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### **Supplementary Information**

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, on our consideration of Huron 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 Huron 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 Huron Academy's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Crosby Lanni, PC", is displayed on a black rectangular background.

Croskey Lanni, PC

Rochester, Michigan  
October 28, 2022

# HURON ACADEMY

## STATEMENT OF NET POSITION JUNE 30, 2022

### ASSETS AND DEFERRED OUTFLOWS

#### Current Assets

Cash and cash equivalents	\$ 706,494
Investments - restricted for debt service and capital projects	1,075,084
Due from other governmental units	1,535,217
Prepaid expenses	<u>125,442</u>
Total current assets	3,442,237

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

8,308,318

Total assets and deferred outflows \$ 11,750,555

### LIABILITIES, DEFERRED INFLOWS AND NET POSITION

#### Current Liabilities

Accounts payable	\$ 29,634
Notes payable	72,724
Unearned revenue	492
Other accrued expenses	567,289
Long-term debt - current portion	<u>256,463</u>
Total current liabilities	926,602

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

7,811,947

#### Net Position

Net investment in capital assets	239,908
Restricted	1,511,140
Unrestricted	<u>1,260,958</u>
Total net position	<u>3,012,006</u>
Total liabilities, deferred inflows and net position	<u>\$ 11,750,555</u>

See accompanying notes to financial statements

## HURON ACADEMY

### STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
<b>Functions</b>				
Instruction				
Basic programs	\$ 3,562,920	\$ 124,831	\$ 1,090,039	\$ (2,348,050)
Added needs	811,782	-	811,782	-
Support services				
Pupil support services	160,170	-	160,170	-
Instructional staff support services	21,531	-	1,500	(20,031)
General administration	706,840	-	-	(706,840)
School administration	643,102	-	-	(643,102)
Business support services	9,273	-	-	(9,273)
Operations and maintenance	481,001	-	47,838	(433,163)
Pupil transportation services	355	-	-	(355)
Central support services	73,371	-	-	(73,371)
Other student activities	44,161	55,733	-	11,572
Food services	223,174	2,115	270,516	49,457
Community services	150,941	66,237	25,000	(59,704)
Payments to other school districts	7,329	-	-	(7,329)
Unallocated depreciation / amortization	433,783	-	-	(433,783)
Unallocated interest	513,859	-	-	(513,859)
Total primary government	\$ 7,843,592	\$ 248,916	\$ 2,406,845	(5,187,831)
<b>General Purpose Revenues</b>				
State school aid - unrestricted				5,518,642
Miscellaneous revenues				13,858
Total general purpose revenues				5,532,500
Change in net position				344,669
Net position - July 1, 2021				2,667,337
Net position - June 30, 2022				\$ 3,012,006

See accompanying notes to financial statements



## HURON ACADEMY

### COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2022

#### ASSETS

	General	Debt Service	Capital Projects	Non-Major	Total
Cash and cash equivalents	\$ 655,990	\$ -	\$ -	\$ 50,504	\$ 706,494
Investments	-	907,574	167,510	-	1,075,084
Due from other governmental units	1,535,217	-	-	-	1,535,217
Due from other funds	3,356	-	339,451	49,457	392,264
Prepaid expenses	125,442	-	-	-	125,442
<b>Total assets</b>	<b><u>\$ 2,320,005</u></b>	<b><u>\$ 907,574</u></b>	<b><u>\$ 506,961</u></b>	<b><u>\$ 99,961</u></b>	<b><u>\$ 3,834,501</u></b>

#### LIABILITIES AND FUND BALANCE

##### Liabilities

Accounts payable	\$ 29,634	\$ -	\$ -	\$ -	\$ 29,634
Notes payable	72,724	-	-	-	72,724
Due to other funds	388,908	-	-	3,356	392,264
Unearned revenue	492	-	-	-	492
Other accrued expenses	485,109	-	-	-	485,109
<b>Total liabilities</b>	<b>976,867</b>	<b>-</b>	<b>-</b>	<b>3,356</b>	<b>980,223</b>

##### Fund Balance

Nonspendable	125,442	-	-	-	125,442
Restricted	-	907,574	506,961	96,605	1,511,140
Unassigned	1,217,696	-	-	-	1,217,696
<b>Total fund balance</b>	<b><u>1,343,138</u></b>	<b><u>907,574</u></b>	<b><u>506,961</u></b>	<b><u>96,605</u></b>	<b><u>2,854,278</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 2,320,005</u></b>	<b><u>\$ 907,574</u></b>	<b><u>\$ 506,961</u></b>	<b><u>\$ 99,961</u></b>	<b><u>\$ 3,834,501</u></b>

See accompanying notes to financial statements

## HURON ACADEMY

### RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2022

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

<b>Total Governmental Fund Balances</b>	\$ 2,854,278
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$11,893,220 and the accumulated depreciation / amortization is \$3,584,902.	8,308,318
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(82,180)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(8,068,410)</u>
<b>Net Position of Governmental Activities</b>	<u>\$ 3,012,006</u>

See accompanying notes to financial statements

## HURON ACADEMY

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2022

	General	Debt Service	Capital Projects	Non-Major	Total
<b>Revenues</b>					
Local sources	\$ 204,743	\$ 153	\$ 30	\$ 57,848	\$ 262,774
State sources	5,935,202	-	-	4,603	5,939,805
Federal sources	1,329,307	-	-	265,913	1,595,220
Interdistrict sources	390,462	-	-	-	390,462
Total governmental fund revenues	7,859,714	153	30	328,364	8,188,261
<b>Expenditures</b>					
Instruction					
Basic programs	3,562,920	-	-	-	3,562,920
Added needs	811,782	-	-	-	811,782
Support services					
Pupil support services	160,170	-	-	-	160,170
Instructional staff support services	21,531	-	-	-	21,531
General administration	705,340	-	1,500	-	706,840
School administration	643,102	-	-	-	643,102
Business support services	9,273	-	-	-	9,273
Operations and maintenance	481,001	-	-	-	481,001
Pupil transportation services	355	-	-	-	355
Central support services	44,429	-	28,942	-	73,371
Other student activities	-	-	-	44,161	44,161
Food services	-	-	-	223,174	223,174
Community services	150,941	-	-	-	150,941
Payments to other school districts	7,329	-	-	-	7,329
Capital outlay	80,173	-	-	-	80,173
Debt principal and interest	99,322	646,832	-	-	746,154
Total governmental fund expenditures	6,777,668	646,832	30,442	267,335	7,722,277
Excess (deficiency) of revenues over expenditures	1,082,046	(646,679)	(30,412)	61,029	465,984
<b>Other Financing Sources (Uses)</b>					
Proceeds from leases	47,960	-	-	-	47,960
Operating transfers in	-	648,744	281,769	-	930,513
Operating transfers out	(930,513)	-	-	-	(930,513)
Total other financing sources (uses)	(882,553)	648,744	281,769	-	47,960
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	199,493	2,065	251,357	61,029	513,944
Fund balance - July 1, 2021	1,143,645	905,509	255,604	35,576	2,340,334
Fund balance - June 30, 2022	\$ 1,343,138	\$ 907,574	\$ 506,961	\$ 96,605	\$ 2,854,278

See accompanying notes to financial statements

## HURON ACADEMY

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

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

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>513,944</b>
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Capital outlay	\$	80,173	
Depreciation and amortization expense		<u>(433,783)</u>	(353,610)

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Proceeds from long-term debt	\$	(47,960)	
Repayment of loan principal		236,959	
Interest expense		<u>(4,664)</u>	<u>184,335</u>

<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>344,669</u></b>
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See accompanying notes to financial statements

# HURON ACADEMY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

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

#### **Reporting Entity**

Huron Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, in June 1999, and began operation in July 1999.

In May 1999, the Academy initially entered into a contract with the Ferris State University Board of Trustees to charter a public school academy. The contract has been renewed through the year ending June 30, 2023. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University’s Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws. The Academy pays the Ferris State University Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2022 were approximately \$163,150.

In July 2011, the Academy renewed its agreement with CS Partners, "CSP" which has been renewed through June 2023. Under the terms of this agreement, CSP provides a variety of management services including the support of the Academy’s instructional and operational systems, as well as human resource functions. The Academy is obligated to pay CSP nine percent of its state aid. The total paid for these services amounted to approximately \$498,870 for the year ended June 30, 2022.

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

#### **Fund Financial Statements**

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

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

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2022

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

#### Governmental Funds

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

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

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

**Special Revenue Fund (Student Activities)** – The Academy presently maintains an activity fund to record the transactions of student groups for school and school-related purposes. The student activity fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the student activity fund will be covered by an operating transfer from the general fund.

**Debt Service Fund** - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

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

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

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2022

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

- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

#### Government-Wide Financial Statements

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

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

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

# HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2022

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

### Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

### Receivables

Receivables at June 30, 2022 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2022 and are considered current for the purposes of these financial statements.

### Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

### Capital Assets and Depreciation

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

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

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



# HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2022

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

### Accrued Liabilities and Long-Term Obligations

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

### Net Position

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

### Fund Equity

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

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

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

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

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2022

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

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

#### Leases

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

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

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

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

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

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2022

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

#### Upcoming Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. 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. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

### NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2022 the budget was amended in a legally permissible manner. A comparison of amounts appropriated to actual expenditures is included on page 21 of these financial statements.

### NOTE 3 – DEPOSITS AND INVESTMENTS

As of June 30, 2022, the Academy had the following investments:

<u>Type</u>	<u>S&amp;P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 706,494
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	<u>1,075,084</u>
Total deposits and investments			<u>\$ 1,781,578</u>

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 3 – DEPOSITS AND INVESTMENTS - Continued

The above amounts are reported in the financial statements as follows:

Deposits:

Cash - General Fund	\$ 655,990
Cash - Special Revenue - Student Activities Fund	<u>50,504</u>
Subtotal	706,494

Investments:

Investments - Debt Service Fund	907,574
Investments - Capital Projects Fund	<u>167,510</u>
Subtotal	<u>1,075,084</u>
Total deposits and investments	<u><u>\$ 1,781,578</u></u>

#### Interest Rate Risk

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

#### Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2022, the Academy's investments were rated AAAM by Standards & Poor's and Aaa by Moody's Investors Service.

#### Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Academy's investments are in pooled investment accounts which represent 100% of the Academy's total investments.

## **HURON ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2022

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

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

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2022, \$499,506 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2022.

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

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

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

#### **Foreign Currency Risk**

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

#### **Fair Value**

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

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

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

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

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 1,070,860
Federal sources	<u>464,357</u>
Total	<u><u>\$ 1,535,217</u></u>

### NOTE 5 - CAPITAL ASSETS

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

	<b>As Restated Balance July 1, 2021</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance June 30, 2022</b>
Capital assets subject to depreciation and amortization				
Building	\$ 10,748,341	\$ -	\$ -	\$ 10,748,341
Right to use - copiers	19,554	47,960	19,554	47,960
Right to use - land	333,167	-	-	333,167
Equipment	<u>731,539</u>	<u>32,213</u>	<u>-</u>	<u>763,752</u>
Subtotal	11,832,601	80,173	19,554	11,893,220
Accumulated depreciation / amortization				
Building	2,550,002	343,521	-	2,893,523
Right to use - copiers	-	20,220	19,554	666
Right to use - land	-	66,633	-	66,633
Equipment	<u>620,671</u>	<u>3,409</u>	<u>-</u>	<u>624,080</u>
Subtotal	<u>3,170,673</u>	<u>433,783</u>	<u>19,554</u>	<u>3,584,902</u>
Total net capital assets	<u><u>\$ 8,661,928</u></u>	<u><u>\$ (353,610)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,308,318</u></u>

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

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 6 – NOTES PAYABLE

Notes payable as of June 30, 2022 may be summarized as follows:

#### Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
SAAN 20-21	4.25%	August, 2021	Paid in full
SAAN 21-22	3.75%	August, 2022	Issued to provide funds to Academy to finance school operation; Secured by future state aid payments

#### Loan Activity

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2022</u>
SAAN 20-21	\$ 90,914	\$ -	\$ 90,914	\$ -
SAAN 21-22	-	400,000	327,276	72,724
	<u>\$ 90,914</u>	<u>\$ 400,000</u>	<u>\$ 418,190</u>	<u>\$ 72,724</u>

### NOTE 7 – OTHER ACCRUED EXPENSES

Other accrued expenses may be summarized as follows:

	<u>Net Position</u>	<u>Funds</u>
Purchased services - payroll and benefits	\$ 451,295	\$ 451,295
University oversight fee	33,643	33,643
Interest	82,351	171
Total other accrued expenses	<u>\$ 567,289</u>	<u>\$ 485,109</u>

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2022:

#### Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Direct borrowing - land	4.50%	August, 2025	25 year lease paid monthly. The lease is currently expected to be renewed in 2025.
Direct borrowing - copiers	4.50%	April, 2027	5 year lease paid monthly. The prior copier lease is included and will mature March of 2023.
Revenue Bond	5.00%	November, 2045	Interest payable twice a year, principal payable annually. Secured by facilities and pledge for 20% of state school aid payments.

#### Loan Activity

	<u>As Restated Balance July 1, 2021</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2022</u>	<u>Due Within One Year</u>
Direct borrowing - land	\$ 333,167	\$ -	\$ 74,369	\$ 258,798	\$ 84,111
Direct borrowing - copiers	19,554	47,960	12,590	54,924	17,352
Revenue Bond	<u>7,970,000</u>	<u>-</u>	<u>150,000</u>	<u>7,820,000</u>	<u>155,000</u>
Totals	<u>\$ 8,322,721</u>	<u>\$ 47,960</u>	<u>\$ 236,959</u>	<u>\$ 8,133,722</u>	<u>\$ 256,463</u>
Less unamortized discount				<u>65,312</u>	
				<u>\$ 8,068,410</u>	



## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2022

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

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

	<u>Principal</u>	<u>Interest</u>
2023	\$ 256,463	\$ 501,329
2024	255,545	489,190
2025	269,705	476,531
2026	204,608	464,553
2027	192,401	454,762
2028 - 2032	1,135,000	2,087,006
2033 - 2037	1,525,000	1,681,959
2038 - 2042	2,080,000	1,109,344
2043 - 2046	<u>2,215,000</u>	<u>311,344</u>
Total	<u>\$ 8,133,722</u>	<u>\$ 7,576,018</u>

### NOTE 9 - INTERFUND TRANSFERS

During the normal course of the school year the Academy transferred amounts between its funds as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Transfer In	\$ -	\$ 648,744	\$ 281,769
Transfer Out	930,513	-	-

As stipulated by the Academy's revenue bond agreement as described in Note 8, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion for debt service and returns the remainder to the Academy. The general fund also subsidizes the Special Revenue Funds lunch activities. These above transactions account for the major activity in the Academy's interfund transfer accounts.

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 10 - RISK MANAGEMENT

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

### NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the Academy implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

#### Summary

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The restatement of the beginning of the year balances had no impact on net position. The changes to capital assets and long-term obligations is as follows:

	<u>Capital Assets</u>	<u>Long Term Obligations</u>
Balances as of July 1, 2021, as previously stated	\$ 8,309,207	\$ 7,970,000
Adoption of GASB Statement 87	<u>352,721</u>	<u>352,721</u>
Balances as of July 1, 2021, as restated	<u>\$ 8,661,928</u>	<u>\$ 8,322,721</u>

## SUPPLEMENTARY INFORMATION

## HURON ACADEMY

### REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>				
Local sources	\$ 123,000	\$ 188,870	\$ 204,743	\$ 15,873
State sources	5,450,076	5,904,110	5,935,202	31,092
Federal sources	715,795	1,280,557	1,329,307	48,750
Interdistrict sources	<u>353,479</u>	<u>380,725</u>	<u>390,462</u>	<u>9,737</u>
Total general fund revenues	6,642,350	7,754,262	7,859,714	105,452
<b>Expenditures</b>				
Instruction				
Basic programs	3,164,548	3,397,834	3,562,920	165,086
Added needs	803,807	890,492	811,782	(78,710)
Support services				
Pupil support services	132,293	141,562	160,170	18,608
Instructional staff support services	32,982	22,786	21,531	(1,255)
General administration	643,939	704,552	705,340	788
School administration	500,989	621,995	643,102	21,107
Business support services	13,700	13,700	9,273	(4,427)
Operations and maintenance	511,660	533,396	481,001	(52,395)
Pupil transportation services	-	250	355	105
Central support services	65,250	104,000	44,429	(59,571)
Community services	107,958	163,960	150,941	(13,019)
Payments to other school districts	14,000	-	7,329	7,329
Capital outlay	-	-	80,173	80,173
Debt principal and interest	<u>-</u>	<u>150,000</u>	<u>99,322</u>	<u>(50,678)</u>
Total general fund expenditures	<u>5,991,126</u>	<u>6,744,527</u>	<u>6,777,668</u>	<u>33,141</u>
Excess (deficiency) of revenues over expenditures	651,224	1,009,735	1,082,046	72,311
<b>Other Financing Sources (Uses)</b>				
Proceeds from leases	-	-	47,960	47,960
Operating transfers out	<u>(706,224)</u>	<u>(945,735)</u>	<u>(930,513)</u>	<u>15,222</u>
Total other financing sources (uses)	<u>(706,224)</u>	<u>(945,735)</u>	<u>(882,553)</u>	<u>63,182</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(55,000)	64,000	199,493	135,493
Fund balance - July 1, 2021	<u>1,143,645</u>	<u>1,143,645</u>	<u>1,143,645</u>	<u>-</u>
Fund balance - June 30, 2022	<u>\$ 1,088,645</u>	<u>\$ 1,207,645</u>	<u>\$ 1,343,138</u>	<u>\$ 135,493</u>

# HURON ACADEMY

## COMBINING BALANCE SHEET - NON-MAJOR FUNDS JUNE 30, 2022

### ASSETS

	Special Revenue		Total
	Food Services	Student Activities	
Cash and cash equivalents	\$ -	\$ 50,504	\$ 50,504
Due from other funds	49,457	-	49,457
Total assets	<u>\$ 49,457</u>	<u>\$ 50,504</u>	<u>\$ 99,961</u>

### LIABILITIES AND FUND BALANCE

#### Liabilities

Due to other funds	\$ -	\$ 3,356	3,356
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#### Fund Balance

Restricted	<u>49,457</u>	<u>47,148</u>	<u>96,605</u>
Total liabilities and fund balance	<u>\$ 49,457</u>	<u>\$ 50,504</u>	<u>\$ 99,961</u>

## HURON ACADEMY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – NON-MAJOR FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	Special Revenue		Total
	Food Services	Student Activities	
<b>Revenues</b>			
Local sources	\$ 2,115	\$ 55,733	\$ 57,848
State sources	4,603	-	4,603
Federal sources	265,913	-	265,913
Total governmental fund revenues	272,631	55,733	328,364
<b>Expenditures</b>			
Support services			
Other student activities	-	44,161	44,161
Food services	223,174	-	223,174
Total governmental fund expenditures	223,174	44,161	267,335
Excess (deficiency) of revenues over expenditures	49,457	11,572	61,029
Fund balance - July 1, 2021	-	35,576	35,576
Fund balance - June 30, 2022	\$ 49,457	\$ 47,148	\$ 96,605

## HURON ACADEMY

### SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

#### Local Sources

Other local revenues	\$ 204,743
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#### State Sources

At risk	353,265
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Special education	63,295
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State aid	<u>5,518,642</u>
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Total state sources	5,935,202
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#### Federal Sources

IDEA	116,163
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Title I	223,828
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Title II A	31,908
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Title III	20,901
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Other program revenue	<u>936,507</u>
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Total federal sources	1,329,307
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#### Interdistrict Sources

<u>390,462</u>
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Total general fund revenues	<u>\$ 7,859,714</u>
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## HURON ACADEMY

### SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

#### Basic Programs

Purchased services	\$ 3,364,122
Rentals	7,639
Supplies and materials	174,638
Non-depreciable capital assets	16,115
Other expenditures	<u>406</u>
Total basic programs	3,562,920

#### Added Needs

Purchased services	804,172
Supplies and materials	<u>7,610</u>
Total added needs	811,782

#### Pupil Support Services

Guidance services	54,670
Psychological services	14,708
Speech pathology and audiology	54,191
Social work services	<u>36,601</u>
Total pupil support services	160,170

#### Instructional Staff Support Services

Purchased services	21,531
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#### General Administration

Purchased services	690,220
Other expenditures	<u>15,120</u>
Total general administration	705,340

#### School Administration

Purchased services	622,733
Supplies and materials	<u>20,369</u>
Total school administration	643,102



## HURON ACADEMY

### SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2022

#### **Business Support Services**

Other expenditures	9,273
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#### **Operations and Maintenance**

Purchased services	245,370
Repairs and maintenance	150,425
Rentals	5
Supplies and materials	85,201

Total operations and maintenance	481,001
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#### **Pupil Transportation Services**

Repairs and maintenance	355
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#### **Central Support Services**

Purchased services	36,036
Supplies and materials	8,393

Total central support services	44,429
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#### **Community Services**

Purchased services	150,633
Supplies and materials	308

Total community services	150,941
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#### **Payments to Other School Districts**

7,329
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#### **Capital Outlay**

80,173
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#### **Debt Principal and Interest**

99,322
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Total general fund expenditures	<u>\$ 6,777,668</u>
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