

**CHARLTON HESTON
ACADEMY**

**Financial Report
with Supplemental Information
June 30, 2018**

CHARLTON HESTON ACADEMY

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Independent Auditor's Report

To the Board of Directors of
Charlton Heston Academy

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining information of Charlton Heston Academy, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Members: A.I.C.P.A. and M.I.C.P.A.

To the Board of Directors
Charlton Heston Academy

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Charlton Heston Academy as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charlton Heston Academy's basic financial statements. The nonmajor funds combining statement of revenues, expenditures, and changes in fund balances – special revenue funds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The nonmajor funds combining statement of revenues, expenditures, and changes in fund balances, statement of revenue and expenditures – budget and actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 nonmajor funds combining statement of revenues, expenditures, and changes in fund balances, statement of revenue and expenditures – budget and actual are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors
Charlton Heston Academy

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2018, on our consideration of Charlton Heston Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charlton Heston Academy's internal control over financial reporting and compliance.

Wilkinson & Associates PC

October 24, 2018

This section of Charlton Heston Academy (the Academy) annual financial report presents discussion and analysis of the Universal Academy's Financial Performance during the year ended June 30, 2018. It should be read in conjunction with the Academy's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Charlton Heston Academy financially as a whole. The government-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Academy's operation in more detail than the government-wide financial statements by providing information about the Academy's most significant fund – the General Fund – with all other presented in one column as non-major funds. The components of the annual report are as follows:

Management's Discussion and Analysis (MD&A)
(Required Supplementary Information)

Basic Financial Statements

Government – wide Financial Statements - Fund Financial Statements
Notes to the Basic Financial Statements
(Required Supplementary Information)
Budgetary Information for Major Fund
Other Supplementary Information

Reporting the Academy as a Whole – Government – wide Financial Statements

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Academy's net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the Academy's financial position. Over time, increases or decrease in the Academy's net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating.

The relationship between revenues and expenses is the Academy’s operating results. However, the Academy’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the school, to assess the overhaul health of the Academy.

The statement of net assets and the statement of activities report the governmental activities for the Academy, which encompass all of the Academy’s services, including instruction, support services, food services, and athletics. Unrestricted state aid (foundation allowance revenue) and state and federal grants finance most of these activities.

Reporting the Academy’s Governmental Fund – Fund Financial Statements

The Academy’s fund financial statements provide detailed information about the General Fund – not the Academy as a whole. The government funds of the Academy use the following accounting approach:

Governmental Funds – All of the Academy’s services are reported in the governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of operations of the Academy and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy’s programs. We describe the relationship (or difference) between governmental activities (reported in the statement of net assets and the statement of activities) and the governmental fund reconciliations.

The School District as a Whole

As discussed above, the Statement of Net Assets provides information of the Academy as a whole. Table 1 provides a summary of Charlton Heston Academy's net assets as of June 30, 2018:

Table 1-Summary of Charlton Heston Academy's Net Assets

<u>Assets</u>	Governmental <u>Activities</u>
Current and other Assets	<u>2018</u> \$ 1,548.4
Capital Assets – Net of Accumulated Depreciation	\$ <u>5,378.7</u>
Total Assets	\$ <u>6,927.1</u>

<u>Liabilities</u>	
Current Liabilities	\$1,642.7
Long-Term Liabilities	<u>\$4,392.9</u>
Total Liabilities	<u>\$6,035.6</u>

<u>Net Assets</u>	
Invested in capital assets	\$ 3.9
Unrestricted	<u>\$ 887.6</u>
Total Net Assets	<u>\$ 891.5</u>

Net Assets – The Academy’s financial position was stable during the current year, with the total net assets of approximately \$891,482.

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table 2) of the academy’s governmental activities is discussed below. The Academy’s net assets were approximately \$891,482 at June 30, 2018. Capital assets, recorded at historical cost, net of depreciation and related debt, totaled approximately \$5,378,685. Debt was used to finance the acquisition of those assets. The remaining amount of net assets, approximately 3,936 was unrestricted.

The approximately \$887,546 in unrestricted net assets of governmental activities represents the accumulated results of all past years’ operations. The unrestricted net assets balance enables the Academy to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year’s operations for the Academy as a whole are reported in the statement of activities (see Table 2), which shows the change in net assets for fiscal ended June 30, 2018.

Table 2 – Summary of the Statement of Activities

	Governmental Activities 2018 (in thousands) <u>Amount</u>
<u>Revenues</u>	
Program Revenues:	
Charges for Services	\$ 0.0
Operating Grants and Contributions	\$ 1,034.1

General Revenues:

State foundation allowance	\$ 5,504.3
Other	<u>\$ 24.0</u>
Total Revenues	<u>\$ 5,528.3</u>
Function/Program Expenses:	
Instruction and instructional staff services	\$ 2,630.9
Support Services	\$ 2,670.4
Athletics	\$ 72.1
Food Services	\$ 621.2
Capital Projects	\$ 665.3
Interest on long -term debt	\$ 264.9
Depreciation	<u>\$ 196.7</u>
Total Expenses	<u>\$ 6,898.1</u>
Increase (Decrease) in Net Assets	<u>\$ (335.6)</u>

Increase in Net Assets

As reported in the statement of activities, the cost of all of our governmental activities this year was approximately \$7,003,133. Certain activities were partially funded from those who benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions of approximately \$1,034,164. We paid for the remaining “public benefit” portion of our governmental activities with approximately \$5,504,295 in state foundation allowance and with our other revenues.

As discussed above, the net cost shows the financial burden that was placed on the Academy by each of these functions. Since unrestricted state aid constitutes the vast majority of Academy operating revenue sources, the board of directors and administration must annually evaluate the needs of the Academy and balanced those needs with state-prescribed available unrestricted resources.

The Academy’s Funds

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources the State and others provide to it and may provide insight into the Academy’s overall financial health.

As the Academy completed this year, the governmental funds reported a combined fund balance of approximately \$887,546.

The General Fund is available to fund costs related to school operations.

Our Special Revenue Funds were stable in that they maintain comparable fund balances. Excess expenditures over revenue are funded through a fund balance transfer from the General Fund. Food service, athletics admissions, and fund-raising revenue are not sufficient to completely support these programs.

General Fund Budgetary Highlights:

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget to be amended to ensure that expenditure do not exceed appropriations. The final amendment to the budget was actually adopted just before year end. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements.

There were revisions made to the 2017-2018 General Fund original budgets. Budgeted revenues increased approximately \$28,438 due mainly to more federal programs being utilized in the fiscal year. The federal and state programs are expensed and then claimed for reimbursement.

Overall budgeted expenditures decreased approximately \$59,693, mainly in transportation expenses. Variances were caused by reductions in bus fleet payments and fuel costs.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2018, the Academy had approximately \$3,936 invested in net capital assets, including leasehold improvements, furniture, and equipment.

	<u>2018</u>
Building and building improvements	\$ 5,258.2
Computers, machines, and equipment	\$ 32.3
Furniture and equipment	<u>\$ 88.2</u>
Total Capital Assets	<u>\$5,378.7</u>

Debt

Debt includes capital improvement bond obligations of approximately \$2,647,803 and contingent long-term liabilities. On September 2014 the Academy entered into a bond with Robert and Nancy Griffin. The Academy continues to present this obligation as a long-term liability based on the intent and ability to pay debt off during the life of the loan. In December 2015, the Academy entered into a capital improvement bond with Mercantile Bank for \$2,291,447. The academy had monthly drawdowns to match expenditures. As of June 30, 2017, the academy had drawn down the full \$2,291,447 capital improvement bond. The initial \$288,315 was used to refinance the existing mortgage obligation with Mercantile Bank. In July 2017, the academy entered into a bond with Robert and Nancy Griffin for \$1,000,000. In April 2017, the academy entered into its third capital improvement bond with Robert and Nancy Griffin for \$1,300,000. The bond obligations are presented as long-term liabilities based on the intent and ability to pay the debt off during the life of the loans. The academy anticipates refinancing all the capital improvement bonds into one loan in the future.

Economic Factors and Next Year's Budget

One of the most important factors affecting the budget is our student count. The state foundation allowance is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2019 fiscal year is 90 percent of the October 2018 and 10 percent of February 2018 student counts. The original 2019 budget was adopted in June 2018 based on the estimate of 650 students to be enrolled in September 2018. Based on early enrollment data at the start of the 2018-2019 school year, we anticipate that the fall student count will exceed our estimates. Once the final student count and related per pupil funding is validated, state law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations.

Since the Academy's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to academies. The State periodically holds a revenue-estimating conference to estimate revenues. If the State estimates that funds are not sufficient to fund the appropriation, the legislature must revise the appropriation and prorating of state aid will occur. The impact on the Academy of a possible State projected revenue shortfall is not known.

**CHARLTON HESTON ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 359,015
Receivables	1,154,271
Prepaid expenses	27,210
Deposits	7,956
Capital assets - Net	<u>5,378,685</u>
Total assets	6,927,137
Liabilities	
Accounts payable	75,665
Accrued payroll and related liabilities	123,553
State aid note payable	461,688
Deferred revenue	-
Noncurrent liabilities	
Due within one year	981,829
Due in more than one year	<u>4,392,920</u>
Total liabilities	6,035,655
Net Assets	
Invested in capital assets - Net of related debt	3,936
Unrestricted	<u>887,546</u>
Total net assets	<u><u>\$ 891,482</u></u>

The Notes to Financial Statements are an Integral Part of this Statement.

**CHARLTON HESTON ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u>
Functions/Programs				
Primary government - Governmental activities:				
Instruction	\$ 2,630,925	\$ -	\$ 387,149	\$ (2,243,777)
Support services	2,572,165	-	-	(2,572,165)
Athletics	72,085	-	-	(72,085)
Food services	621,166	-	647,015	25,848
Capital projects	540,155	-	-	(540,155)
Interest	264,911	-	-	(264,911)
Depreciation expense (unallocated)	196,703	-	-	(196,703)
Total governmental activities	<u>\$ 6,898,110</u>	<u>\$ -</u>	<u>\$ 1,034,164</u>	(5,863,947)
General revenues				
State aid				5,504,295
Other				24,018
				<u>5,528,313</u>
Change in Net Assets				(335,634)
Prior period adjustment				-
Net Assets - Beginning of year				<u>1,227,116</u>
Net Assets - End of year				<u>\$ 891,482</u>

The Notes to Financial Statements are an Integral Part of this Statement.

**CHARLTON HESTON ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

ASSETS

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and investments	\$ 195,089	\$ 163,926	\$ 359,015
Receivables	-	-	-
Due from other governmental units	1,152,631	1,641	1,154,271
Deposits	7,956	-	7,956
Prepaid expenses	27,210	-	27,210
Total assets	\$ 1,382,885	\$ 165,566	\$ 1,548,452

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable	57,889	17,776	75,665
Accrued payroll and benefits	121,071	2,482	123,553
Deferred revenue	-	-	-
State aid note payable	461,688	-	461,688
Total liabilities	640,648	20,258	660,906

Fund Balances - reported in

General Fund - Restricted	35,166	-	35,166
General Fund - Unassigned	707,072		707,072
Special Revenue Funds	-	145,308	145,308

Total fund balances	742,238	145,308	887,546
Total liabilities and fund balances	\$ 1,382,885	\$ 165,566	\$ 1,548,452

**CHARLTON HESTON ACADEMY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2018**

Total Fund Balances - Governmental Funds	\$	887,546
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, not reported as assets in governmental funds</p>		
Cost of capital assets	\$ 5,947,577	
Accumulated depreciation	<u>(568,892)</u>	<u>5,378,685</u>
<p>Long-term liabilities not due and payable in the current period and, therefore are not reported as liabilities in the governmental funds:</p>		
Mortgage note payable		
Capital Improvement bonds	<u>5,374,749</u>	<u>(5,374,749)</u>
Total Net Assets - Governmental Activities	\$	<u><u>891,482</u></u>

The Notes to Financial Statements are an Integral Part of this Statement.

CHARLTON HESTON ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Local sources	\$ 24,018	\$ -	\$ -	\$ 24,018
State sources	5,493,080	-	11,215	5,504,295
Federal sources	387,149	-	647,015	1,034,164
Total revenues	5,904,247	-	658,230	6,562,477
Expenditures				
Current:				
Instruction	2,630,925	-	-	2,630,925
Support services	2,670,413	-	-	2,670,413
Athletics	72,085	-	-	72,085
Food services	-	-	621,166	621,166
Capital Projects	-	665,352	-	665,352
Debt service:				
Principal	78,280	-	-	78,280
Interest	264,911	-	-	264,911
Total expenditures	5,716,614	665,352	621,166	7,003,133
Excess (Deficiency) of Revenues Over Expenditures	187,633	(665,352)	37,063	(440,656)
Other Financing Sources (Uses)				
Transfers in (out)	(90,651)	125,198	(34,547)	-
Total other financing sources (uses)	(90,651)	125,198	(34,547)	-
Net Change in Fund Balances	96,982	(540,155)	2,517	(440,656)
Fund Balances - Beginning of year	645,256	544,621	138,325	1,328,202
Fund Balances - End of year	\$ 742,238	\$ 4,466	\$ 140,842	\$ 887,546

The Notes to Financial Statements are an Integral Part of this Statement.

**CHARLTON HESTON ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Total Net Change in Fund Balances - Governmental Funds \$ (440,656)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period:

Depreciation expense	(196,703)	
Capital outlay	223,446	26,743
		0
Prior period adjustment		
Repayment of capital lease principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		78,280
		78,280
Change in Net Assets of Governmental Activities		\$ (335,634)
		\$ (335,634)

The Notes to Financial Statements are an Integral Part of this Statement.

**CHARLTON HESTON ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Charlton Heston Academy (the “Academy”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Academy:

Reporting Entity

The Academy was formed as a charter 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 was established on April 27, 2012 as a public school academy. The Academy is located in rural northern Michigan area providing education for approximately 640 students in grades pre-k through 12.

On April 27, 2012, the Academy entered into a five-year contract with the Lake Superior State University Board of Trustees to charter a public school academy. 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 Lake Superior State University 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 Lake Superior State University Board of Trustees 3 percent of State Aid as administrative fees. The total administrative fees for the year ended June 30, 2018 to the Lake Superior State University Board of Trustees were approximately \$155,670.

Administrative Services – Charlton Heston Academy has entered into a management agreement with MM1, Inc. through June 30, 2018. Under the terms of the management agreement, MM1, Inc. provides all the required employee management services for the Academy. Management fees for the year ended June 30, 2018 was approximately \$103,934.

CHARLTON HESTON ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributors; and (3) capital grants and contributors. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all unrestricted state and federal aid.

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Academy.

The Academy reports the following major governmental fund:

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

CHARLTON HESTON ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the Academy reports the following fund type:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes.

The Special Revenue Funds are used to segregate, for administrative purposes, the transactions of particular activities from regular revenue and expenditure accounts. The Special Revenue Funds maintained by the Academy account for food service and capital projects fund.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of twelve months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

Accounts receivable are shown net of allowance for uncollectible amounts. Management determines the allowance based on a specific review of items where collectibility is questionable.

Capital Assets – Capital assets, which include building improvements, furniture, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have infrastructure-type assets.

CHARLTON HESTON ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Building, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building additions	7 to 50 years
Machines and equipment	10 to 20 years
Computers and software	5 years
Furniture and other equipment	20 years

MPSERS Liability – The Academy contracts with an outside company to provide staffing personnel during the year. Consequently, these staffing costs are treated as purchased services in these financial statements. The Academy does not have an obligation to fund the Michigan Public School Employees’ Retirement System (MPSERS) for the year 2018. There are no values to report for 2018.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

In the fund financial statements, governmental fund types recognize obligations in the period the obligations mature.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data – Comparative data is not included in the Academy’s financial statements.

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

CHARLTON HESTON ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The Academy increased budgeted amounts during the year in response to changes in enrollment and related revenues and expenditures.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, the Academy did incur expenditures in the General Fund in excess of the amounts budgeted.

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan; the Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy's deposits are in accordance with statutory authority.

The Academy has designated one bank for the deposit of its funds.

The Academy's cash and investments are subject to several types of risks, which are examined in more detail below:

CHARLTON HESTON ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Academy’s deposits may not be returned to it. The Academy’s investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the Academy’s deposits for custodial credit risk. At year end, the Academy’s deposit balance of \$199,556 of which \$0 bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Academy evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments – Custodial credit risk of investments 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 does not have an investment policy for custodial credit risk. The Academy does not have investments with custodial risk.

Interest Rate Risk – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Academy’s investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The Academy does not have a policy for interest rate risk.

Credit Risk – State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Academy’s investment policy does not further limit its investment choices.

At year end, the Academy had no investments.

Concentration of Credit Risk – The Academy places no limit on the amount the Academy may invest in any one issuer. The Academy does not have a policy to minimize concentration of credit risk.

Foreign Currency Risk – Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the Academy’s policy prohibit investment in foreign currency.

**CHARLTON HESTON ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 – RECEIVABLES AND DEFERRED REVENUE

Receivables as of year end for the Academy’s individual major funds and the non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Nonmajor Governmental Funds	Total
Receivables - Intergovernmental	\$ 1,152,631	\$ 1,641	\$ 1,154,272

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the academy did not have deferred revenue.

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the Academy’s governmental activities was as follows:

	Balance July 1, 2017	Additions/ Transfers	Disposals/ Transfers	Balance June 30, 2018
Governmental Activities				
Capital assets being depreciated:				
Building	270,000	-	-	270,000
Building improvements	5,343,855	125,198	-	5,469,053
Computers and software	71,787	35,601	-	107,388
Furniture and equipment	38,489	62,647	-	101,136
Subtotal	5,724,131	223,446	-	5,947,577

CHARLTON HESTON ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - CAPITAL ASSETS (Continued)

Building	27,000	5,400	-	32,400
Building improvements	272,718	175,767	-	448,485
Computers and software	64,761	10,308	-	75,069
Furniture and equipment	<u>7,710</u>	<u>5,228</u>	-	<u>12,938</u>
Subtotal	372,189	196,703	-	568,892
Net capital assets being depreciated	<u>\$ 5,351,942</u>	<u>\$ 26,743</u>	<u>\$ -</u>	<u>\$ 5,378,685</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 - LONG-TERM DEBT

The Academy issues notes, capital leases, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. Notes and installment purchase agreements are also general obligations of the Academy.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Mortgage obligation	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Improvement obligation	<u>5,453,029</u>	<u>-</u>	<u>78,280</u>	<u>5,374,749</u>	<u>981,829</u>
Total governmental activities	<u>\$ 5,453,029</u>	<u>\$ -</u>	<u>\$ 78,280</u>	<u>\$ 5,374,749</u>	<u>\$ 981,829</u>

CHARLTON HESTON ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 - LONG-TERM DEBT (Continued)

Mortgage Obligation – The Academy did not have a mortgage obligation this fiscal year.

Capital Improvement Bond Obligation - The Academy has four capital improvement bond obligations. The first capital improvement bond obligation is with Robert and Nancy Griffin. The obligation is for \$900,000. The payable monthly interest installment is approximately \$5,250. The effective interest rate is equal to 7%. During the year ended June 30, 2018, the Academy paid its scheduled interest payments totaling \$63,000. The note matures on September 1, 2018.

The second capital improvement bond is with Robert and Nancy Griffin. The obligation is \$1,000,000 with an interest rate of 5%. The monthly interest payment is \$4,167. During the year ended June 30, 2018, the Academy paid its scheduled interest payments totaling \$50,004. The note matures on January 28, 2021.

The third capital improvement bond is with Robert and Nancy Griffin. The obligation is \$1,300,000 with an interest rate of 5%. The monthly interest payment is \$5,417. During the year ended June 30, 2018, the Academy paid its scheduled interest payments totaling \$65,004. The note matures on January 20, 2021.

The Academy's fourth capital improvement bond obligation is with Mercantile Bank. The capital improvement bond obligation is for \$2,291,447, in which the Academy completes drawdowns monthly for the construction and improvement of the new facility. The Academy refinanced the initial mortgage obligation from 2012 with the fourth capital improvement bond, which \$288,315 was used in the refinancing of the initial mortgage obligation in December 2015. The academy has drawn down the full \$2,291,447 bond as of April 30, 2017. Interest paid during the year end June 30, 2018, was \$86,903. Principal paid was \$78,280.

NOTE 8 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The risk of employee injuries and

CHARLTON HESTON ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

medical benefits for employees of the management company are covered by insurance held by the management company. The Academy has purchased commercial insurance for all other claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inception.

NOTE 9 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 24, 2018 which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

REQUIRED SUPPLEMENTAL INFORMATION

CHARLTON HESTON ACADEMY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Over/(Under)
	Original	Final		Final Budget
Revenues				
Local sources	\$ 15,075	\$ 24,033	\$ 24,018	\$ (15)
State sources	5,265,846	5,486,784	5,493,080	6,296
Federal sources	388,574	364,992	387,149	22,157
Total revenues	5,669,495	5,875,809	5,904,247	28,438
Expenditures				
Instruction				
Basic program	2,095,689	2,235,979	2,217,649	(18,330)
Added needs	485,150	411,263	413,277	2,014
Total instruction	2,580,839	2,647,242	2,630,925	(16,317)
Support services				
Pupil	86,200	67,038	65,029	(2,009)
Instructional staff	139,960	155,871	149,146	(6,725)
General administration	393,656	395,664	394,356	(1,308)
School administration	500,453	571,269	572,534	1,265
Business	12,715	13,775	13,005	(770)
Operations and maintenance	676,102	672,184	666,698	(5,486)
Pupil Transportation	477,152	517,031	494,014	(23,017)
Central	99,618	109,998	114,248	4,250
Other	46,247	207,735	201,383	(6,352)
Total support services	2,432,103	2,710,565	2,670,413	(40,152)
Athletic Services	55,750	74,500	72,085	(2,415)
Debt service:				
Principal	78,750	80,000	78,280	(1,720)
Interest	264,508	264,000	264,911	911
Total expenditures	5,411,950	5,776,307	5,716,614	(59,693)
Excess of Revenues Over (Under)				
Expenditures	257,545	99,502	187,633	88,131
Other Financing Sources (Uses)				
Operating Transfers - in/out	132,888	(69,841)	(90,651)	(20,810)
Net Change in Fund Balances	390,433	29,661	96,982	67,321
Fund Balances - Beginning of year	645,256	645,256	645,256	-
Fund Balances - End of year	\$ 1,035,689	\$ 674,917	\$ 742,238	\$ 67,321

The Notes to Financial Statements are an Integral Part of this Statement.

OTHER SUPPLEMENTAL INFORMATION

**CHARLTON HESTON ACADEMY
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Special Revenue Funds</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service/Capital Projects Fund</u>	
Revenues		
Local sources	\$ -	\$ -
State sources	11,215	11,215
Federal sources	<u>647,015</u>	<u>647,015</u>
Total revenues	658,230	658,230
Expenditures		
Food services	621,166	621,166
Capital projects	<u>665,352</u>	<u>665,352</u>
Total expenditures	<u>1,286,518</u>	<u>1,286,518</u>
Excess (Deficiency) of Revenues Over Expenditures	(628,289)	(628,289)
Other Financing Sources (Uses)		
Transfers in/(out)	<u>90,651</u>	<u>90,651</u>
Net Change in Fund Balances	(537,638)	(537,638)
Fund Balances - Beginning of year	<u>682,946</u>	<u>682,946</u>
Fund Balances - End of year	<u><u>\$ 145,308</u></u>	<u><u>\$ 145,308</u></u>

The Notes to Financial Statements are an Integral Part of this Statement.

CHARLTON HESTON ACADEMY
SUPPLEMENTAL INFORMATION
SINGLE AUDIT REPORT
JUNE 30, 2018

SECTION A

**CHARLTON HESTON ACADEMY
SUPPLEMENTAL INFORMATION
SINGLE AUDIT REPORT**

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Wilkerson & Associate P.C.

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LARRY WILKERSON, C.P.A.
THOMAS E. WILKERSON, C.P.A.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
Charlton Heston Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Charlton Heston Academy (the Academy), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Charlton Heston Academy's basic financial statements, and have issued our report thereon dated October 24, 2018

Internal Control Over Financial Reporting

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

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

Members: A.I.C.P.A. and M.I.C.P.A.

To the Board of Directors
Charlton Heston Academy

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Charlton Heston Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Wilkinson & Associate PC

Dearborn, Michigan
October 24, 2018

Wilkerson & Associate P.C.

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LARRY WILKERSON, C.P.A.
THOMAS E. WILKERSON, C.P.A.

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Directors of
Charlton Heston Academy

Report on Compliance for each Major Federal program

We have audited Charlton Heston Academy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Charlton Heston Academy's major federal programs for the year ended June 30, 2018. Charlton Heston Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Charlton Heston Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance

Members: A.I.C.P.A. and M.I.C.P.A.

with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Charlton Heston Academy's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Charlton Heston Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, Charlton Heston Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Charlton Heston Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Charlton Heston Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Charlton Heston Academy's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charlton Heston Academy (the “Academy”) as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Academy’s basic financial statements, and have issued our report thereon dated October 24, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management as was derived from and relates directly to underlying accounting and other records used to prepare the financial statements. The information

Charlton Heston Academy
To the Board of Directors
Page 4

has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Wilkerson & Associate PC

Dearborn, Michigan
October 24, 2018

**CHARLTON HESTON ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FEDERAL/GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM/TITLE/GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JUNE 30, 2017	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ADJUSTMENTS AND TRANSFERS	CURRENT YEAR CASH RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JUNE 30, 2018
Child Nutrition Cluster - U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Cash Assistance								
School Breakfast Program: Project Number 171970	10.553	42,809	11,863	11,863	-	54,672	42,809	-
School Breakfast Program: Project Number 181970	10.553	164,340	-	-	-	164,340	164,340	-
National School Lunch Program: Project Number 171960	10.555	64,330	17,512	17,512	-	81,842	64,330	-
National School Lunch Program: Project Number 181960	10.555	240,891	-	-	-	240,891	240,891	-
National School Lunch Program: After School Snack: Project Number 171980	10.555	21,616	5,414	-	-	27,030	21,616	-
National School Lunch Program: After School Snack: Project Number 181980	10.555	81,692	-	-	-	81,692	81,692	-
Summer Food Service Program: 180900	10.559	7,748	-	-	-	7,748	7,748	-
Non-Cash Assistance (Commodities)								
Commodities Entitlement	10.555	31,335	-	-	-	31,335	31,335	-
Total Child Nutrition Cluster		<u>654,763</u>	<u>34,789</u>	<u>29,375</u>	<u>-</u>	<u>689,552</u>	<u>654,763</u>	<u>-</u>
Other Federal Awards:								
Special Education Cluster: U.S. Department of Education:								
Passed through the COOR ISD: IDEA								
Project Number 180450-1718	84.027A	131,642	-	-	-	120,444	131,263	10,819
Total Special Education Cluster		<u>131,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,444</u>	<u>131,263</u>	<u>10,819</u>
U.S. Department of Education:								
Title I, Part A - Project Number 171530-1617	84.010	519,950	68,077	-	(68,077)	73,554	202,791	129,237
		<u>519,950</u>	<u>68,077</u>	<u>-</u>	<u>(68,077)</u>	<u>73,554</u>	<u>202,791</u>	<u>129,237</u>
Title II, Part A - Improving Teacher Quality								
Project Number 170520-1617	84.367	99,181	-	-	-	32,125	45,125	13,000
		<u>99,181</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,125</u>	<u>45,125</u>	<u>13,000</u>
Title V, Part B, Subpart 2: Rural and Low-Income School								
Program: Project Number 180660	84.358B	17,926	-	-	-	-	5,537	5,537
		<u>17,926</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,537</u>	<u>5,537</u>
Total Passed Through Michigan Department of Education		<u>637,057</u>	<u>68,077</u>	<u>-</u>	<u>(68,077)</u>	<u>105,679</u>	<u>253,453</u>	<u>147,774</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>1,423,462</u>	<u>102,866</u>	<u>-</u>	<u>(68,077)</u>	<u>915,675</u>	<u>1,039,479</u>	<u>158,593</u>

**CHARLTON HESTON ACADEMY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Charlton Heston Academy under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Charlton Heston Academy, it is not intended to, and does not, present the financial position, changes in net position, or cash flows, if applicable, of Charlton Heston Academy. Pass-through entity identify numbers are presented where available.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - INDIRECT COST RATE

Charlton Heston Academy has elected to use the 10 percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – RECONCILIATION FUNDS STATEMENT – FEDERAL SOURCES

General Fund	\$ 387,149
Food Service Fund	647,015
Erate and summer program	<u>5,315</u>
Total Current year	
Expenditures of Federal Awards	<u><u>\$1,039,479</u></u>

NOTE 5 - GRANT SECTION AUDITOR REPORT

Management has utilized the Form R-7120 and the Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

**CHARLTON HESTON ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

* Material weakness(es) identified? Yes X No

* Reportable condition(s) identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? Yes X No

* Reportable condition(s) identified that are not considered to be material weaknesses? Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with the Audit Requirements of the Uniform Guidance? Yes X No

Identification of major program:

CFDA Number	Federal Program
10.553 and 10.555, 10.559	Child Nutrition Cluster

**CHARLTON HESTON ACADEMY
REPORT TO THE BOARD OF DIRECTORS**

JUNE 30, 2018

Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

3 PARKLANE BLVD. SUITE 612
DEARBORN, MICHIGAN 48126
313-982-4340 FAX 313-982-4342

LARRY WILKERSON, C.P.A.
THOMAS E. WILKERSON, C.P.A.

To the Board of Directors of
Charlton Heston Academy

We have recently completed our audit of the basic financial statements of Charlton Heston Academy (the "Academy") as of and for the year ended June 30, 2018. In addition to our audit report, we are providing the following required audit communication, recommendations, and informational items which impact the Academy:

	<u>Page(s)</u>
Results of Audit	2-5
Recommendations	6
Informational Items	6-7

We are grateful for the opportunity to be of service to Charlton Heston Academy. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Wilkerson & Associate PC

October 24, 2018

Members: A.I.C.P.A. and M.I.C.P.A.

To the Board of Directors
Charlton Heston Academy
October 24, 2018

Results of the Audit

We have audited the financial statements of Charlton Heston Academy (the “Academy”) as of and for the year ended June 30, 2018 and have issued our report thereon dated October 24, 2018. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 2, 2018, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Academy. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the Academy’s financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the Academy’s compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated October 24, 2018 regarding our consideration of the Academy’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

To the Board of Directors
Charlton Heston Academy
October 24, 2018

We are also obligated to communicate certain matters related to our audit of those responsible for the governance of the Academy, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters during the preliminary audit phase.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter. We will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2018.

We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates included in this year's financial statements.

To the Board of Directors
Charlton Heston Academy
October 24, 2018

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statements disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive disclosures included in the financial statements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management Consultants with Other Independent Accountants

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

To the Board of Directors
Charlton Heston Academy
October 24, 2018

Other Audit Findings or Issues

In the normal course of our professional association with the Academy, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Academy, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Academy's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Academy's financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such information is properly stated. However, we read the management's discussion and analysis and budgetary comparison schedule and nothing came to our attention that caused us to believe that such information, or its manner of presentation is materially inconsistent with the information or manner of its presentation in the financial statements.

In addition to the comments and recommendations in this letter, our observations and comments regarding the Academy's internal controls, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

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

Very truly yours,

Wilkerson & Associate PC

Larry D. Wilkerson, CPA

To the Board of Directors
Charlton Heston Academy
October 24, 2018

Recommendations

CHARLTON HESTON ACADEMY RECOMMENDATIONS

As a result of auditing standards required to be implemented last year, the audit continues to require a strong emphasis to be placed on the Academy's internal control systems. The primary goal of internal controls is to provide a reasonable (as opposed to absolute) protection to the Academy and its assets and financial information. During this year's audit process, we noted no items that required management to make changes; therefore, no recommendations are made for this year.

Informational Items

CHARLTON HESTON ACADEMY

Cybersecurity and data backup best practices

The Academy's data is critically important. There are thousands of ways data can be compromised. It is vitally important that all employees and staff have proper knowledge on what is safe to click on and what is not. It is equally important that a proper data backup solution is in place in the event a Academy's information is targeted by malware or a fraudulent email attack. A School's vital information is always a moment away from being compromised. Encouraging and educating all staff to pay attention to what they click on and what they do is the first step in keeping information safe.

Having a proper data backup solution in place can mean the difference between a Academy's surviving a cyber-attack or losing valuable data and time. Every School should know the answer to two questions when looking at data backup solutions.

To the Board of Directors
Charlton Heston Academy
October 24, 2018

1. Does your School understand the difference between a backup and disaster recovery?

Management often assumes that simply backing up files is “good enough”. Backing up files is something all Schools should do. However, it’s important to remember that restoring files and emails is one thing, but recovering and restoring all School’s data in the event of a disaster is another.

2. How long can my School survive a network outage?

Many Schools assume that they are properly backing up their network but how often are those backups tested? Internally managed backups are more susceptible to lack of testing. Management often believes they have successful backups but in the moment of a disaster, they find out that their last successful backup was months ago. Test backups often to make sure files can be recovered when needed.