

BENTON HARBOR CHARTER SCHOOL ACADEMY

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

YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-10
BASIC FINANCIAL STATEMENTS.....	11
Government-wide Financial Statements	
Statement of Net Position.....	12
Statement of Activities.....	13
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	14-15
Statement of Revenues, Expenditures, and Changes in	
Fund Balances - Governmental Funds	16-17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities.....	18
Notes to Financial Statements	19-32
REQUIRED SUPPLEMENTARY INFORMATION	33
Budgetary Comparison Schedule - General Fund	34
ADDITIONAL SUPPLEMENTARY INFORMATION	35
Schedule of Expenditures of Federal Awards.....	36-37
Notes to Schedule of Expenditures of Federal Awards.....	38
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 <i>GOVERNMENT AUDITING STANDARDS</i>	39-40
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	41-43
Schedule of Findings and Questioned Costs	44
Schedule of Prior Year Audit Findings	45



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Benton Harbor Charter School Academy

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton Harbor Charter School Academy, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Benton Harbor Charter School 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 Benton Harbor Charter School Academy, as of June 30, 2023, 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 Benton Harbor Charter School 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 Benton Harbor Charter School 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 Benton Harbor Charter School 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 Benton Harbor Charter School 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 Benton Harbor Charter School 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 September 7, 2023 on our consideration of Benton Harbor Charter School 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 Benton Harbor Charter School 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 Benton Harbor Charter School Academy's internal control over financial reporting and compliance.

Maney Costeian PC

September 7, 2023

BENTON HARBOR CHARTER SCHOOL ACADEMY MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Benton Harbor Charter School Academy (the Academy) annual financial report presents our discussion and analysis of the Academy's financial performance during the fiscal year ending June 30, 2023. 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 \$195,377 compared to a budgeted increase of \$20,669, which resulted in an ending general fund balance of \$1,272,790 for the year.

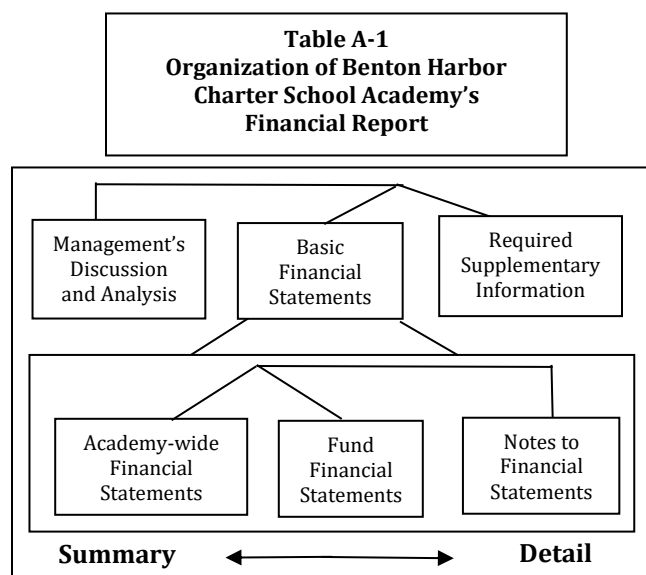
OVERVIEW OF THE FINANCIAL STATEMENTS

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.

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



**BENTON HARBOR CHARTER SCHOOL 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.

BENTON HARBOR CHARTER SCHOOL 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 \$2,231,201 increased by \$359,577 during the year, (see Figures A-3 and A-4).

The total general and program revenues increased by 1.8% to \$6,577,625. State aid foundation allowance included in revenue from state sources accounts for 59.8% of the Academy's general and program revenues in 2023.

The total cost of instruction decreased by 8.3% to \$2,540,554. Total support services increased by 6.9% to \$2,640,424.

**BENTON HARBOR CHARTER SCHOOL ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Figure A-3 Benton Harbor Charter School Academy Net Position		
	2023	2022
Current and other	\$ 2,900,767	\$ 1,812,131
Capital assets	4,458,435	4,436,105
Total assets	7,359,202	6,248,236
Other liabilities	1,626,398	704,682
Noncurrent liabilities	3,501,603	3,671,930
Total liabilities	5,128,001	4,376,612
Net position		
Net investment in capital assets	4,272,308	764,175
Restricted for food service	1,579	30,036
Unrestricted	(2,042,686)	1,077,413
Total net position	<u>\$ 2,231,201</u>	<u>\$ 1,871,624</u>

Figure A-4 Changes in Benton Harbor Charter School Academy's Net Position		
	2023	2022
Revenues		
Program revenues		
Operating grants	\$ 2,553,901	\$ 2,570,846
Charges for services	7,838	-
Total program revenues	2,561,739	2,570,846
General revenues		
State sources - unrestricted	3,933,183	3,797,796
Investment earnings	115	89
Other	82,588	94,504
Total general revenues	4,015,886	3,892,389
Total revenues	6,577,625	6,463,235
Expenses		
Instruction	2,540,554	2,771,127
Support services	2,640,424	2,470,932
Community services	54,425	31,135
Food services	556,898	414,732
Interest and fees	117,418	459,811
Unallocated depreciation/amortization	308,329	199,076
Total expenses	6,218,048	6,346,813
Change in net position	<u>\$ 359,577</u>	<u>\$ 116,422</u>

BENTON HARBOR CHARTER SCHOOL ACADEMY MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Academy's Funds

The financial operation of the Academy is considered stable. The fund balance at June 30, 2023 is \$1,272,790 in the general fund. There was a 0.1% increase in general fund revenue. There was a 7.5% decrease in expenditures for instructional programs and an increase of 15.7% in expenditures for support services.

General Fund Budgetary Highlights

Final Budget vs. Actual

The Academy's final general fund revenues were less than the final budget by \$116,811. The difference is mainly due to unspent federal funding.

The Academy's actual expenditures were less than final budget by \$49,690. The difference is mainly due to less instruction expenditures than expected.

Grant dollars not utilized in fiscal 2023 will be reallocated and recognized as fiscal 2024 activities or beyond, as is applicable and allowable within each funding source.

Original vs. Final Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Directors approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice Benton Harbor Charter School Academy amends its budget periodically as needed during the school year. For fiscal year 2023 the budget was amended prior to June 30, 2023.

Revenues

The Academy's budget for revenues changed as follows during the year.

Total revenues original budget	\$ 6,454,111
Total revenues final budget	<u>6,167,930</u>
Decrease in budgeted revenues	<u><u>\$ (286,181)</u></u>

Expenditures

The Academy's budget for expenditures changed as follows during the year.

Total expenditures original budget	\$ 6,066,205
Total expenditures final budget	<u>5,663,334</u>
Decrease in budgeted expenditures	<u><u>\$ (402,871)</u></u>

**BENTON HARBOR CHARTER SCHOOL ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Asset and Obligation Administration

Capital Assets

As of June 30, 2023, the Academy has invested \$4,458,435 in capital assets consisting primarily of land, buildings and improvements, equipment and furniture net of accumulated depreciation/amortization. This amount represents a net increase in capital assets of \$22,330 from the beginning of the year. More detailed information about capital assets can be found in Note 3 to the financial statements. Total depreciation/amortization expense for the year was \$308,329.

The Academy's capital assets are as follows:

Figure A-5 Benton Harbor Charter School Academy's Capital Assets				
	2023			2022
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value
Building	\$ 4,710,565	\$ 2,027,289	\$ 2,683,276	\$ 2,809,321
Furniture and equipment	121,080	102,892	18,188	25,654
Right to use - leased equipment	238,997	118,584	120,413	34,118
Technology	284,439	147,881	136,558	67,012
Land	1,500,000	-	1,500,000	1,500,000
Total	\$ 6,855,081	\$ 2,396,646	\$ 4,458,435	\$ 4,436,105

Long-Term Obligations

The Academy had \$3,501,603 in long-term obligations outstanding consisting of a capital financing bond, lease obligations, and compensated absences at year end. The Academy continued to pay down its obligations, retiring \$428,941 of long-term obligations during the current year. A summary of long-term debt service activities is as follows:

	2023	2022
Governmental activities		
Capital financing bond	\$ 3,315,476	\$ 3,637,540
Lease obligations	121,629	34,390
Compensated absences	64,498	-
Total long-term obligations	\$ 3,501,603	\$ 3,671,930

See Note 6 to the financial statements.

BENTON HARBOR CHARTER SCHOOL ACADEMY MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

- The Academy adopted a general fund budget for 2023/2024 in which expenditures exceed revenues by \$265,745, anticipating enrollment numbers at a 4% increase over fiscal 2023 and a state aid per pupil funding increase of \$366. Subsequently, the State increased the per pupil funding allowance to \$9,608, or \$458 per student. The academy is projecting enrollment in line with the budgeted 4% increase. Total state aid is now estimated to be increased by approximately \$41,000.
- A one-time purchase of real estate adjacent to the academy was included in the 2023/2024 school budget for \$60,000.
- The academy included \$150,000 for fire alarm improvements in its 2023/2024 budget based on an initial estimate. After changes associated with fire marshal inspections and the competitive bid process the selected bid came in at \$49,000. This \$100,000 reduction in expenses will be picked up on the academy's first budget revision.
- The state aid funding recapture realized in fiscal 2022/2023 has been reduced in fiscal 2023/2024 to 10% of the prior year. A full-time parent liaison was hired in spring 2022 with the goal to address low student attendance, and the Academy is realizing improvement as shown by the reduction in state aid funding recapture year over year. The Academy also continues to dedicate time and resources toward hiring and placing well-qualified staff, which will continue as long as is needed.
- In fiscal 2021 the Academy was awarded \$2,953,581 in federal pandemic relief funding between ESSER II and ESSER III formula fund grants. As of June 30, 2023, 100% of the ESSER II funds have been expended and 37% of ESSER III grant funding has been expended. The remaining funds are to be allocated through September 2024. The Academy continues to prioritize student supports that address learning loss, professional development opportunities to grow and develop highly effective instructional staff, retention and recruitment strategies to help address the Academy's staffing shortages and building updates to improve campus safety & cleanliness.

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 management company, Choice Schools Associates, LLC, at 5251 Clyde Park Avenue SW, Michigan, 49509. Phone (616) 785-8440.

BASIC FINANCIAL STATEMENTS

BENTON HARBOR CHARTER SCHOOL ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,330,097
Accounts receivable	25,845
Intergovernmental receivable	1,272,485
Prepays	272,340
Capital assets not being depreciated	1,500,000
Capital assets, net of accumulated depreciation/amortization	<u>2,958,435</u>
TOTAL ASSETS	<u>7,359,202</u>
LIABILITIES	
Accounts payable	213,982
Intergovernmental payable	427,379
Accrued salaries and related items	266,020
Other accrued expenses	29,064
Unearned revenues	592,132
Note payable	97,821
Noncurrent liabilities	
Due within one year	454,359
Due in more than one year	<u>3,047,244</u>
TOTAL LIABILITIES	<u>5,128,001</u>
NET POSITION	
Net investment in capital assets	4,272,308
Restricted for food service	1,579
Unrestricted	<u>(2,042,686)</u>
TOTAL NET POSITION	<u><u>\$ 2,231,201</u></u>

See notes to financial statements.

BENTON HARBOR CHARTER SCHOOL ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 2,540,554	\$ -	\$ 1,299,172	\$ (1,241,382)
Support services	2,640,424	-	682,926	(1,957,498)
Community service	54,425	-	53,135	(1,290)
Food services	556,898	7,838	518,668	(30,392)
Interest and fees	117,418	-	-	(117,418)
Unallocated depreciation/amortization	308,329	-	-	(308,329)
Total governmental activities	<u>\$ 6,218,048</u>	<u>\$ 7,838</u>	<u>\$ 2,553,901</u>	<u>(3,656,309)</u>
General revenues				
Investment earnings				115
State sources - unrestricted				3,933,183
Local sources				53,994
ISD sources				<u>28,594</u>
Total general revenues				<u>4,015,886</u>
CHANGE IN NET POSITION				359,577
Net position, beginning of year				<u>1,871,624</u>
Net position, end of year				<u>\$ 2,231,201</u>

See notes to financial statements.

BENTON HARBOR CHARTER SCHOOL ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Debt Service Fund	Nonmajor Governmental (Special Revenue) Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,330,097	\$ -	\$ -	\$ 1,330,097
Receivables				
Accounts receivable	25,845	-	-	25,845
Intergovernmental receivable	1,250,225	-	22,260	1,272,485
Due from other funds	19,067	-	-	19,067
Prepays	272,340	-	-	272,340
TOTAL ASSETS	\$ 2,897,574	\$ -	\$ 22,260	\$ 2,919,834
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 640,617	\$ -	\$ 744	\$ 641,361
Accrued salaries and related items	266,020	-	-	266,020
Other accrued expenses	29,064	-	-	29,064
Unearned revenue	591,262	-	870	592,132
Due to other funds	-	-	19,067	19,067
Note payable	97,821	-	-	97,821
TOTAL LIABILITIES	1,624,784	-	20,681	1,645,465

See notes to financial statements.

	General Fund	Debt Service Fund	Nonmajor Governmental (Special Revenue) Fund	Total Governmental Funds
LIABILITIES AND FUND BALANCES (continued)				
FUND BALANCES				
Nonspendable				
Prepays	\$ 272,340	\$ -	\$ -	\$ 272,340
Restricted				
Food service	-	-	1,579	1,579
Assigned for subsequent year expenditures	265,745	-	-	265,745
Unassigned	734,705	-	-	734,705
TOTAL FUND BALANCES	1,272,790	-	1,579	1,274,369
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,897,574	\$ -	\$ 22,260	\$ 2,919,834

Total governmental fund balances

\$ 1,274,369

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	\$ 6,855,081	
Accumulated depreciation/amortization is	(2,396,646)	
		4,458,435

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Direct borrowings and direct placements	(121,629)
General obligation bonds	(3,315,476)
Compensated absences	(64,498)

Net position of governmental activities

\$ 2,231,201

BENTON HARBOR CHARTER SCHOOL ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	General Fund	Debt Service Fund	Nonmajor Governmental (Special Revenue) Fund	Total Governmental Funds
REVENUES				
Local sources				
Food service sales	\$ -	\$ -	\$ 7,838	\$ 7,838
Investment earnings	115	-	-	115
Other	53,994	-	17,938	71,932
Total local sources	54,109	-	25,776	79,885
State sources	4,812,640	-	7,476	4,820,116
Federal sources	1,155,776	-	493,254	1,649,030
Intermediate sources	28,594	-	-	28,594
TOTAL REVENUES	6,051,119	-	526,506	6,577,625
EXPENDITURES				
Instruction				
Basic programs	2,258,243	-	-	2,258,243
Added needs	323,582	-	-	323,582
Total instruction	2,581,825	-	-	2,581,825
Support services				
Pupil	179,008	-	-	179,008
Instructional staff	314,207	-	-	314,207
General administration	708,270	-	-	708,270
School administration	424,824	-	-	424,824
Business	25,788	-	-	25,788
Operation and maintenance	546,321	-	-	546,321

See notes to financial statements.

	General Fund	Debt Service Fund	Nonmajor Governmental (Special Revenue) Fund	Total Governmental Funds
EXPENDITURES (continued)				
Support services (continued)				
Pupil transportation services	\$ 489,441	\$ -	\$ -	\$ 489,441
Central support services	158,524	-	-	158,524
Athletics	17,861	-	-	17,861
Total support services	2,864,244	-	-	2,864,244
Community service	53,135	-	-	53,135
Capital outlay	4,295	-	-	4,295
Food service	-	-	554,963	554,963
Debt service				
Principal retirement	106,877	322,064	-	428,941
Interest and fiscal charges	3,268	114,150	-	117,418
TOTAL EXPENDITURES	5,613,644	436,214	554,963	6,604,821
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	437,475	(436,214)	(28,457)	(27,196)
OTHER FINANCING SOURCES (USES)				
Proceeds from lease	194,116	-	-	194,116
Transfers in	-	436,214	-	436,214
Transfers out	(436,214)	-	-	(436,214)
TOTAL OTHER FINANCING SOURCES (USES)	(242,098)	436,214	-	194,116
NET CHANGE IN FUND BALANCES	195,377	-	(28,457)	166,920
FUND BALANCES				
Beginning of year	1,077,413	-	30,036	1,107,449
End of year	\$ 1,272,790	\$ -	\$ 1,579	\$ 1,274,369

See notes to financial statements.

**BENTON HARBOR CHARTER SCHOOL 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, 2023**

Net change in fund balances total governmental funds **\$ 166,920**

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	(308,329)
Capital outlay	330,659

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated absences, beginning of the year	-
Compensated absences, end of the year	(64,498)

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	(194,116)
Principal retirement	<u>428,941</u>

Change in net position of governmental activities	<u><u>\$ 359,577</u></u>
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BENTON HARBOR CHARTER SCHOOL 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

Benton Harbor Charter School Academy (the "Academy") is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Ferris State University is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school through June 2024. 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 Funds*:

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 *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on certificates of participation.

The Academy reports the following *Nonmajor Governmental Fund*:

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.

BENTON HARBOR CHARTER SCHOOL 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).

**BENTON HARBOR CHARTER SCHOOL 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.

BENTON HARBOR CHARTER SCHOOL 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, 2023. 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.

Investments

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity.

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

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.

BENTON HARBOR CHARTER SCHOOL 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)

Capital Assets (continued)

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	7 - 50
Furniture and equipment	4 - 20
Right to use - leased equipment	5
Technology	3 - 5

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.

BENTON HARBOR CHARTER SCHOOL 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 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.

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.

BENTON HARBOR CHARTER SCHOOL 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)

Leases (continued)

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.

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.

Compensated Absences

The Academy's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

BENTON HARBOR CHARTER SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

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, 2023, \$1,133,502 of the Academy's bank balance of \$1,387,143 was exposed to custodial credit risk because it was not covered by federal depository insurance and was not collateralized.

BENTON HARBOR CHARTER SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CAPITAL ASSETS

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

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000
Capital assets being depreciated/amortized				
Building	4,687,367	23,198	-	4,710,565
Furniture and equipment	169,496	-	48,416	121,080
Right to use - leased equipment	44,881	194,116	-	238,997
Technology	360,229	113,345	189,135	284,439
Total capital assets being depreciated/ amortized	5,261,973	330,659	237,551	5,355,081
Accumulated depreciation/amortization				
Building	1,878,046	149,243	-	2,027,289
Furniture and equipment	143,842	7,466	48,416	102,892
Right to use - leased equipment	10,763	107,821	-	118,584
Technology	293,217	43,799	189,135	147,881
Total accumulated depreciation/ amortization	2,325,868	308,329	237,551	2,396,646
Net depreciable/amortized capital assets	2,936,105	22,330	-	2,958,435
Net governmental capital assets	\$ 4,436,105	\$ 22,330	\$ -	\$ 4,458,435

Depreciation/amortization for the fiscal year ended June 30, 2023 amounted to \$308,329. 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 receivable at June 30, 2023 consist of the following:

State sources	\$ 844,934
Federal sources	209,379
Non-federal payments from ISD	218,172
	<u>\$ 1,272,485</u>

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

**BENTON HARBOR CHARTER SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES (continued)

State aid receivable is shown net of amounts due back to the State of Michigan.

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, 2023, the Academy has issued a state aid anticipation note payable in the amount of \$530,000 which has an interest rate of 3.85% and matures on August 20, 2023. 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, 2023 is as follows:

Balance July 1, 2022	Additions	Payments	Balance June 30, 2023
\$ 96,439	\$ 530,000	\$ 528,618	\$ 97,821

NOTE 6 - LONG-TERM OBLIGATION

The following is a summary of long-term obligation transactions of the Academy for the year ended June 30, 2023.

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Compensated Absences	Total
Balance, July 1, 2022	\$ 3,637,540	\$ 34,390	\$ -	\$ 3,671,930
Additions	-	194,116	64,498	258,614
Repayments	(322,064)	(106,877)	-	(428,941)
Balance, June 30, 2023	3,315,476	121,629	64,498	3,501,603
Less due within one year	332,755	108,705	12,899	454,359
Due in more than one year	\$ 2,982,721	\$ 12,924	\$ 51,599	\$ 3,047,244

BENTON HARBOR CHARTER SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM OBLIGATION (continued)

Long-term obligation currently outstanding is as follows:

General Obligation Bonds

Capital financing bond payable with monthly installments of \$36,351 with interest at 3.27% through March 2032. The bond is secured by the related property. \$ 3,315,476

Notes from Direct Borrowings and Direct Placements

During the 2020 fiscal year, Benton Harbor Charter School Academy entered into a five-year lease agreement as lessee for the use of a copier. Benton Harbor Charter School Academy is required to make monthly principal and interest payments of \$935. The lease has an interest rate of 2%. 23,764

During the 2023 fiscal year, Benton Harbor Charter School Academy entered into a two-year lease agreement as lessee for the use of buses. Benton Harbor Charter School Academy is required to make monthly principal and interest payments of \$8,244. The lease has an interest rate of 2%. 97,865

Total direct borrowings and direct placements 121,629

Obligation for compensated absences 64,498

Total general long-term obligations \$ 3,501,603

The Academy's outstanding notes from direct borrowings and direct placements related to governmental activities of \$121,629 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.

The annual requirements to amortize long-term obligation outstanding as of June 30, 2023, including interest of \$502,995 are as follows:

Year Ending June 30,	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		Compensated Absences	Total
	Principal	Interest	Principal	Interest		
2024	\$ 332,755	\$ 103,458	\$ 108,705	\$ 1,440	\$ -	\$ 546,358
2025	343,801	92,413	11,060	157	-	447,431
2026	355,213	81,000	1,864	5	-	438,082
2027	367,004	69,209	-	-	-	436,213
2028	379,187	57,027	-	-	-	436,214
2029 - 2032	<u>1,537,516</u>	<u>98,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,635,802</u>
	<u>3,315,476</u>	<u>501,393</u>	<u>121,629</u>	<u>1,602</u>	<u>-</u>	<u>3,940,100</u>
Compensated absences	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,498</u>	<u>64,498</u>
	<u><u>\$ 3,315,476</u></u>	<u><u>\$ 501,393</u></u>	<u><u>\$ 121,629</u></u>	<u><u>\$ 1,602</u></u>	<u><u>\$ 64,498</u></u>	<u><u>\$ 4,004,598</u></u>

Interest expense (all funds) for the year ended June 30, 2023 was \$117,418.

**BENTON HARBOR CHARTER SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2023 are as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	
General fund	<u>\$ 19,067</u>	Nonmajor fund	<u>\$ 19,067</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.

NOTE 8 - TRANSFERS

Transfers between the governmental funds were as follows:

<u>Transfers Out</u>		<u>Transfers In</u>	
General fund	<u>\$ 436,214</u>	Debt service fund	<u>\$ 436,214</u>

The transfers to the debt service fund were to pay the debt service principal and interest payments.

NOTE 9 - OVERSIGHT FEES

The Academy pays an administrative oversight fee of 3% of its state school aid discretionary and Proposal A obligation payments to Ferris State University, 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, 2023, the Academy incurred expense of approximately \$119,200 for oversight fees.

NOTE 10 - MANAGEMENT AGREEMENT

The Academy currently has a management agreement with Choice Schools Associates, LLC (Choice Schools) for operations of the Academy through June 2024. Under the terms of the management agreement, Choice Schools' compensation for operating the Academy was approximately \$532,400 for the fiscal year 2023.

NOTE 11 - PURCHASED SERVICES

The Academy leases all employee services from Choice Schools. Salaries, retirement, social security, health insurance, and unemployment taxes are the responsibility of Choice Schools. The amount due to Choice Schools at June 30, 2023 was approximately \$15,000.

BENTON HARBOR CHARTER SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS

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.

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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

BENTON HARBOR CHARTER SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2023, the Academy implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

There was no material impact on the Academy's financial statements after the adoption of GASB Statement No. 96.

REQUIRED SUPPLEMENTARY INFORMATION

**BENTON HARBOR CHARTER SCHOOL ACADEMY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 49,321	\$ 50,350	\$ 54,109	\$ 3,759
State sources	5,038,050	4,664,978	4,812,640	147,662
Federal sources	1,339,042	1,424,008	1,155,776	(268,232)
Incoming transfers and other	27,698	28,594	28,594	-
TOTAL REVENUES	6,454,111	6,167,930	6,051,119	(116,811)
EXPENDITURES				
Instruction				
Basic programs	2,492,082	2,341,325	2,258,243	83,082
Added needs	593,523	348,142	323,582	24,560
Total instruction	3,085,605	2,689,467	2,581,825	107,642
Support services				
Pupil	223,294	175,726	179,008	(3,282)
Instructional staff	444,500	359,921	314,207	45,714
General administration	740,775	706,144	708,270	(2,126)
School administration	420,632	447,856	424,824	23,032
Business	49,650	31,851	25,788	6,063
Operation and maintenance	538,645	598,440	546,321	52,119
Pupil transportation services	378,489	385,802	489,441	(103,639)
Central support services	86,070	162,795	158,524	4,271
Athletics	13,320	20,876	17,861	3,015
Total support services	2,895,375	2,889,411	2,864,244	25,167
Community services	85,225	62,782	53,135	9,647
Capital outlay	-	10,459	4,295	6,164
Debt service				
Principal retirement	-	11,215	106,877	(95,662)
Interest and fiscal charges	-	-	3,268	(3,268)
TOTAL EXPENDITURES	6,066,205	5,663,334	5,613,644	49,690
EXCESS OF REVENUES OVER EXPENDITURES	387,906	504,596	437,475	(67,121)
OTHER FINANCING SOURCES (USES)				
Proceeds from lease	-	-	194,116	194,116
Transfers out	(488,760)	(483,927)	(436,214)	47,713
TOTAL OTHER FINANCING SOURCES (USES)	(488,760)	(483,927)	(242,098)	241,829
NET CHANGE IN FUND BALANCE	\$ (100,854)	\$ 20,669	195,377	\$ 174,708
FUND BALANCE				
Beginning of year			1,077,413	
End of year			<u>\$ 1,272,790</u>	

ADDITIONAL SUPPLEMENTARY INFORMATION

**BENTON HARBOR CHARTER SCHOOL ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2023
<u>U.S. Department of Agriculture</u>								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-cash assistance (donated foods)								
Entitlement Donated Foods	10.555	N/A	\$ 16,285	\$ -	\$ -	\$ 16,288	\$ 16,288	\$ -
Entitlement Donated Foods - Bonus	10.555	N/A	2,368	-	-	2,368	2,368	-
Total non-cash assistance (donated foods)			18,653	-	-	18,656	18,656	-
Cash Assistance								
National School Lunch Program	10.555	220910	28,334	(14,080)	-	28,334	14,254	-
National School Lunch Program	10.555	221960	53,689	-	-	32,569	32,569	-
National School Lunch Program	10.555	211965	61,430	(529)	60,901	-	-	(529)
National School Lunch Program	10.555	230910	8,851	-	-	8,851	8,851	-
National School Lunch Program	10.555	231960	244,625	-	-	244,625	230,174	14,451
Total ALN 10.555			396,929	(14,609)	60,901	314,379	285,848	13,922
School Breakfast Program	10.553	221970	18,402	-	-	18,402	18,402	-
School Breakfast Program	10.553	231970	133,986	-	-	133,986	126,176	7,810
Total ALN 10.553			152,388	-	-	152,388	144,578	7,810
Summer Food Service Program for Children	10.559	220900	8,173	-	-	7,831	8,172	(341)
Total cash assistance			557,490	(14,609)	60,901	474,598	438,598	21,391
Total Child Nutrition Cluster			576,143	(14,609)	60,901	493,254	457,254	21,391
COVID-19 - Pandemic EBT Local Level Costs	10.649	220980	628	-	-	628	628	-
Total U.S. Department of Agriculture			576,771	(14,609)	60,901	493,882	457,882	21,391

The accompanying notes are an integral part of this schedule.

**BENTON HARBOR CHARTER SCHOOL ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2023
<u>U.S. Department of Education</u>								
Passed through Michigan Department of Education								
Title I Grants to Local Educational Agencies	84.010	221530	\$ 393,166	\$ 65,179	\$ 110,566	\$ 78,820	\$ 143,999	\$ -
Title I Grants to Local Educational Agencies	84.010	231530	495,180	-	-	314,988	208,191	106,797
Total ALN 84.010			888,346	65,179	110,566	393,808	352,190	106,797
Title II Grants Supporting Effective Instruction State Grants	84.367	230520	67,440	-	-	5,844	-	5,844
Title IVA Student Support and Academic Enrichment	84.424	230750	42,889	-	-	1,624	-	1,624
Education Stabilization Funds								
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Formula Funds)	84.425D	213712	909,506	206,952	657,481	252,025	428,899	30,078
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Formula Funds)	84.425U	213713	2,044,075	265,636	265,636	495,155	718,016	42,775
Total ALN 84.425 and Education Stabilization Funds			2,953,581	472,588	923,117	747,180	1,146,915	72,853
Total U.S. Department of Education			3,952,256	537,767	1,033,683	1,148,456	1,499,105	187,118
<u>U.S. Department of Health and Human Services</u>								
Passed through Berrien Regional Education Service Agency:								
Medicaid Cluster								
Medical Assistance Program	93.778	N/A	2,629	-	-	2,629	2,629	-
<u>Federal Communications Commission</u>								
Direct program								
Emergency Connectivity Funds	32.009	N/A	192,446	-	-	4,063	4,063	-
TOTAL FEDERAL AWARDS			\$ 4,724,102	\$ 523,158	\$ 1,094,584	\$ 1,649,030	\$ 1,963,679	\$ 208,509
Unearned revenue								870
Intergovernmental receivable								\$ 209,379

The accompanying notes are an integral part of this schedule.

BENTON HARBOR CHARTER SCHOOL 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 Benton Harbor Charter School Academy under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (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 Benton Harbor Charter School Academy, it is not intended to and does not present the financial position or changes in net position of Benton Harbor Charter School 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. Benton Harbor Charter School 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, 2023:

General fund	\$ 1,155,776
Special revenue fund	<u>493,254</u>
	<u><u>\$ 1,649,030</u></u>



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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
Benton Harbor Charter School 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 Benton Harbor Charter School Academy, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Benton Harbor Charter School Academy's basic financial statements, and have issued our report thereon dated September 7, 2023

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Benton Harbor Charter School 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 Benton Harbor Charter School Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Benton Harbor Charter School 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 or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton Harbor Charter School 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Maney Costeiran PC

September 7, 2023



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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
Benton Harbor Charter School Academy

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Benton Harbor Charter School 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 Benton Harbor Charter School Academy's major federal programs for the year ended June 30, 2023. Benton Harbor Charter School 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, Benton Harbor Charter School Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Benton Harbor Charter School 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 Benton Harbor Charter School 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 Benton Harbor Charter School 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 Benton Harbor Charter School 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 Benton Harbor Charter School 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 Benton Harbor Charter School 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 Benton Harbor Charter School 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 Benton Harbor Charter School Academy's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Maney Costeiran PC

September 7, 2023

**BENTON HARBOR CHARTER SCHOOL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section I - Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

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

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

Unmodified

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

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund

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

\$ 750,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Question Costs

None

**BENTON HARBOR CHARTER SCHOOL ACADEMY
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2023**

FINDING 2022-001

Finding Considered a Significant Deficiency

Criteria:

Compliance with the Uniform Budgeting and Accounting Act. MCL (Michigan Compile Laws) 141.436 states, except as otherwise permitted in MCL 388.1702 the local school board shall not adopt a general appropriations act (Budget) or an amendment to that act which causes fund balance to be lower than budgeted.

Condition:

The Academy's budget reflects estimated net increase in fund balance while there was an actual net decrease in fund balance.

Cause:

The primary reason was not properly adjusting budgeted revenues based on actual results.

Effect:

At June 30, 2022, the Academy's final budget anticipated adding \$75,590 to the Academy's fund balance. The actual result has the Academy using up \$201,171 of fund balance. This created a negative budget to actual variance of \$276,761.

Recommendation:

The Academy is developing procedures to review the budget and general ledger monthly and revise the budget accordingly.

Status:

This finding was resolved during FY 23 as the Academy developed a plan of action of increased monitoring and more regular communications as a positive budget to actual variance of \$174,708 occurred at June 30, 2023.



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September 7, 2023

To the Board of Directors
Benton Harbor Charter School Academy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton Harbor Charter School Academy for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *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 Benton Harbor Charter School Academy are described in Note 1 to the financial statements. During fiscal year 2023, the Academy adopted Governmental Accounting Standards Board (GASB) Statement No. 96 *Subscription-based IT Arrangements*. There was no material impact on the Academy's financial statements after the adoption of GASB Statement 96. 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 determination of the estimated life span of the capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

Management's estimate in calculating the liability for employee compensated absences. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

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 September 7, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to 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 Benton Harbor Charter School 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