	\$ 15,253,247	
Accumulated depreciation/amortization is	<u>(3,381,852)</u>	
		11,871,395
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Direct borrowings and direct placements		(5,193,405)
General obligation bonds		(5,375,000)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid:		<u>(67,188)</u>
Net position of governmental activities		<u><u>\$ 2,586,343</u></u>

CHARLTON HESTON ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Local sources	\$ 85,306	\$ -	\$ 85,306
State sources	9,600,702	14,888	9,615,590
Federal sources	908,278	759,022	1,667,300
TOTAL REVENUES	10,594,286	773,910	11,368,196
EXPENDITURES			
Instruction			
Basic programs	3,302,341	-	3,302,341
Added needs	1,393,079	-	1,393,079
Total instruction	4,695,420	-	4,695,420
Support services			
Pupil	478,492	-	478,492
Instructional staff	311,907	-	311,907
General administration	1,017,370	-	1,017,370
School administration	607,755	-	607,755
Business	222,074	40	222,114
Operation and maintenance	868,050	-	868,050
Pupil transportation services	844,104	-	844,104
Central support services	1,392	-	1,392
Athletics	196,501	-	196,501
Total support services	4,547,645	40	4,547,685
Community service	424,486	-	424,486
Capital outlay	60,725	-	60,725
Food service	-	1,102,087	1,102,087
Debt service			
Principal retirement	482,903	-	482,903
Interest and fiscal charges	398,239	-	398,239
TOTAL EXPENDITURES	10,609,418	1,102,127	11,711,545
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(15,132)	(328,217)	(343,349)
OTHER FINANCING SOURCES (USES)			
Proceeds from lease	246,157	-	246,157
Proceeds from the sale of capital assets	49,000	-	49,000
Transfers in	-	162,546	162,546
Transfers out	(162,546)	-	(162,546)
TOTAL OTHER FINANCING SOURCES (USES)	132,611	162,546	295,157
NET CHANGE IN FUND BALANCES	117,479	(165,671)	(48,192)
FUND BALANCES			
Beginning of year	1,225,351	173,382	1,398,733
End of year	\$ 1,342,830	\$ 7,711	\$ 1,350,541

See notes to financial statements.

CHARLTON HESTON ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

Net change in fund balances total governmental funds \$ (48,192)

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

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation/amortization:

Depreciation/amortization expense	(791,090)
Capital outlay	342,395
Book value of capital assets disposed of during the year	(14,249)

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid.

Accrued interest payable, beginning of the year	67,024
Accrued interest payable, end of the year	(67,188)

Revenue reported on the accrual method in the statement of activities. In the governmental funds it is recorded on the modified accrual method and not considered available:

Unavailable revenue, beginning of the year	(27,332)
Unavailable revenue, end of the year	-

Repayments of principal on long-term obligations are expenditures in the governmental funds, but not in the statement of activities (where they are reductions of liabilities):

Proceeds from lease	(246,157)
Payments on debt	482,903

Change in net position of governmental activities \$ (301,886)

**CHARLTON HESTON ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of 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 nonfiduciary activities of the Academy. The Academy currently does not have fiduciary activities. *Governmental activities* normally are supported by intergovernmental revenues.

Reporting Entity

Charlton Heston Academy (the "Academy") is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Lake Superior State University Board of Trustees is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school through June 2027. Board members are approved by the authorizing governing body and have decision making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The Academy receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the Academy is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. In addition, the Academy's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds.

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

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the Academy's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Academy reports the following *Major Governmental Fund*:

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

The Academy reports the following *Nonmajor Governmental Funds*:

The *Special Revenue Fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The Academy accounts for its food service activity in a special revenue fund.

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

CHARLTON HESTON ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

During the course of operations the Academy has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

State and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amounts is received during the period or within the availability period for this revenue source (within 60 days of year-end).

**CHARLTON HESTON ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to public school academies based on information supplied by the academies.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

The Academy also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the Academy.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The Academy does not utilize encumbrance accounting.

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

- a. The Chief Administrative Officer submits to the Board of Directors a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Prior to July 1, the budget is legally adopted by Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

**CHARLTON HESTON ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

Budgetary Basis of Accounting (continued)

- c. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- d. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2024. The Academy does not consider these amendments to be significant.

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

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 original maturities of 3 months or less from the date of acquisition.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, as summarized below, are reported in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$5,000 and a useful life in excess of 1 year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress, if any, are not depreciated. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. The other capital assets of the Academy are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Building and improvements	10 - 50
Furniture and equipment	5 - 20
Vehicles	5
Right to use - equipment	5
Right to use - vehicles	3
Technology	5 - 10

CHARLTON HESTON ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Academy has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Academy has no items that qualify for reporting in this category.

Net Position Flow Assumption

Sometimes the Academy will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund Balance Flow Assumptions

Sometimes the Academy will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Academy itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Academy's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the Academy that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

CHARLTON HESTON ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Fund Balance Policies (continued)

Amounts in the assigned fund balance classification are intended to be used by the Academy for specific purposes but do not meet the criteria to be classified as committed. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates authority. The Board of Directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Leases

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

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

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

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

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

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

**CHARLTON HESTON ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Long-Term Obligations

In the government-wide financial statements, long-term obligations and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

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

NOTE 2 - CASH DEPOSITS - CREDIT RISK

Cash is held in the name of the Academy. These deposits are subject to custodial credit risk. This is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy minimizes custodial credit risk on deposits by assessing the credit worthiness of the individual institutions in which it deposits funds. The amount of deposits with each institution is assessed to determine the level of risk it may pose to the Academy in relation to deposits in excess of insured amounts. As of June 30, 2024, \$689,069 of the Academy's bank balance of \$939,069 was exposed to custodial credit risk because it was uninsured and uncollateralized. These deposits have a carrying value of \$904,892.

CHARLTON HESTON ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CAPITAL ASSETS

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

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 321,517	\$ -	\$ -	\$ 321,517
Capital assets being depreciated/amortized				
Building and improvements	12,599,216	60,709	-	12,659,925
Furniture and equipment	913,466	-	-	913,466
Vehicles	338,744	35,530	54,869	319,405
Right to use - equipment	75,520	167,763	75,519	167,764
Right to use - vehicles	584,430	78,393	323,246	339,577
Technology	531,593	-	-	531,593
Total capital assets being depreciated/ amortized	15,042,969	342,395	453,634	14,931,730
Accumulated depreciation/amortization				
Building and improvements	1,776,121	399,648	-	2,175,769
Furniture and equipment	229,539	82,948	-	312,487
Vehicles	169,525	77,378	40,620	206,283
Right to use - equipment	62,499	28,998	75,519	15,978
Right to use - vehicles	362,468	145,789	323,246	185,011
Technology	429,995	56,329	-	486,324
Total accumulated depreciation/ amortization	3,030,147	791,090	439,385	3,381,852
Net depreciable/amortized capital assets	12,012,822	(448,695)	14,249	11,549,878
Net governmental capital assets	\$ 12,334,339	\$ (448,695)	\$ 14,249	\$ 11,871,395

Depreciation/amortization for the fiscal year ended June 30, 2024 amounted to \$791,090. The Academy determined that it was impractical to allocate depreciation/amortization to the various governmental activities as the assets serve multiple functions.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2024 consist of the following:

State sources	\$ 1,636,339
Federal sources	524,995
Non-federal payments from ISD	99,456
	<u>\$ 2,260,790</u>

CHARLTON HESTON ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES (continued)

Amounts due from governmental units include amounts due from federal, state, and intermediate sources for various projects and programs.

Because of the Academy's favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE

At June 30, 2024, the Academy has issued a state aid anticipation note payable in the amount of \$1,400,000 which has an interest rate of 6.51% and matures on September 12, 2024. Proceeds of the note were used to fund academy operations. The note is secured by the full faith and credit of the Academy as well as pledged state aid. In an event of a default on the note, the state may impose a penalty interest rate and at the state's discretion, accelerate the repayment terms. Activity for the year ended June 30, 2024 is as follows:

Balance July 1, 2023	Additions	Payments	Balance June 30, 2024
\$ 1,400,000	\$ -	\$ 452,658	\$ 947,342

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions of the Academy for the year ended June 30, 2024:

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Total
Balance, July 1, 2023	\$ 5,500,000	\$ 5,305,151	\$ 10,805,151
Additions	-	246,157	246,157
Repayments	(125,000)	(357,903)	(482,903)
Balance, June 30, 2024	5,375,000	5,193,405	10,568,405
Less due within one year	128,000	336,263	464,263
Due in more than one year	\$ 5,247,000	\$ 4,857,142	\$ 10,104,142

CHARLTON HESTON ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations currently outstanding are as follows:

General Obligation Bonds

USDA 2022 Capital Improvement Bond due in annual installments of \$128,000 to \$259,000 through July 2052, with interest of 2.5%.	<u>\$ 5,375,000</u>
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Notes from Direct Borrowings and Direct Placements

The Academy entered into a lease agreement for the use of copiers, due in monthly installments of \$3,095 through March 2029, with imputed interest of 6%.	153,193
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The Academy entered into a lease agreement for the use of buses, due in monthly installments of \$7,946 through December 2025 with imputed interest of 6%.	136,450
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The Academy entered into a lease agreement for the use of buses, due in monthly installments of \$2,373 through January 2027 with imputed interest of 6%.	67,990
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The Academy entered into a loan for equipment, due in monthly installments of \$893 through September 2026 with imputed interest of 0%.	23,415
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The Academy entered into a land contract, due in monthly installments of \$3,000 through November 2027 with imputed interest of 5%.	112,810
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The Academy entered into a loan for a building, due in monthly installments of \$31,886 through July 2043 with imputed interest of 5%.	<u>4,699,547</u>
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Total notes from direct borrowings and direct placements	<u>5,193,405</u>
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Total general long-term obligations	<u><u>\$ 10,568,405</u></u>
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The Academy's outstanding notes from direct borrowings and direct placements related to governmental activities of \$5,193,405 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

CHARLTON HESTON ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize long-term obligations outstanding as of June 30, 2024, including interest of \$4,827,677, are as follows:

Year Ending June 30,	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2025	\$ 128,000	\$ 132,775	\$ 336,263	\$ 254,059	\$ 851,097
2026	132,000	129,525	306,158	236,489	804,172
2027	135,000	126,188	251,916	222,457	735,561
2028	138,000	122,775	224,686	210,094	695,555
2029	142,000	119,275	211,639	198,855	671,769
2030 - 2034	763,000	540,738	1,073,918	839,257	3,216,913
2035 - 2039	863,000	439,263	1,378,222	534,953	3,215,438
2040 - 2044	977,000	324,363	1,410,603	151,823	2,863,789
2045 - 2049	1,106,000	194,375	-	-	1,300,375
2050 - 2053	991,000	50,413	-	-	1,041,413
	<u>\$ 5,375,000</u>	<u>\$ 2,179,690</u>	<u>\$ 5,193,405</u>	<u>\$ 2,647,987</u>	<u>\$ 15,396,082</u>

Interest expense for the year ended June 30, 2024 was \$398,403.

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2024 are as follows:

Receivable Fund		Payable Fund	
General fund	\$ 27,682	Nonmajor funds	\$ 27,682
Nonmajor funds	<u>3,871</u>	General fund	<u>3,871</u>
	<u>\$ 31,553</u>		<u>\$ 31,553</u>

The outstanding balances between funds results mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) payments between funds are made.

**CHARLTON HESTON ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - TRANSFERS

Transfers between the governmental funds were as follows:

Transfers Out		Transfers In	
General fund	<u>\$ 162,546</u>	Nonmajor funds	<u>\$ 162,546</u>

The transfers from the general fund to the nonmajor funds were to cover food service expenditures.

NOTE 9 - OVERSIGHT FEES

The Academy pays an administrative oversight fee of 3% of its state school aid to Lake Superior State University Board of Trustees, as set forth by contract, to reimburse the University Board for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy's compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2024, the Academy incurred expense of approximately \$265,000 for oversight fees.

NOTE 10 - MANAGEMENT AGREEMENT

The Academy maintains a management agreement with MM1, Inc. (MM1) for operation of the Academy from July 1, 2021 through June 30, 2027. Under the terms of the management agreement, MM1's compensation for operating the Academy was 7% of state aid entitlement for the fiscal year ending June 30, 2024, plus certain other fees, as prorated for the term of service. The total management fee incurred through the year June 30, 2024 was approximately \$701,000. As of June 30, 2024 approximately \$200,000 was owed to MM1.

NOTE 11 - PURCHASED SERVICES

The Academy leases all employee services from MM1. Salaries, retirement, social security, health insurance, and unemployment taxes are the responsibility of MM1.

NOTE 12 - RISK MANAGEMENT

The Academy is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. To minimize the risk, the Academy carries commercial insurance.

NOTE 13 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Academy expects such amounts, if any, to be immaterial.

CHARLTON HESTON ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 14 - SUBSEQUENT EVENT

The Academy borrowed \$1,500,000 under a state aid anticipation note in September 2024 at 5.85% to be repaid monthly from October 2024 through September 2025.

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements - or modifies existing requirements - related to the following:

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;

**CHARLTON HESTON ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**CHARLTON HESTON ACADEMY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2024**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 211,749	\$ 285,564	\$ 85,306	\$ (200,258)
State sources	8,558,709	9,618,540	9,600,702	(17,838)
Federal sources	1,046,689	1,074,098	908,278	(165,820)
TOTAL REVENUES	9,817,147	10,978,202	10,594,286	(383,916)
EXPENDITURES				
Instruction				
Basic programs	2,860,188	3,414,123	3,302,341	111,782
Added needs	968,342	1,575,534	1,393,079	182,455
Total instruction	3,828,530	4,989,657	4,695,420	294,237
Support services				
Pupil	380,777	368,323	478,492	(110,169)
Instructional staff	186,166	159,000	311,907	(152,907)
General administration	964,124	1,057,018	1,017,370	39,648
School administration	612,237	622,840	607,755	15,085
Business	76,350	226,699	222,074	4,625
Operation and maintenance	660,660	803,269	868,050	(64,781)
Pupil transportation services	754,561	847,776	844,104	3,672
Central support services	7,000	7,000	1,392	5,608
Athletics	150,500	178,500	196,501	(18,001)
Total support services	3,792,375	4,270,425	4,547,645	(277,220)
Community services	430,934	460,764	424,486	36,278
Capital outlay	-	-	60,725	(60,725)
Debt service				
Principal retirement	482,903	482,903	482,903	-
Interest and fiscal charges	466,107	466,107	398,239	67,868
TOTAL EXPENDITURES	9,000,849	10,669,856	10,609,418	60,438
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	816,298	308,346	(15,132)	(323,478)
OTHER FINANCING SOURCES (USES)				
Proceeds from lease	-	-	246,157	246,157
Proceeds from the sale of capital assets	-	-	49,000	49,000
Transfers out	(474,749)	(275,842)	(162,546)	113,296
TOTAL OTHER FINANCING SOURCES (USES)	(474,749)	(275,842)	132,611	408,453
NET CHANGE IN FUND BALANCE	\$ 341,549	\$ 32,504	117,479	\$ 84,975
FUND BALANCE				
Beginning of year			1,225,351	
End of year			<u>\$ 1,342,830</u>	

ADDITIONAL SUPPLEMENTARY INFORMATION

**CHARLTON HESTON ACADEMY
NONMAJOR GOVERNMENTAL FUND TYPES
COMBINING BALANCE SHEET
JUNE 30, 2024**

	Special Revenue Fund (Food Service)	Capital Projects Fund	Total Nonmajor Funds
ASSETS			
Cash	\$ -	\$ 3,840	\$ 3,840
Intergovernmental receivable	38,999	-	38,999
Due from other funds	-	3,871	3,871
	<u>-</u>	<u>3,871</u>	<u>3,871</u>
TOTAL ASSETS	<u>\$ 38,999</u>	<u>\$ 7,711</u>	<u>\$ 46,710</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accrued salaries and related items	\$ 11,317	\$ -	\$ 11,317
Due to other funds	27,682	-	27,682
	<u>27,682</u>	<u>-</u>	<u>27,682</u>
TOTAL LIABILITIES	<u>38,999</u>	<u>-</u>	<u>38,999</u>
FUND BALANCES			
Restricted			
Capital projects	-	7,711	7,711
	<u>-</u>	<u>7,711</u>	<u>7,711</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 38,999</u>	<u>\$ 7,711</u>	<u>\$ 46,710</u>

**CHARLTON HESTON ACADEMY
NONMAJOR GOVERNMENTAL FUND TYPES
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2024**

	Special Revenue Fund (Food Service)	Capital Projects Fund	Total Nonmajor Funds
REVENUES			
State sources	\$ 14,888	\$ -	\$ 14,888
Federal sources	759,022	-	759,022
	<u>773,910</u>	<u>-</u>	<u>773,910</u>
TOTAL REVENUES			
EXPENDITURES			
Salaries	406,063	-	406,063
Benefits	82,301	-	82,301
Food	597,605	-	597,605
Miscellaneous	16,118	40	16,158
	<u>1,102,087</u>	<u>40</u>	<u>1,102,127</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(328,177)</u>	<u>(40)</u>	<u>(328,217)</u>
NET CHANGE IN FUND BALANCES	(165,631)	(40)	(165,671)
FUND BALANCES			
Beginning of year	<u>165,631</u>	<u>7,751</u>	<u>173,382</u>
End of year	<u>\$ -</u>	<u>\$ 7,711</u>	<u>\$ 7,711</u>

CHARLTON HESTON ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2023	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2024
<u>U.S. Department of Agriculture</u>									
Passed through Michigan Department of Education									
Child Nutrition Cluster									
Non-cash Assistance (donated foods)									
National School Lunch Program - Entitlement	10.555	N/A	\$ 24,362	\$ -	\$ -	\$ -	\$ 24,362	\$ 24,362	\$ -
Cash Assistance									
National School Lunch Program	10.555	231960	396,402	20,281	335,630	-	60,772	81,053	-
National School Lunch Program	10.555	231980	92,586	5,678	92,586	-	-	5,678	-
National School Lunch Program - Supply Chain Assistance	10.555	240910	25,411	-	-	-	25,411	25,411	-
National School Lunch Program	10.555	241960	339,365	-	-	-	339,365	328,695	10,670
National School Lunch Program	10.555	241980	128	-	-	-	128	-	128
Total ALN 10.555			878,254	25,959	428,216	-	450,038	465,199	10,798
School Breakfast Program	10.553	231970	222,007	12,170	189,951	-	32,055	44,225	-
School Breakfast Program	10.553	241970	184,379	-	-	-	184,379	178,580	5,799
Total ALN 10.553			406,386	12,170	189,951	-	216,434	222,805	5,799
Summer Food Service Program for Children	10.559	230900	23,992	5,838	5,838	-	18,155	23,993	-
Summer Food Service Program for Children	10.559	240900	19,263	-	-	-	19,263	-	19,263
Total ALN 10.559			43,255	5,838	5,838	-	37,418	23,993	19,263
Total Cash Assistance			1,303,533	43,967	624,005	-	679,528	687,635	35,860
Total Child Nutrition Cluster			1,327,895	43,967	624,005	-	703,890	711,997	35,860
Local Food for Schools	10.185	230985	2,130	-	-	-	2,130	2,130	-
Child and Adult Care Food Program (CACFP)	10.558	241920	51,176	-	-	-	51,176	49,934	1,242
Child and Adult Care Food Program (CACFP)	10.558	242010	1,826	-	-	-	1,826	1,787	39
Total ALN 10.558			53,002	-	-	-	53,002	51,721	1,281
Total U.S. Department of Agriculture			1,383,027	43,967	624,005	-	759,022	765,848	37,141

The accompanying notes are an integral part of this schedule.

CHARLTON HESTON ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2023	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2024
<u>U.S. Department of Education</u>									
Passed through Michigan Department of Education									
Title I Grants to Local Educational Agencies	84.010	231530	\$ 408,752	\$ 222,659	\$ 353,300	\$ -	\$ 35,999	\$ 258,658	\$ -
Title I Grants to Local Educational Agencies	84.010	241530	396,798	-	-	-	342,898	-	342,898
Title I Grants to Local Educational Agencies (TAG)	84.010	231580	20,000	20,000	20,000	-	-	20,000	-
Total ALN 84.010			825,550	242,659	373,300	-	378,897	278,658	342,898
Title VB Rural Education	84.358	230660	23,241	23,241	23,241	-	-	23,241	-
Title VB Rural Education	84.358	240660	22,500	-	-	-	22,500	-	22,500
Total ALN 84.358			45,741	23,241	23,241	-	22,500	23,241	22,500
Title II Grants Supporting Effective Instruction State Grants	84.367	230520	45,353	25,439	25,439	-	-	25,439	-
Title II Grants Supporting Effective Instruction State Grants	84.367	240520	61,288	-	-	-	37,540	-	37,540
Total ALN 84.367			106,641	25,439	25,439	-	37,540	25,439	37,540
Title IVA Student Support and Academic Enrichment	84.424	230750	28,376	6,647	28,376	-	-	6,647	-
Title IVA Student Support and Academic Enrichment	84.424	240750	28,444	-	-	-	28,444	-	28,444
Total ALN 84.424			56,820	6,647	28,376	-	28,444	6,647	28,444
<u>Education Stabilization Fund</u>									
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Formula Funds)	84.425D	213712	1,194,114	-	1,189,114	-	3,533	3,533	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Summer Program K-8)	84.425D	213722	220,000	-	-	-	160,337	160,337	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Credit Recovery)	84.425D	213742	29,150	-	-	-	29,150	29,150	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Formula Funds)	84.425U	213713	2,683,717	954,916	2,683,717	-	-	954,916	-
Total ALN 84.425 and Education Stabilization Fund			4,126,981	954,916	3,872,831	-	193,020	1,147,936	-
<u>Passed through COOR Intermediate School District</u>									
Special Education Cluster									
Special Education - Flowthrough	84.027A	230450	240,622	38,551	240,622	-	-	38,551	-
Special Education - Flowthrough	84.027A	240450	223,902	-	-	-	223,902	167,430	56,472
Total ALN 84.027 and Special Education Cluster			464,524	38,551	240,622	-	223,902	205,981	56,472
Total U.S. Department of Education			5,626,257	1,291,453	4,563,809	-	884,303	1,687,902	487,854

The accompanying notes are an integral part of this schedule.

CHARLTON HESTON ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2023	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2024
<u>U.S. Department of Treasury</u>									
Passed through Roscommon County									
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (ARP)	21.027	N/A	\$ 500,000	\$ -	\$ 252,279	\$ (247,721)	\$ 3,975	\$ -	\$ (243,746)
<u>Federal Communications Commission</u>									
Direct program									
Emergency Connectivity Funds	32.009	N/A	47,603	4,853	-	(4,853)	-	-	-
TOTAL FEDERAL AWARDS			<u>\$ 7,556,887</u>	<u>\$ 1,340,273</u>	<u>\$ 5,440,093</u>	<u>\$ (252,574)</u>	<u>\$ 1,647,300</u>	<u>\$ 2,453,750</u>	281,249
								Unearned revenue	243,746
								Intergovernmental receivable	<u>\$ 524,995</u>

The accompanying notes are an integral part of this schedule.

CHARLTON HESTON ACADEMY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 Charlton Heston Academy, it is not intended to and does not present the financial position or changes in net position of Charlton Heston Academy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Charlton Heston Academy has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Management has utilized the NexSys, Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The Academy does not pass through federal awards.

NOTE 3 - RECONCILING WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements for the period ending June 30, 2024:

General fund	\$ 908,278
Nonmajor special revenue fund	<u>759,022</u>
Total federal revenue in the fund financial statements	1,667,300
Less: Unavailable federal revenue, beginning of the year	<u>(20,000)</u>
Expenditures per schedule of expenditures of federal awards	<u><u>\$ 1,647,300</u></u>

NOTE 4 - ADJUSTMENTS

An adjustment was made for Assistance Listing #21.027 (\$247,721) to report cash receipts received in the prior year that should have been identified as unearned revenue on the schedule of expenditures of federal awards as of June 30, 2023. Also, an adjustment was made for Assistance Listing #32.009 (\$4,853) for federal expenditures reported in the prior year but no longer expected to be collected.



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**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, 2024, 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 October 31, 2024

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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal controls, as described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency (item 2024-001)

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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as item 2024-001.

Academy's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Charlton Heston Academy's response to the findings 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.

Maney Costeiran PC

October 31, 2024



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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, 2024. 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2024-002, that we consider to be a significant deficiency.

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

Government Auditing Standards requires the auditors to perform limited procedures to Charlton Heston Academy's response to the internal control over compliance finding identified in our compliance audit 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 compliance and, accordingly, we express no opinion on the response.

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

Maney Costerian PC

October 31, 2024

CHARLTON HESTON ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

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

		<u>Unmodified</u>		
➤ Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
➤ Significant deficiency(ies) identified?	<u> X </u>	Yes	<u> </u>	
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u>	No

Federal Awards

Internal control over major programs:

➤ Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
➤ Significant deficiency(ies) identified?	<u> X </u>	Yes	<u> </u>	

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

		<u>Unmodified</u>		
Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?	<u> </u>	Yes	<u> X </u>	No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

		<u> </u>	\$	<u> 750,000 </u>
Auditee qualified as low-risk auditee?	<u> </u>	Yes	<u> X </u>	No

**CHARLTON HESTON ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

Section II - Financial Statement Findings

Finding 2024-001 Significant Deficiency

Criteria: In order to maintain adequate internal controls and proper reporting, all accounts should be reconciled and adjusted monthly. The reconciliations should be completed and reviewed in a timely basis.

Condition: The Academy did not perform accurate year-end closing activities.

Effect: The year-end closing activities that were delayed included adjusting the balance sheet accounts and state and federal revenue accounts.

Cause: The year-end closing procedures and reconciliations were not completed in a timely manner.

Recommendation: We recommend the Academy establish improved controls for preparing and reviewing year-end reconciliations. The Academy should ensure that reconciliations are completed in a timely manner and agree to the general ledger.

Academy's Response: The Academy concurs with the facts of this finding and is implementing procedures to prevent this in the future.

**CHARLTON HESTON ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

Section III - Federal Award Findings and Questioned Costs

Finding 2024-002: Considered a significant deficiency in internal control over compliance.

Federal Program:	Child Nutrition Cluster
ALN:	10.553, 10.555, and 10.559
Federal Agency:	U.S. Department of Agriculture
Pass-through Entity:	Michigan Department of Education
Pass-through Numbers:	241970, 231970, 241960, 240910, 231980, 231960, and 230900

Criteria: In order to comply with the Michigan Department of Education requirements, the Academy must maintain accurate records of meals served justifying all meals claimed and documenting that all program funds were spent only on allowable Child Nutrition Program costs.

Condition: In one monthly claim, the Academy did not have accurate records to support the amount of meals served and claimed, as a result they significantly underclaimed meals served.

Questioned costs: None

Cause: The Academy did not use an accurate tracking system to count the number of meals served for a portion of the school year.

Recommendation: The Academy should consistently utilize a point-of-sale system to track and claim the number of meals served.

Academy's Response: The Academy concurs with the facts of this finding and has implemented procedures to prevent this in the future.



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**CHARLTON HESTON ACADEMY
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2024**

Charlton Heston Academy respectfully submits the following corrective action plan for the year ended June 30, 2024.

Auditor: Maner Costerisan
2425 E. Grand River Avenue, Suite 1
Lansing, MI 48912

Audit Period Year ended June 30, 2024

Academy Contact Person: Frank Patterson, Chief Financial Officer

Finding 2024-001 – Significant deficiency

Recommendation: We recommend the Academy establish improved controls for preparing and reviewing year-end reconciliations. The Academy should ensure that reconciliations are completed in a timely manner and agree to the general ledger.

Actions to be taken: The Academy concurs with the facts of this finding and are in the process of adding human capital/capacity, developing a revised formal timeline, and checklist of year-end procedures as recommended.

Finding 2024-002 – Significant deficiency

Recommendation: The Academy should consistently utilize a point-of-sale system to track and claim the number of meals served.

Action to be Taken: The Academy concurs with the facts of this finding and has implemented procedures to prevent this in the future.

**CHARLTON HESTON ACADEMY
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2024**

FINDING 2023-001

Finding Considered a Material Weakness and Noncompliance

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:

The primary reason was transactions being improperly treated or omitted.

Effect:

As a result of 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.

Status:

This finding was resolved during FY 24.



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October 31, 2024

To the Board of Directors 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, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. 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. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Charlton Heston Academy are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year 2024. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's calculation of the depreciation expense is based on the estimated useful lives of the capital assets.

Management's estimate of the discount rate used for leases, the lease term and lease payments/receipts is based on the Charlton Heston Academy incremental borrowing rate and consideration of the noncancelable period of the lease and reasonably certain lease options.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all 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 the 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 October 31, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement 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 other supplementary information, which accompany the financial statements but are not RSI. With respect to this other 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 other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

A separate management letter was not issued.

Restriction on Use

This information is intended solely for the use of the Board of Education 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,

Maney Costeiran PC