

Audited Financial Statements

Huron Academy

Sterling Heights, Michigan

June 30, 2025

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Independent Auditors' Report

Board of Directors and Management
Huron Academy

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Huron Academy (the "Academy"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 the Academy, as of June 30, 2025, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The accompanying supplementary information, as identified in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2025 on 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 and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

CBIZ CPAs P.C.

Rochester, MI
November 16, 2025



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**Independent Auditors' 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 and Management of
Huron Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huron Academy (the "Academy"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated November 16, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Academy's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CBIZ CPAs P.C.

CBIZ CPAs P.C.
Rochester, MI

November 16, 2025

MANAGEMENT’S DISCUSSION AND ANALYSIS

Huron Academy is Preschool through 8th grade Public School Academy located in Sterling Heights, Michigan. This Management’s Discussion and Analysis, a requirement of GASB 34, is intended to be the Huron Academy administration’s discussion and analysis of the financial results for the fiscal year ended June 30, 2025.

FINANCIAL HIGHLIGHTS OF THE ACADEMY

Table 1 - Basic Financial Information

	Current Fiscal Year	Prior Fiscal Year
State Aid Funding Per Pupil	\$ 9,608	\$ 9,608
Enrollment	674.53	655.37
General Fund Balance Increase/(Decrease)	\$ 1,018,836	\$ 714,569
General Fund Balance as Percent of Unrestricted State Aid Revenue	43%	33%

OVERVIEW OF THE FINANCIAL STATEMENTS

U.S. generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Academy-wide Financial Statements and Fund Financial Statements.

FUND FINANCIAL STATEMENTS

For the most part, the fund financial statements are comparable to general purpose financial statements reported on a modified accrual basis. Only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education’s “Accounting Manual.” In the State of Michigan, the Academy’s major instruction and instructional support activities are reported in the General Fund. Additional governmental activities are reported in their relevant Special Revenue Funds.

In the fund financial statement, capital assets purchased are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financing source. The current year’s payments of principal and interest on long-term obligations are recorded as expenditures. Future year’s debt obligations are not recorded.

The Academy has one kind of fund:

Governmental fund – Most of the Academy’s basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy’s programs. Because this information does not encompass the additional long-term focus of the academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

ACADEMY - WIDE FINANCIAL STATEMENTS

The Academy-wide financial statements are maintained using the “full accrual” basis. They report all of the Academy’s assets and liabilities, both short and long term, regardless if they are “currently available” or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the Academy are reported in the Statement of Net Position of the Academy-wide financial statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy’s budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

Figure A-1 Organization of Huron Academy’s Annual Financial Report

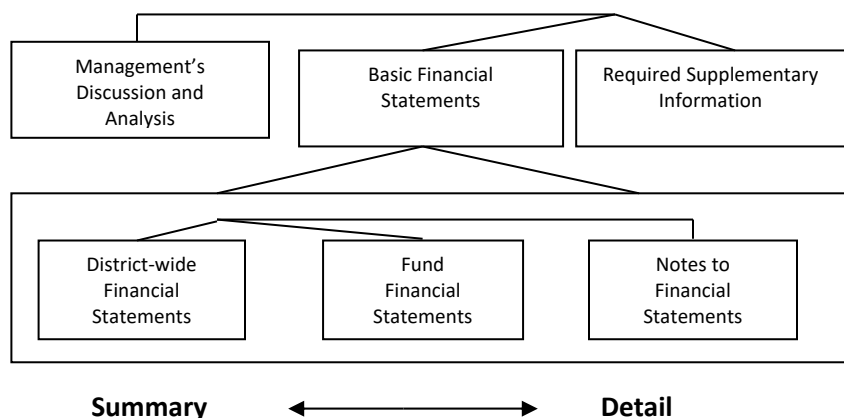


Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents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

Figure A – 2 Major Features of the Academy-Wide and Fund Financial Statements

	Academy-wide statements	Fund Financial Statements
Scope	Entire academy (except fiduciary funds)	All activities of the Academy that are not fiduciary
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Table 2 - Financial Results

	Current Fiscal Year	Prior Fiscal Year
Ending General Fund Balance	\$ 3,381,249	\$ 2,362,413
Total General Fund Revenue	\$ 9,521,182	\$ 8,862,303
State Aid Foundation Allowance as percent of Academy Revenues	85%	82%
Total Cost of Instructional Programs	\$ 4,687,141	\$ 4,789,652
Instructional Expenditures as percent of Total Expenditures	55%	59%
Total Cost of Support/Operational Services	\$ 2,949,779	\$ 2,704,561
Support/Operational Services as percent of Total Expenditures	35%	33%
Total Expenditures transferred to Debt Service	\$ 865,426	\$ 651,596
Transfer to Debt Service as percent of Total Expenditures	10%	8%

ACADEMY GOVERNMENTAL ACTIVITIES

Summary of Net Position

The following summarizes the net position at fiscal year ended June 30, 2025 and 2024:

Table 3 - Net Position Detail

	2025	2024
Assets		
Current Assets	\$ 11,253,619	\$ 5,030,763
Capital Assets	13,246,667	11,893,220
Less: Accumulated Depreciation	(4,834,884)	(4,415,279)
Capital Assets, Net Book Value	8,411,783	7,477,941
Total Assets	<u>\$ 19,665,402</u>	<u>\$ 12,508,704</u>
Liabilities		
Current Liabilities	\$ 1,810,747	\$ 1,211,213
Long-term Liabilities	12,965,025	7,298,940
Total Liabilities	<u>\$ 14,775,772</u>	<u>\$ 8,510,153</u>
Net Position		
Net investment in Capital Assets	\$ 376,622	\$ 113,546
Restricted for Debt Service	951,419	1,602,106
Unrestricted	3,561,589	2,282,899
Total Net Position	<u>\$ 4,889,630</u>	<u>\$ 3,998,551</u>

Results of Operations

For the fiscal year ended June 30, 2025 and 2024, the Academy-wide results of operations were:

Table 4 - Change in Net Position

	2025		2024	
	Amount	% of Total	Amount	% of Total
General Revenue:				
State of Michigan Aid - All Sources	\$ 7,602,972	72.92%	\$ 6,631,248	70.48%
Other	244,480	2.34%	120,242	1.28%
Total General Revenue	7,847,452	75.26%	6,751,490	71.76%
Program Revenue:				
Charges for Services	315,498	3.03%	290,275	3.09%
Operating Grants - Federal and State	2,263,641	21.71%	2,366,829	25.16%
Total Program Revenue	2,579,139	24.74%	2,657,104	28.24%
Total Revenue	10,426,591	100.00%	9,408,594	100.00%
Expenses:				
Instruction and Instructional Services	4,687,141	49.15%	4,789,652	53.95%
Support Services	3,190,749	33.46%	2,522,308	28.41%
Food Service	469,500	4.92%	470,902	5.30%
Community Services	231,371	2.43%	198,763	2.24%
Unallocated Depreciation / Amortization	419,605	4.40%	412,801	4.65%
Interest on Long-term Debt	537,146	5.63%	482,789	5.44%
Total Expenses	9,535,512	100.00%	8,877,215	100.00%
Change in Net Position	<u>\$ 891,079</u>		<u>\$ 531,379</u>	

During the fiscal year ended June 30, 2025, the Academy's net position increased by \$891,079 as compared to a net increase of \$531,379 in the prior fiscal year. Factors affecting this significant improvement of current year over prior year include growth in unrestricted state revenues, the addition of pandemic-related federal revenues and continued spending controls. Additional factors affecting the change in net position during the year are discussed below.

State of Michigan Aid and Other Factors affecting Revenue

The State of Michigan aid is determined by the following variables:

- Per Student, Foundation Allowance: Annually, the State of Michigan sets the per student foundation allowance. Huron Academy's foundation allowance was \$9,608.
- Student Enrollment: The Academy's student enrollment for the fall count of 2024-25 was 681 students. To calculate total state aid to be provided by the foundation allowance, a system (Section 25) where the funding follows the student was used. This means adjustments were made to the current year fall count when students enrolled or unenrolled until the current year winter count to calculate the adjusted fall count. A

blend of 90% of the adjusted current year fall count and 10% of the prior year spring count is multiplied by the Academy's foundation allowance.

- Total Section 25 adjustment was (2.64) FTE or (\$25,365).
- Additional federal funding was available during the 2024-25 fiscal year to supplement programs.

Subsequent to June 30, 2025, preliminary student enrollments for 2025-2026 indicated that the 2026 fall student enrollment would remain at or surpass 2024-2025 levels.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Uniform Budget Act of the State of Michigan requires that the local Board of Directors approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the Academy revised the annual operating budget twice.

Changes were made in the second and fourth quarters to account change in student enrollment, federal funding, and changes in assumptions (e.g. staffing changes, instructional, transportation, food services and community services) since the original budget was adopted.

The Academy's revenues from General Fund operations exceeded expenditures by \$865,426 for the fiscal year ended June 30, 2025.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Academy's net investment in capital assets increased \$933,842 during the fiscal year. This can be summarized as follows:

Table 5 - Capital Assets

	Beginning Balance 6/30/24	Additions	Disposals	Ending Balance 6/30/25
Construction in progress	\$ -	\$ 904,734	\$ -	\$ 904,734
Building	10,748,341	422,991	-	11,171,332
Equipment	744,198	25,722	-	769,920
Right to use assets	400,681	-	-	400,681
Less: Accumulated Depreciation / Amortization	4,415,279	419,605	-	4,834,884
Net Investment in Capital Assets	<u>\$ 7,477,941</u>	<u>\$ 933,842</u>	<u>\$ -</u>	<u>\$ 8,411,783</u>

Depreciation/Amortization Expense

GASB 34 requires Public School Academies to maintain a record of annual depreciation/amortization expense and accumulated depreciation/amortization. The net increase in accumulated depreciation/amortization expense is a reduction in net assets in the entity wide financial statements. Depreciation/amortization is not recognized in the fund financial statements and has been noted as a reconciling item in the Academy's financial statements.

For fiscal year ended June 30, 2025, the net increase in accumulated depreciation/amortization was \$419,605.

Depreciation/amortization expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with U.S. generally accepted accounting principles (GAAP), depreciation/amortization expense is recorded based on the original cost of the asset, less an estimated salvage value.

Debt, Principal Payments

A summary of long-term debt service activities is as follows.

Table 6 - Debt, Principal Payments

	Balance 6/30/2024	New Financings	Principal Payments	Balance 6/30/2025
Revenue Bond	\$ 7,500,000	\$ 13,270,000	\$ 7,500,000	\$ 13,270,000
Notes and Lease Payable	128,040	-	94,704	33,336
Total Long-term Obligations	<u>\$ 7,628,040</u>	<u>\$ 13,270,000</u>	<u>\$ 7,594,704</u>	<u>\$ 13,303,336</u>

ECONOMIC FACTORS BEARING ON THE ACADEMY’S FUTURE

The Preliminary Budget for the 2025-26 Fiscal Year was adopted by the Board of Directors in June 2025. Few definite factors were known as the budget was being drafted, and others were unknown and needed to be projected with management’s best estimates based on perceived interest from the community. Some key factors and estimates used in the 2025-26 budget preparation process include:

- Conservative enrollment projections of 660 students in grades K-8.
- State Aid Foundation was budgeted at \$10,000 per pupil.
- Continued county funding for the Macomb Millage Enhancement, which is understood to remain in effect for a total of ten years.
- Continued improvement of academic achievement through changes in academic programs.

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 School Districts and Public School Academies. The State periodically holds revenue-estimating conferences to estimate what the State’s available resources will be throughout the remainder of its fiscal year. In spite of the current economic uncertainties we remain cautiously confident that the State will find the resources to sufficiently fund current appropriations.

CONTACTING THE ACADEMY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy’s finances and to demonstrate the Academy’s accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy’s office at 36301 Utica Road, Charter Twp. of Clinton, MI 48305.

HURON ACADEMY

STATEMENT OF NET POSITION JUNE 30, 2025

ASSETS

Current Assets

Cash and cash equivalents	\$ 2,912,396
Investments - restricted for debt service and capital projects	6,226,584
Due from other governmental units	1,966,099
Prepaid expenses	<u>148,540</u>
Total current assets	11,253,619

Capital Assets - Net of Accumulated Depreciation / Amortization

8,411,783

Total assets	<u><u>\$ 19,665,402</u></u>
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LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$ 44,950
Due to other governmental units	500,000
Unearned revenue	695,845
Other accrued liabilities	545,344
Long-term debt - current portion	<u>24,608</u>
Total current liabilities	1,810,747

Long-Term Debt - Long-Term Portion

12,965,025

Net Position

Net investment in capital assets	376,622
Restricted	951,419
Unrestricted	<u>3,561,589</u>
Total net position	<u>4,889,630</u>
Total liabilities and net position	<u><u>\$ 19,665,402</u></u>

See accompanying notes to financial statements

HURON ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2025

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
Functions				
Instruction				
Basic programs	\$ 3,411,820	\$ 130,376	\$ 763,273	\$ (2,518,171)
Added needs	1,275,321	-	1,046,463	(228,858)
Support services				
Pupil support services	210,937	-	9,653	(201,284)
Instructional staff support services	143,464	-	22,726	(120,738)
General administration	869,825	-	-	(869,825)
School administration	705,492	-	-	(705,492)
Business support services	506,710	-	-	(506,710)
Operations and maintenance	529,878	-	-	(529,878)
Central support services	91,887	-	-	(91,887)
Athletic activities	19,280	-	-	(19,280)
Other student activities	111,388	93,807	-	(17,581)
Food services	469,500	-	421,526	(47,974)
Community services	231,371	91,315	-	(140,056)
Payments to other school districts	1,888	-	-	(1,888)
Unallocated depreciation / amortization	419,605	-	-	(419,605)
Unallocated interest	537,146	-	-	(537,146)
Total primary government	<u>\$ 9,535,512</u>	<u>\$ 315,498</u>	<u>\$ 2,263,641</u>	<u>(6,956,373)</u>
General Purpose Revenues				
State school aid - unrestricted				7,602,972
Miscellaneous revenues				<u>244,480</u>
Total general purpose revenues				<u>7,847,452</u>
Change in net position				891,079
Net position - July 1, 2024				<u>3,998,551</u>
Net position - June 30, 2025				<u>\$ 4,889,630</u>

See accompanying notes to financial statements

HURON ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2025

ASSETS

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Non-Major Student Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,843,427	\$ -	\$ -	\$ 68,969	\$ 2,912,396
Investments	-	1,272,112	4,954,472	-	6,226,584
Due from other governmental units	1,966,099	-	-	-	1,966,099
Due from other funds	10,620	8,990	112,853	-	132,463
Prepaid expenses	148,540	-	-	-	148,540
 Total assets	 <u>\$ 4,968,686</u>	 <u>\$ 1,281,102</u>	 <u>\$ 5,067,325</u>	 <u>\$ 68,969</u>	 <u>\$ 11,386,082</u>

LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE

Liabilities

Accounts payable	\$ 44,950	\$ -	\$ -	\$ -	\$ 44,950
Due to other governmental units	-	500,000	-	-	500,000
Due to other funds	120,958	-	-	11,505	132,463
Unearned revenue	695,845	-	-	-	695,845
Other accrued liabilities	491,029	-	-	-	491,029
 Total liabilities	 1,352,782	 500,000	 -	 11,505	 1,864,287

Deferred Inflows of Resources -

Unavailable revenue	234,655	-	-	-	234,655
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Fund Balance

Nonspendable	148,540	-	-	-	148,540
Restricted	-	781,102	5,067,325	57,464	5,905,891
Unassigned	3,232,709	-	-	-	3,232,709
 Total fund balance	 <u>3,381,249</u>	 <u>781,102</u>	 <u>5,067,325</u>	 <u>57,464</u>	 <u>9,287,140</u>

Total liabilities, deferred inflows and fund balance	<u>\$ 4,968,686</u>	<u>\$ 1,281,102</u>	<u>\$ 5,067,325</u>	<u>\$ 68,969</u>	<u>\$ 11,386,082</u>
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See accompanying notes to financial statements

HURON ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2025

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

Total Governmental Fund Balances	\$ 9,287,140
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$13,246,667 and the accumulated depreciation / amortization is \$4,834,884.	8,411,783
Deferred inflows of resources (unavailable revenue) not available to benefit the current period and are not reported in the statement of net position.	234,655
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(54,315)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(12,989,633)</u>
Net Position of Governmental Activities	<u><u>\$ 4,889,630</u></u>

See accompanying notes to financial statements

HURON ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2025

	General	Debt Service	Capital Projects	Non-Major	Total
Revenues					
Local sources	\$ 310,750	\$ 43,348	\$ 112,073	\$ 93,807	\$ 559,978
State sources	8,119,480	-	-	15,351	8,134,831
Federal sources	635,110	-	-	406,175	1,041,285
Interdistrict sources	455,842	-	-	-	455,842
Total governmental fund revenues	9,521,182	43,348	112,073	515,333	10,191,936
Expenditures					
Instruction					
Basic programs	3,411,820	-	-	-	3,411,820
Added needs	1,275,321	-	-	-	1,275,321
Support services					
Pupil support services	210,937	-	-	-	210,937
Instructional staff support services	143,464	-	-	-	143,464
General administration	842,578	-	27,247	-	869,825
School administration	705,492	-	-	-	705,492
Business support services	1,394	505,316	-	-	506,710
Operations and maintenance	529,878	-	-	-	529,878
Central support services	56,309	-	35,578	-	91,887
Athletic activities	19,280	-	-	-	19,280
Other student activities	-	-	-	111,388	111,388
Food services	-	-	-	469,500	469,500
Community services	231,371	-	-	-	231,371
Payments to other school districts	1,888	-	-	-	1,888
Capital outlay	108,659	-	1,244,788	-	1,353,447
Debt principal and interest	98,529	7,993,807	-	-	8,092,336
Total governmental fund expenditures	7,636,920	8,499,123	1,307,613	580,888	18,024,544
Excess (deficiency) of revenues over expenditures	1,884,262	(8,455,775)	(1,195,540)	(65,555)	(7,832,608)
Other Financing Sources (Uses)					
Proceeds from revenue bonds	-	13,270,000	-	-	13,270,000
Discount on revenue bonds	-	(319,020)	-	-	(319,020)
Operating transfers in	-	-	5,531,768	34,749	5,566,517
Operating transfers out	(865,426)	(4,701,091)	-	-	(5,566,517)
Total other financing sources (uses)	(865,426)	8,249,889	5,531,768	34,749	12,950,980
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	1,018,836	(205,886)	4,336,228	(30,806)	5,118,372
Fund balance - July 1, 2024	2,362,413	986,988	731,097	88,270	4,168,768
Fund balance - June 30, 2025	\$ 3,381,249	\$ 781,102	\$ 5,067,325	\$ 57,464	\$ 9,287,140

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, 2025

Net Change in Fund Balances - Total Governmental Funds	\$	5,118,372
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Capital outlay	\$	1,353,447	
Depreciation and amortization expense		<u>(419,605)</u>	933,842

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.		234,655
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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:

Proceeds from long-term debt	\$	(13,270,000)	
Discount on long-term debt		319,020	
Repayment of loan principal		7,594,704	
Interest expense		<u>(39,514)</u>	<u>(5,395,790)</u>

Change in Net Position of Governmental Activities	\$	<u>891,079</u>
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See accompanying notes to financial statements

HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

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, 2025 were approximately \$186,190.

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 \$606,040 for the year ended June 30, 2025.

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 a report, into generic fund types in two broad fund categories.

HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental Funds

A governmental fund is a fund through which most Academy functions typically are operated. 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 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, 2025

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 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 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, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

investment until maturity. The Academy held investments in mutual funds that hold U.S. Government 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

Due from other governmental units at June 30, 2025 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables, except for the unavailable revenue of \$234,655, was fully collected in July and August of 2025 and are considered measurable and available for the purposes of these financial statements.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2025, 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 or construction in progress, when applicable, 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 and amortization are 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, 2025

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 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 is the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets plus deferred outflows of resources and (b) liabilities and deferred inflows of resources. 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 or regulations of other governments.

Net position is displayed in the following three components:

Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation/amortization and reduced by the outstanding balance of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on the use of net position by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that does not meet the definition of *Net investment in capital assets* or *Restricted*.

Fund Balance

The Academy 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.

HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 that can only be used for specific purposes pursuant to specific purposes imposed by formal action of the Academy's highest level of decision-making authority, the Board. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation.
- 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 include the residual classification to the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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.

HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Key estimates and judgments 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.

Implemented and Upcoming Accounting Pronouncements

The Academy implemented the following GASB pronouncements during the school year: GASB Statement No. 101, Compensated Absences and GASB Statement No. 102, Certain Risk Disclosures. These pronouncements did not impact the financial statements during the current school 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,
 - 1) Significant Capital Asset and Long-Term Financing Activity,
 - 2) Currently Known Facts, Decisions, or Conditions;

HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- 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.

In September 2024, the GASB issued Statement No. 104, Disclosure of Certain Capital Assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. 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.

HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2025

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

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, 2025 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.

NOTE 3 – DEPOSITS AND INVESTMENTS

As of June 30, 2025, the Academy had the following investments:

<u>Type</u>	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ 2,912,396
Investments:	
Mutual funds	<u>6,226,584</u>
Total deposits and investments	<u>\$ 9,138,980</u>

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

Deposits:	
Cash - General Fund	\$ 2,843,427
Cash - Special Revenue - Student Activities Fund	<u>68,969</u>
Subtotal	2,912,396
Investments:	
Investments - Debt Service Fund	1,272,112
Investments - Capital Projects Fund	<u>4,954,472</u>
Subtotal	<u>6,226,584</u>
Total deposits and investments	<u>\$ 9,138,980</u>

HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Interest Rate Risk

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

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

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 mutual funds that invest in U.S. Government obligations representing 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, 2025, \$2,664,281 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2025.

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 and recorded in name of the Academy.

Foreign Currency Risk

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

HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Fair Value

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

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

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

The Academy's investments are in mutual funds that invest in U.S. Government obligations that are subject to fair value measurement and are considered Level 1 investments.

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 1,840,765
Federal sources	<u>125,334</u>
Total	<u>\$ 1,966,099</u>

HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2024	Additions	Disposals	Balance June 30, 2025
Capital assets not subject to depreciation				
Construction in progress	\$ -	\$ 904,734	\$ -	\$ 904,734
Capital assets subject to depreciation and amortization				
Building	\$ 10,748,341	\$ 422,991	\$ -	\$ 11,171,332
Right to use - copiers	47,960	-	-	47,960
Right to use - land	333,167	-	-	333,167
Equipment	763,752	25,722	-	789,474
Subtotal	11,893,220	1,353,447	-	13,246,667
Accumulated depreciation / amortization				
Building	3,558,158	337,006	-	3,895,164
Right to use - copiers	16,652	7,993	-	24,645
Right to use - land	199,900	66,633	-	266,533
Equipment	640,569	7,973	-	648,542
Subtotal	4,415,279	419,605	-	4,834,884
Total net capital assets	<u>\$ 7,477,941</u>	<u>\$ 933,842</u>	<u>\$ -</u>	<u>\$ 8,411,783</u>

Depreciation and amortization expense is reported as unallocated in the Statement of Activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2025

NOTE 6 – OTHER ACCRUED LIABILITIES

Other accrued liabilities may be summarized as follows:

	<u>Net Position</u>	<u>Funds</u>
Purchased services - payroll and benefits	\$ 445,023	\$ 445,023
University oversight fee	42,256	42,256
Interest	54,315	-
Other	<u>3,750</u>	<u>3,750</u>
Total other accrued liabilities	<u>\$ 545,344</u>	<u>\$ 491,029</u>

NOTE 7 - LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2025:

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.
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. Paid in full with Revenue bond - 2 in December 2024.
Revenue bond - 2	5.00%	June, 2055	Interest payable twice a year, principal payable annually. Secured by facilities and pledge for 20% of state school aid payments.

HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 7 - LONG-TERM OBLIGATIONS PAYABLE - Continued

Loan Activity

	Balance July 1, 2024	Additions	Retirements and Payments	Balance June 30, 2025	Due Within One Year
Direct borrowing - land	\$ 99,654	\$ -	\$ 85,096	\$ 14,558	\$ 14,558
Direct borrowing - copiers	28,386	-	9,608	18,778	10,050
Revenue bond	7,500,000	-	7,500,000	-	-
Revenue bond 2	-	13,270,000	-	13,270,000	-
Totals	<u>\$ 7,628,040</u>	<u>\$ 13,270,000</u>	<u>\$ 7,594,704</u>	\$ 13,303,336	<u>\$ 24,608</u>
Less unamortized discount				313,703	
				<u>\$ 12,989,633</u>	

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

	Principal	Interest
2026	\$ 24,608	\$ 652,497
2027	223,728	647,119
2028	225,000	637,038
2029	235,000	626,688
2030	250,000	615,775
2031 - 2035	1,420,000	2,949,795
2036 - 2040	1,810,000	2,567,420
2041 - 2045	2,320,000	2,053,170
2046 - 2050	2,975,000	1,395,045
2051 - 2055	3,820,000	544,603
Total	<u>\$ 13,303,336</u>	<u>\$ 12,689,150</u>

HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 8 - INTERFUND TRANSFERS

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

	<u>General</u>	<u>Special Revenue - Food Service</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Transfer In	\$ -	\$ 34,749	\$ -	\$ 5,531,768
Transfer Out	865,426	-	4,701,091	-

As stipulated by the Academy's revenue bond agreement as described in Note 7, 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 9 - 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.

REQUIRED SUPPLEMENTARY INFORMATION

HURON ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Final Budget	Actual	Variance
Revenues				
Local sources	\$ 193,000	\$ 224,000	\$ 310,750	\$ 86,750
State sources	7,390,897	8,104,774	8,119,480	14,706
Federal sources	316,807	646,963	635,110	(11,853)
Interdistrict sources	379,800	433,000	455,842	22,842
Total general fund revenues	8,280,504	9,408,737	9,521,182	112,445
Expenditures				
Instruction				
Basic programs	3,767,306	3,873,085	3,411,820	(461,265)
Added needs	1,048,577	1,321,970	1,275,321	(46,649)
Support services				
Pupil support services	226,058	225,311	210,937	(14,374)
Instructional staff support services	39,626	108,034	143,464	35,430
General administration	830,351	842,330	842,578	248
School administration	650,028	709,217	705,492	(3,725)
Business support services	10,800	1,300	1,394	94
Operations and maintenance	438,959	537,030	529,878	(7,152)
Pupil transportation services	450	450	-	(450)
Central support services	48,000	91,840	56,309	(35,531)
Athletic activities	17,804	19,520	19,280	(240)
Community services	198,172	231,548	231,371	(177)
Payments to other school districts	-	-	1,888	1,888
Capital outlay	-	108,700	108,659	(41)
Debt principal and interest	-	98,550	98,529	(21)
Total general fund expenditures	7,276,131	8,168,885	7,636,920	(531,965)
Excess of revenues over expenditures	1,004,373	1,239,852	1,884,262	644,410
Other Financing Sources (Uses)				
Operating transfers out	(794,354)	(958,940)	(865,426)	93,514
Excess of revenues and other financing sources over expenditures and other uses	210,019	280,912	1,018,836	737,924
Fund balance - July 1, 2024	2,362,413	2,362,413	2,362,413	-
Fund balance - June 30, 2025	\$ 2,572,432	\$ 2,643,325	\$ 3,381,249	\$ 737,924

SUPPLEMENTARY INFORMATION

HURON ACADEMY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NON-MAJOR FUNDS FOR THE YEAR ENDED JUNE 30, 2025

	Special Revenue		
	Food Services	Student Activities	Total
Revenues			
Local sources	\$ -	\$ 93,807	\$ 93,807
State sources	15,351	-	15,351
Federal sources	406,175	-	406,175
Total governmental fund revenues	421,526	93,807	515,333
Expenditures			
Support services			
Other student activities	-	111,388	111,388
Food services	469,500	-	469,500
Total governmental fund expenditures	469,500	111,388	580,888
Excess (deficiency) of revenues over expenditures	(47,974)	(17,581)	(65,555)
Other Financing Sources (Uses)			
Operating transfers in	34,749	-	34,749
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(13,225)	(17,581)	(30,806)
Fund balance - July 1, 2024	13,225	75,045	88,270
Fund balance - June 30, 2025	\$ -	\$ 57,464	\$ 57,464

HURON ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2025

Local Sources

Other local revenues	\$ 310,750
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State Sources

At risk	649,941
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Special education	101,222
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State aid	<u>7,368,317</u>
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Total state sources	8,119,480
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Federal Sources

Title I	285,791
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Title II A	30,755
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Other program revenue	<u>318,564</u>
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Total federal sources	635,110
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Interdistrict Sources

<u>455,842</u>

Total general fund revenues	<u><u>\$ 9,521,182</u></u>
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HURON ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2025

Basic Programs

Purchased services	\$ 3,226,771
Supplies and materials	177,932
Non-depreciable capital assets	3,529
Other expenditures	<u>3,588</u>
Total basic programs	3,411,820

Added Needs

Purchased services	1,266,586
Supplies and materials	8,735
Non-depreciable capital assets	<u>-</u>
Total added needs	1,275,321

Pupil Support Services

Guidance services	66,863
Health services	16,288
Psychological services	9,311
Speech pathology and audiology	62,546
Social work services	51,651
Other pupil services	<u>4,278</u>
Total pupil support services	210,937

Instructional Staff Support Services

Purchased services	143,464
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General Administration

Purchased services	811,459
Other expenditures	<u>31,119</u>
Total general administration	842,578

School Administration

Purchased services	635,101
Supplies and materials	53,106
Other expenditures	<u>17,285</u>
Total school administration	705,492

HURON ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2025

Business Support Services

Other expenditures	1,394
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Operations and Maintenance

Purchased services	325,839
Repairs and maintenance	119,788
Rentals	504
Supplies and materials	83,747

Total operations and maintenance	529,878
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Central Support Services

Purchased services	13,085
Supplies and materials	43,224

Total central support services	56,309
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Athletic Activities

Purchased services	19,280
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Community Services

Purchased services	230,076
Supplies and materials	1,295

Total community services	231,371
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Payments to Other School Districts

1,888

Capital Outlay

108,659

Debt Principal and Interest

98,529

Total general fund expenditures	\$ 7,636,920
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