

**Audited Financial Statements**

**Huron Academy**  
Sterling Heights, Michigan

**June 30, 2024**

DRAFT

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# HURON ACADEMY

## STATEMENT OF NET POSITION JUNE 30, 2024

### ASSETS AND DEFERRED OUTFLOWS

#### Current Assets

Cash and cash equivalents	\$ 1,823,867
Investments - restricted for debt service and capital projects	1,191,237
Due from other governmental units	1,814,823
Prepaid expenses	160,680
Total current assets	4,990,607

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

Total assets and deferred outflows	<u>\$ 12,468,548</u>
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### LIABILITIES, DEFERRED INFLOWS AND NET POSITION

#### Current Liabilities

Accounts payable	\$ 20,425
Unearned revenue	228,364
Other accrued expenses	652,564
Long-term debt - current portion	269,704
Total current liabilities	1,171,057

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

7,298,940

#### Net Position

Net investment in capital assets	(90,703)
Restricted	1,806,355
Unrestricted	2,282,899
Total net position	<u>3,998,551</u>
Total liabilities, deferred inflows and net position	<u>\$ 12,468,548</u>

See accompanying notes to financial statements

# HURON ACADEMY

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2024

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenues and</u>
		<u>Services</u>	<u>Grants</u>	<u>Changes in</u>
				<u>Net Position</u>
				<u>Government</u>
				<u>Type</u>
				<u>Activities</u>
<b>Functions</b>				
Instruction				
Basic programs	\$ 3,808,210	\$ -	\$ 649,707	\$ (3,158,503)
Added needs	981,442	-	1,197,612	216,170
Support services				
Pupil support services	189,343	-	36,253	(153,090)
Instructional staff support services	72,374	-	45,114	(27,260)
General administration	230,637	-	-	(230,637)
School administration	705,020	-	-	(705,020)
Business support services	567,957	-	-	(567,957)
Operations and maintenance	552,554	-	-	(552,554)
Pupil transportation services	78	-	-	(78)
Central support services	115,583	-	43,093	(72,490)
Athletic activities	25,009	-	-	(25,009)
Other student activities	63,013	87,227	-	24,214
Food services	470,902	-	404,906	(65,996)
Community services	198,763	-	-	(198,763)
Payments to other school districts	740	-	-	(740)
Unallocated depreciation / amortization	412,801	-	-	(412,801)
Unallocated interest	482,789	-	-	(482,789)
Total primary government	<u>\$ 8,877,215</u>	<u>\$ 87,227</u>	<u>\$ 2,376,685</u>	<u>(6,413,303)</u>
<b>General Purpose Revenues</b>				
State school aid - unrestricted				6,631,248
Miscellaneous revenues				313,434
Total general purpose revenues				<u>6,944,682</u>
Change in net position				531,379
Net position - July 1, 2023				<u>3,467,172</u>
Net position - June 30, 2024				<u>\$ 3,998,551</u>

See accompanying notes to financial statements

## HURON ACADEMY

### COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2024

#### ASSETS

	General	Debt Service	Capital Projects	Non-Major	Total
Cash and cash equivalents	\$ 1,749,006	\$ -	\$ -	\$ 74,861	\$ 1,823,867
Investments	-	986,988	204,249	-	1,191,237
Due from other governmental unit:	1,814,823	-	-	-	1,814,823
Due from other funds	-	-	526,848	13,409	540,257
Prepaid expenses	160,680	-	-	-	160,680
<b>Total assets</b>	<b><u>\$ 3,724,509</u></b>	<b><u>\$ 986,988</u></b>	<b><u>\$ 731,097</u></b>	<b><u>\$ 88,270</u></b>	<b><u>\$ 5,530,864</u></b>

#### LIABILITIES AND FUND BALANCE

##### Liabilities

Accounts payable	\$ 20,425	\$ -	\$ -	\$ -	\$ 20,425
Due to other funds	540,257	-	-	-	540,257
Unearned revenue	228,364	-	-	-	228,364
Other accrued expenses	573,050	-	-	-	573,050
<b>Total liabilities</b>	<b>1,362,096</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,362,096</b>

##### Fund Balance

Nonspendable	160,680	-	-	-	160,680
Restricted	-	986,988	731,097	88,270	1,806,355
Unassigned	2,201,733	-	-	-	2,201,733
<b>Total fund balance</b>	<b><u>2,362,413</u></b>	<b><u>986,988</u></b>	<b><u>731,097</u></b>	<b><u>88,270</u></b>	<b><u>4,168,768</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 3,724,509</u></b>	<b><u>\$ 986,988</u></b>	<b><u>\$ 731,097</u></b>	<b><u>\$ 88,270</u></b>	<b><u>\$ 5,530,864</u></b>

See accompanying notes to financial statements

# HURON ACADEMY

## RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2024

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

<b>Total Governmental Fund Balances</b>	\$ 4,168,768
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 \$4,415,279.	7,477,941
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(79,514)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(7,568,644)</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 3,998,551</u></u>

## HURON ACADEMY

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2024

	General	Debt Service	Capital Projects	Non-Major	Total
<b>Revenues</b>					
Local sources	\$ 257,476	\$ 44,409	\$ 11,549	\$ 87,227	\$ 400,661
State sources	7,234,587	-	-	12,920	7,247,507
Federal sources	986,114	-	-	391,986	1,378,100
Interdistrict sources	384,126	-	-	-	384,126
Total governmental fund revenues	8,862,303	44,409	11,549	492,133	9,410,394
<b>Expenditures</b>					
Instruction					
Basic programs	3,808,210	-	-	-	3,808,210
Added needs	981,442	-	-	-	981,442
Support services					
Pupil support services	189,343	-	-	-	189,343
Instructional staff support services	72,374	-	-	-	72,374
General administration	228,887	-	1,750	-	230,637
School administration	705,020	-	-	-	705,020
Business support services	567,957	-	-	-	567,957
Operations and maintenance	552,554	-	-	-	552,554
Pupil transportation services	78	-	-	-	78
Central support services	73,291	-	42,292	-	115,583
Athletic activities	25,009	-	-	-	25,009
Other student activities	-	-	-	63,013	63,013
Food services	-	-	-	470,902	470,902
Community services	198,763	-	-	-	198,763
Payments to other school districts	740	-	-	-	740
Debt principal and interest	90,545	646,206	-	-	736,751
Total governmental fund expenditure	7,494,213	646,206	44,042	533,915	8,718,376
Excess (deficiency) of revenues over expenditures	1,368,090	(601,797)	(32,493)	(41,782)	692,018
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	-	651,596	1,925	-	653,521
Operating transfers out	(653,521)	-	-	-	(653,521)
Total other financing sources (uses)	(653,521)	651,596	1,925	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	714,569	49,799	(30,568)	(41,782)	692,018
Fund balance - July 1, 2023	1,647,844	937,189	761,665	130,052	3,476,750
Fund balance - June 30, 2024	<u>\$ 2,362,413</u>	<u>\$ 986,988</u>	<u>\$ 731,097</u>	<u>\$ 88,270</u>	<u>\$ 4,168,768</u>

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, 2024

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

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 692,018
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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.

Depreciation and amortization expense	(412,801)
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Revenue is reported in the statement of activities when earned, but not reported in the funds until collected or collectible within 60 days of year end.	(1,800)
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The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal	\$ 255,545	
Interest expense	(1,583)	
	253,962	253,962

<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 531,379</u></b>
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See accompanying notes to financial statements

# HURON ACADEMY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

### **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, 2030. 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, 2024 were approximately \$200,170.

In July 2011, the Academy renewed its agreement with CS Partners, "CSP" which has been renewed through June 2030 and runs coterminous with the authorizer agreement. 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 \$566,710 for the year ended June 30, 2024.

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, 2024

## 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, 2024

### 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.

#### 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

# HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

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

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, 2024 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 2024 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, 2024, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

### Capital Assets and Depreciation

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

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

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

# HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

## 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, 2024

### 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

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

The Academy recognizes a lease/SBITA liability and an intangible right-to-use lease/SBITA asset in the government-wide financial statements.

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

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

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

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

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

#### Estimates

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

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

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

#### Upcoming Accounting Pronouncements

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

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

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

- a. Management's discussion and analysis (MD&A);
  - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
    - 1) Overview of the Financial Statements,
    - 2) Financial Summary,
    - 3) Detailed Analyses,
    - 4) Significant Capital Asset and Long-Term Financing Activity,
    - 5) Currently Known Facts, Decisions, or Conditions;
  - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
  - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;



## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

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

- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
  - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
  - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

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

### 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, 2024 the budget was amended in a legally permissible manner. A comparison of amounts appropriated to actual expenditures is included on page 22 of these financial statements.

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

### NOTE 3 – DEPOSITS AND INVESTMENTS

As of June 30, 2024, 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			\$ 1,823,867
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	<u>1,191,237</u>
Total deposits and investments			<u><u>\$ 3,015,104</u></u>

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

Deposits:			
Cash - General Fund			\$ 1,749,006
Cash - Special Revenue - Student Activities Fund			<u>74,861</u>
Subtotal			1,823,867
Investments:			
Investments - Debt Service Fund			986,988
Investments - Capital Projects Fund			<u>204,249</u>
Subtotal			<u>1,191,237</u>
Total deposits and investments			<u><u>\$ 3,015,104</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.

## **HURON ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2024

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

#### **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, 2024, 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.

#### **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, 2024, \$1,704,947 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2024.

#### **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.

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

### NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

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

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

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

### NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 1,300,773
Federal sources	<u>514,050</u>
Total	<u><u>\$ 1,814,823</u></u>

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

### NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2024</u>
Capital assets subject to depreciation and amortization				
Building	\$ 10,748,341	\$ -	\$ -	\$ 10,748,341
Right to use - copiers	47,960	-	-	47,960
Right to use - land	333,167	-	-	333,167
Equipment	763,752	-	-	763,752
Subtotal	11,893,220	-	-	11,893,220
Accumulated depreciation / amortization				
Building	3,228,002	330,156	-	3,558,158
Right to use - copiers	8,659	7,993	-	16,652
Right to use - land	133,266	66,634	-	199,900
Equipment	632,551	8,018	-	640,569
Subtotal	4,002,478	412,801	-	4,415,279
Total net capital assets	<u>\$ 7,890,742</u>	<u>\$ (412,801)</u>	<u>\$ -</u>	<u>\$ 7,477,941</u>

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

### NOTE 6 – NOTES PAYABLE

Notes payable as of June 30, 2024 may be summarized as follows:

<u>Loan Information</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Other</u>
SAAN 22-23	4.33%	August, 2023	Paid in full

**HURON ACADEMY**

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

**NOTE 6 – NOTES PAYABLE - Continued**

**Loan Activity**

	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2024</u>
SAAN 22-23	\$ 36,362	\$ -	\$ 36,362	\$ -

**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	\$ 480,201	\$ 480,201
University oversight fee	49,492	49,492
Interest	79,514	-
Other	43,357	43,357
Total other accrued expenses	<u>\$ 652,564</u>	<u>\$ 573,050</u>

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

### NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

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

#### 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.
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>Balance July 1, 2023</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2024</u>	<u>Due Within One Year</u>
Direct borrowing - land	\$ 181,013	\$ -	\$ 81,359	\$ 99,654	\$ 85,096
Direct borrowing - copiers	37,572	-	9,186	28,386	9,608
Revenue bond	7,665,000	-	165,000	7,500,000	175,000
Totals	<u>\$ 7,883,585</u>	<u>\$ -</u>	<u>\$ 255,545</u>	<u>\$ 7,628,040</u>	<u>\$ 269,704</u>
Less unamortized discount				59,396	
				<u>\$ 7,568,644</u>	

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>
2025	\$ 269,704	\$ 476,531
2026	204,608	464,553
2027	198,728	454,762
2028	200,000	443,831
2029	215,000	431,381
2030 - 2032	1,275,000	1,941,872
2035 - 2039	1,725,000	1,475,597
2040 - 2044	2,360,000	815,972
2045 - 2046	1,180,000	81,000
Total	<u>\$ 7,628,040</u>	<u>\$ 6,585,499</u>

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

### 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	\$ -	\$ 651,596	\$ 1,925
Transfer Out	653,521	-	-

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.

### 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.



**SUPPLEMENTARY INFORMATION**

**DRAFT**

## HURON ACADEMY

### REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2024

	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Local sources	\$ 196,000	\$ 205,800	\$ 257,476	\$ 51,676
State sources	6,564,514	7,320,613	7,234,587	(86,026)
Federal sources	1,458,080	1,248,512	986,114	(262,398)
Interdistrict sources	401,432	377,578	384,126	6,548
Total general fund revenues	8,620,026	9,152,503	8,862,303	(290,200)
<b>Expenditures</b>				
Instruction				
Basic programs	4,143,620	3,864,396	3,808,210	(56,186)
Added needs	969,900	1,053,729	981,442	(72,287)
Support services				
Pupil support services	168,616	230,171	189,343	(40,828)
Instructional staff support services	32,934	72,453	72,374	(79)
General administration	772,115	812,989	228,887	(584,102)
School administration	701,190	720,476	705,020	(15,456)
Business support services	13,700	10,800	567,957	557,157
Operations and maintenance	593,670	576,291	552,554	(23,737)
Pupil transportation services	450	453	78	(375)
Central support services	61,000	106,997	73,291	(33,706)
Athletic activities	17,601	18,300	25,009	6,709
Community services	187,874	218,660	198,763	(19,897)
Payments to other school districts	-	-	740	740
Debt principal and interest	-	-	90,545	90,545
Total general fund expenditures	7,662,670	7,685,715	7,494,213	(191,502)
Excess (deficiency) of revenues over expenditures	957,356	1,466,788	1,368,090	(98,698)
<b>Other Financing Sources (Uses)</b>				
Operating transfers out	(943,354)	(1,044,354)	(653,521)	390,833
Total other financing sources (uses)	(943,354)	(1,044,354)	(653,521)	390,833
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	14,002	422,434	714,569	292,135
Fund balance - July 1, 2023	1,647,844	1,647,844	1,647,844	-
Fund balance - June 30, 2024	\$ 1,661,846	\$ 2,070,278	\$ 2,362,413	\$ 292,135

**HURON ACADEMY**

COMBINING BALANCE SHEET - NON-MAJOR FUNDS  
JUNE 30, 2024

	<b>ASSETS</b>		
	<b>Special Revenue</b>		<b>Total</b>
	<b>Food Services</b>	<b>Student Activities</b>	
Cash and cash equivalents	\$ -	\$ 74,861	\$ 74,861
Due from other funds	13,225	184	13,409
<b>Total assets</b>	<b>\$ 13,225</b>	<b>\$ 75,045</b>	<b>\$ 88,270</b>

**LIABILITIES AND FUND BALANCE**

<b>Fund Balance</b>			
Restricted	13,225	75,045	88,270
<b>Total liabilities and fund balance</b>	<b>\$ 13,225</b>	<b>\$ 75,045</b>	<b>\$ 88,270</b>

## HURON ACADEMY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – NON-MAJOR FUNDS  
FOR THE YEAR ENDED JUNE 30, 2024

	<b>Special Revenue</b>		<b>Total</b>
	<b>Food Services</b>	<b>Student Activities</b>	
<b>Revenues</b>			
Local sources	\$ -	\$ 87,227	\$ 87,227
State sources	12,920	-	12,920
Federal sources	391,986	-	391,986
<b>Total governmental fund revenues</b>	<b>404,906</b>	<b>87,227</b>	<b>492,133</b>
<b>Expenditures</b>			
Support services			
Other student activities	-	63,013	63,013
Food services	470,902	-	470,902
<b>Total governmental fund expenditures</b>	<b>470,902</b>	<b>63,013</b>	<b>533,915</b>
Excess (deficiency) of revenues over expenditures	(65,996)	24,214	(41,782)
Fund balance - July 1, 2023	79,221	50,831	130,052
Fund balance - June 30, 2024	\$ 13,225	\$ 75,045	\$ 88,270

# HURON ACADEMY

## SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2024

### Local Sources

Other local revenues	\$ 257,476
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### State Sources

At risk	497,626
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Special education	105,713
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State aid	<u>6,631,248</u>
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Total state sources	7,234,587
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### Federal Sources

IDEA	44,343
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Title I	226,285
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Title II A	26,358
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Title III	24,478
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Other program revenue	<u>664,650</u>
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Total federal sources	986,114
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### Interdistrict Sources

	<u>384,126</u>
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Total general fund revenues	<u>\$ 8,862,303</u>
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# HURON ACADEMY

## SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2024

### Basic Programs

Purchased services	\$ 3,735,171
Rentals	9,093
Supplies and materials	57,384
Non-depreciable capital assets	3,166
Other expenditures	3,396
	<hr/>
Total basic programs	3,808,210

### Added Needs

Purchased services	967,246
Supplies and materials	14,196
	<hr/>
Total added needs	981,442

### Pupil Support Services

Guidance services	70,300
Health services	13,622
Psychological services	7,956
Speech pathology and audiology	61,045
Social work services	36,420
	<hr/>
Total pupil support services	189,343

### Instructional Staff Support Services

Purchased services	72,374
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### General Administration

Purchased services	211,610
Other expenditures	17,277
	<hr/>
Total general administration	228,887

### School Administration

Purchased services	684,744
Supplies and materials	14,944
Other expenditures	5,332
	<hr/>
Total school administration	705,020

# HURON ACADEMY

## SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2024

### Business Support Services

Purchased services	566,712
Other expenditures	1,245
	<hr/>
Total business support services	567,957

### Operations and Maintenance

Purchased services	293,324
Repairs and maintenance	106,694
Rentals	6,480
Supplies and materials	73,456
Non-depreciable capital assets	72,600
	<hr/>
Total operations and maintenance	552,554

### Pupil Transportation Services

Other expenditures	78
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### Central Support Services

Purchased services	21,992
Supplies and materials	51,299
	<hr/>
Total central support services	73,291

### Athletic Activities

Purchased services	25,009
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### Community Services

Purchased services	197,643
Supplies and materials	1,120
	<hr/>
Total community services	198,763

### Payments to Other School Districts

740

### Debt Principal and Interest

90,545

Total general fund expenditures	<hr/> <hr/>
	\$ 7,494,213