Arts Academy in the Woods

Financial Report
with Supplementary Information
June 30, 2026

Arts Academy in the Woods

Contents

Independent Auditor's Report 1-3

Management's Discussion and Analysis 4-7

Basic Financial Statements

Government-wide Financial Statements:
- Statement of Net Position 8
- Statement of Activities 9

Fund Financial Statements -
Governmental Funds:
- Balance Sheet 10
- Reconciliation of the Balance Sheet to the Statement of Net Position 11
- Statement of Revenue, Expenditures, and Changes in Fund Balances 12
- Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities 13

Notes to Financial Statements 14-26

Required Supplementary Information 27

Budgetary Comparison Schedule - General Fund 28
Schedule of the Academy's Proportionate Share of the Net Pension Liability 29
Schedule of Pension Contributions 30
Schedule of the Academy's Proportionate Share of the Net OPEB Liability (Asset) 31
Schedule of OPEB Contributions 32
Notes to Required Supplementary Information 33-34

Other Supplementary Information 35

Nonmajor Governmental Funds:
- Combining Balance Sheet 36
- Combining Statement of Revenue, Expenditures, and Changes in Fund Balances 37

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* 38-40

plante moran

Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

Independent Auditor's Report

To the Board of Directors
Arts Academy in the Woods

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Arts Academy in the Woods (the "Academy") as of and for the year ended June 30, 2026 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, the major fund, and the aggregate remaining fund information of the Academy as of June 30, 2026 and the respective changes in its financial position 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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of 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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with 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.

PRAXITY™
Empowering Business Globally

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The supplementary information, as identified in the table of contents, is presented for the purpose 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors
Arts Academy in the Woods

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2026 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, 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.

Plante & Moran, PLLC

October 19, 2026

This section of the annual financial report for Arts Academy in the Woods (the "Academy") presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2026. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Arts Academy in the Woods 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 and what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the government-wide financial statements by providing information about the Academy's most significant fund, the General Fund, with the other funds presented in one column as nonmajor funds. This report is composed of the following elements:

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

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplementary Information

Budgetary Comparison Schedule - General Fund

Schedules of the Academy's Proportionate Share of the Net Pension and OPEB Liabilities (Asset)

Schedules of Pension and OPEB Contributions

Notes to Required Supplementary Information

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 position 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, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the Academy's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net position, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenue 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 nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Academy.

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

Reporting the Academy's Fund Financial Statements

The Academy's fund financial statements provide detailed information about the most significant funds, not the Academy as a whole. Some funds are required to be established by state law and by bond covenants. However, the Academy establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain grants and other money as directed.

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 the operations of the Academy and the services it provides. Governmental fund information helps 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 differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

Overall Financial Summary

Recall that the statement of net position provides the perspective of the Academy as a whole. The following table provides a summary of the Academy's net position as of June 30, 2026 and 2025:

	Governmental Activities	
	2026	2025
	(in thousands)	
Assets		
Current and other assets	$ 2,940.5	$ 3,011.6
Capital assets	2,605.1	2,520.7
Total assets	5,545.6	5,532.3
Deferred Outflows of Resources	1,758.4	1,897.4
Liabilities		
Current liabilities	1,194.4	1,432.1
Noncurrent liabilities	65.2	55.0
Net pension liability	3,540.7	3,955.7
Total liabilities	4,800.3	5,442.8
Deferred Inflows of Resources	2,093.5	2,355.1
Net Position (Deficit)		
Net investment in capital assets	2,605.1	2,520.7
Restricted - Net OPEB asset	819.2	743.8
Unrestricted	(3,014.1)	(3,632.7)
Total net position (deficit)	**$ 410.2**	**$ (368.2)**

The above analysis focuses on net position. The change in net position of the Academy's governmental activities is discussed below. The Academy's net position was $410.2 thousand at June 30, 2026. Net investment in capital assets, totaling $2,605.1 thousand, compares the original cost less depreciation of the Academy's capital assets. Restricted net position is reported separately to show restrictions on net position related to the OPEB asset. The remaining amount of net position ($(3,014.1) thousand) was unrestricted.

The $(3,014.1) thousand in unrestricted net position (deficit) of governmental activities represents the accumulated results of all past years' operations and the impact from adoption of GASB Statement Nos. 68 and 75 (recording the Academy's share of the net pension and OPEB liabilities (asset) from the state-managed retirement system). The unrestricted net position balance enables the Academy to meet working capital and cash flow requirements and to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the Academy as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2026 and 2025:

	Governmental Activities	
	2026	2025
	(in thousands)	
Revenue		
Program revenue - Operating grants	$ 1,705.9	$ 2,231.2
General revenue:		
State aid not restricted to specific purposes	3,810.8	3,334.1
Other	66.1	91.8
Total revenue	5,582.8	5,657.1
Expenses		
Instruction	2,240.3	2,332.8
Support services	2,192.5	1,977.7
Food services	195.9	160.5
Community services	29.9	22.5
Depreciation expense (unallocated)	145.8	100.4
Total expenses	4,804.4	4,593.9
Change in Net Position	778.4	1,063.2
Net Position (Deficit) - Beginning of year	(368.2)	(1,384.2)
Adoption of GASB Statement No. 101	-	(47.2)
Net Position (Deficit) - Beginning of year, as reported	(368.2)	(1,431.4)
Net Position (Deficit) - End of year	**$ 410.2**	**$ (368.2)**

As reported in the statement of activities, the cost of all of our governmental activities this year was $4,804.4 thousand. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions ($1,705.9 thousand). We paid for the remaining public benefit portion of our governmental activities with $3,876.9 thousand in state foundation allowance and with other revenue (i.e., interest and general entitlements).

The Academy experienced an increase in net position of $778.4 thousand. Key reasons for the change in net position were due to the Academy placing an emphasis on reducing expenses in the current year and increased funding from state sources, as well as changes in the OPEB asset and pension liability.

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

Financial Summary of Individual 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 taxpayers and others provide to it and may provide more insight into the Academy's overall financial health.

As the Academy completed this year, the governmental funds reported a combined fund balance of approximately $927 thousand, an increase of approximately $91 thousand from the prior year. The increase was primarily attributable to higher enrollment and increased foundation allowance revenue.

In the General Fund, our principal operating fund, fund balance increased by $91,319, also due primarily to higher enrollment and increased foundation allowance revenue.

Fund balance of our special revenue funds remained consistent compared to last year.

In the Capital Projects Fund, fund balance of $3,074 did not experience any change.

Significant Capital Asset and Long-term Financing Activity

As of June 30, 2026, the Academy had $2.6 million invested in capital assets. This represents a net increase (including additions, disposals, and depreciation) of approximately $84.4 thousand, or 3.35 percent, from last year.

	2026	2025
Land	$ 868,834	$ 868,834
Buildings and improvements	2,225,722	2,103,840
Furniture and equipment	764,431	656,127
Vehicles	149,002	149,002
Total capital assets	4,007,989	3,777,803
Less accumulated depreciation	1,402,896	1,257,062
Total capital assets - Net of accumulated depreciation	**$ 2,605,093**	**$ 2,520,741**

This year's additions of approximately $230 thousand consisted primarily of building improvements and purchase of equipment. No major capital projects are planned for the 2026-2027 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

Other obligations, including compensated absences, are the only form of debt the Academy maintains. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Currently Known Facts, Decisions, or Conditions

Our elected officials and administration consider many factors when setting the Academy’s 2026-2027 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2026-2027 budget was adopted in June 2026 based on an estimate of students who will enroll in September 2026. Approximately 87.0 percent of total General Fund revenue is from state sources. Under state law, the Academy cannot access additional property tax revenue for general operations. As a result, the Academy's funding is heavily dependent on the State’s ability to fund local school operations.

Based on early enrollment data at the start of the 2026-2027 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2026-2027 budget. Once the final student count and related per pupil funding are validated, state law requires the Academy to amend the budget if actual academy resources are not sufficient to fund original appropriations.

Contacting the Academy's Management

This financial report is intended to provide our parents and investors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office.

Arts Academy in the Woods

Statement of Net Position

June 30, 2026

	Governmental Activities
Assets	
Cash (Note 4)	$ 1,195,439
Due from other governmental units	878,669
Prepaid expenses and other assets	47,242
Net OPEB asset (Note 10)	819,206
Capital assets - Net (Note 6)	2,605,093
Total assets	5,545,649
Deferred Outflows of Resources (Note 10)	
Deferred pension costs	1,537,135
Deferred OPEB costs	221,239
Total deferred outflows of resources	1,758,374
Liabilities	
Accounts payable	432,057
Accrued payroll-related liabilities	564,966
Unearned revenue (Note 5)	197,458
Noncurrent liabilities:	
Compensated absences (Note 9)	65,184
Net pension liability (Note 10)	3,540,673
Total liabilities	4,800,338
Deferred Inflows of Resources (Note 10)	
Revenue in support of pension contributions made subsequent to the measurement date	300,914
Deferred pension cost reductions	1,078,792
Deferred OPEB cost reductions	713,822
Total deferred inflows of resources	2,093,528
Net Position	
Net investment in capital assets	2,605,093
Restricted - Net OPEB asset	819,206
Unrestricted	(3,014,142)
Total net position	**$ 410,157**

See notes to financial statements.

Arts Academy in the Woods

Statement of Activities

Year Ended June 30, 2026

	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Primary government - Governmental activities:				
Instruction	$ 2,240,332	$ -	$ 782,046	$ (1,458,286)
Support services	2,192,546	-	765,366	(1,427,180)
Food services	195,873	455	158,023	(37,395)
Community services	29,921	-	-	(29,921)
Depreciation expense (unallocated) (Note 6)	145,834	-	-	(145,834)
Total primary government	**$ 4,804,506**	**$ 455**	**$ 1,705,435**	(3,098,616)
General revenue:				
State aid not restricted to specific purposes				3,810,776
Interest and investment earnings				217
Other				65,982
Total general revenue				3,876,975
Change in Net Position				778,359
Net Position (Deficit) - Beginning of year				(368,202)
Net Position - End of year				**$ 410,157**

See notes to financial statements.

Arts Academy in the Woods

Governmental Funds
Balance Sheet

June 30, 2026

	General Fund	Nonmajor Funds	Total Governmental Funds
Assets			
Cash (Note 4)	$ 1,145,992	$ 49,447	$ 1,195,439
Due from other governmental units	878,669	-	878,669
Prepaid expenses and other assets	47,242	-	47,242
Total assets	**$ 2,071,903**	**$ 49,447**	**$ 2,121,350**
Liabilities			
Accounts payable	$ 432,057	$ -	$ 432,057
Accrued payroll-related liabilities	564,966	-	564,966
Unearned revenue (Note 5)	197,408	50	197,458
Total liabilities	1,194,431	50	1,194,481
Fund Balances			
Nonspendable - Prepaid expenses and other assets	47,242	-	47,242
Committed - School activities	-	46,323	46,323
Assigned - Capital projects	-	3,074	3,074
Unassigned	830,230	-	830,230
Total fund balances	877,472	49,397	926,869
Total liabilities and fund balances	**$ 2,071,903**	**$ 49,447**	**$ 2,121,350**

See notes to financial statements.

Arts Academy in the Woods

Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2026

Fund Balances Reported in Governmental Funds	$	926,869
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not financial resources and are not reported in the funds:		
Cost of capital assets		4,007,989
Accumulated depreciation		(1,402,896)
Net capital assets used in governmental activities		2,605,093
Some employee fringe benefits provide benefits (or are payable) over a long period of years and do not represent a benefit to (or a claim on) current financial resources; therefore, they are not reported as fund assets (liabilities):		
Employee compensated absences		(65,184)
Net pension liability and related deferred inflows and outflows		(3,082,330)
Net OPEB asset and related deferred inflows and outflows		326,623
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds		(300,914)
Net Position of Governmental Activities	**$**	**410,157**

See notes to financial statements.

Arts Academy in the Woods

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2026

	General Fund	Nonmajor Funds	Total Governmental Funds
Revenue			
Local sources	$ 37,747	$ 28,907	$ 66,654
State sources	4,874,973	26,592	4,901,565
Federal sources	220,336	161,587	381,923
Interdistrict sources	293,457	-	293,457
Total revenue	5,426,513	217,086	5,643,599
Expenditures			
Current:			
Instruction:			
Basic programs	2,181,932	-	2,181,932
Added needs	498,255	-	498,255
Support services:			
Pupil	600,813	-	600,813
Instructional staff	177,781	-	177,781
General administration	409,005	-	409,005
School administration	579,873	-	579,873
Business	18,102	23,209	41,311
Operations and maintenance	525,866	2,477	528,343
Pupil transportation services	8,388	-	8,388
Central	164,819	-	164,819
Food services	-	205,410	205,410
Community services	34,506	-	34,506
Capital outlay	121,882	-	121,882
Total expenditures	5,321,222	231,096	5,552,318
Excess of Revenue Over (Under) Expenditures	105,291	(14,010)	91,281
Other Financing Sources (Uses)			
Transfers in (Note 7)	-	13,972	13,972
Transfers out (Note 7)	(13,972)	-	(13,972)
Total other financing (uses) sources	(13,972)	13,972	-
Net Change in Fund Balances	91,319	(38)	91,281
Fund Balances - Beginning of year	786,153	49,435	835,588
Fund Balances - End of year	**$ 877,472**	**$ 49,397**	**$ 926,869**

See notes to financial statements.

Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2026

Net Change in Fund Balances Reported in Governmental Funds	$	91,281
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Capitalized capital outlay		230,186
Depreciation expense		(145,834)
Total		84,352
Revenue in support of pension contributions made subsequent to the measurement date		(60,734)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		663,460
Change in Net Position of Governmental Activities	**$**	**778,359**

Note 1 - Nature of Business

Arts Academy in the Woods (the "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.

In June 2000, the Academy entered into a contract with the Macomb Intermediate School District (the "MISD") to charter a public school academy. In July 2022, the Academy entered into another contract with the MISD that extended the charter through June 30, 2027. 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 MISD serves as the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws related to financial reporting. The Academy has an agreement to pay 3 percent of its state aid as an administrative fee to its chartering organization and 7 percent to its fiscal agent. For the year ended June 30, 2026, administrative and fiscal agent fees totaled $336,595, which is included in the accounts payable balance at June 30, 2026.

The accompanying basic 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 Academy. Based on application of the criteria, the Academy does not contain component units.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The Academy follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Academy:

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Academy considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

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.

Note 2 - Significant Accounting Policies (Continued)

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Intergovernmental payments and other items not properly included among program revenue are reported as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund Accounting

The Academy accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenue was used.

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, capital projects funds, and permanent funds. The Academy reports the following fund as a major governmental fund:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.

Additionally, the Academy reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The Lunch Fund is used to account for the proceeds of specific revenue sources that are restricted to expenditure for specific purpose. The primary revenue source for the Lunch Fund is federal grants that are restricted for use in this fund. Any operating deficit generated by this activity is the responsibility of the General Fund. The School Activities Fund accounts for various school activities and events. Revenue sources for the School Activities Fund include fundraising revenue and donations earned and received by student groups. Any operating deficit generated by these activities is the responsibility of the General Fund.
- Capital projects funds are used to record revenue and other financing sources and the disbursement of invoices specifically designated for acquiring new school sites, buildings, and equipment; technology upgrades; and remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.

Note 2 - Significant Accounting Policies (Continued)

Specific Balances and Transactions

Receivables

Accounts receivable are shown net of an allowance for uncollectible amounts. The Academy considers all accounts receivable to be fully collectible. Accordingly, no allowance for uncollectible amounts is recorded.

Capital Assets

Capital assets, which include property, building, equipment, and vehicles, 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 $1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. 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.

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

	Depreciable Life - Years
Buildings and improvements	10 to 30
Furniture and other equipment	5 to 20
Vehicles	10

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then.

The Academy reports deferred outflows related to deferred pension and OPEB costs.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

The Academy reports deferred inflows related to revenue in support of pension contributions made subsequent to the measurement date and deferred pension and OPEB plan cost reductions.

Net Position

Net position of the Academy is classified in three components. Net investment in capital assets - net of related debt consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component, when applicable, of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Note 2 - Significant Accounting Policies (Continued)

Fund Balance Flow Assumptions

The Academy will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The Academy itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Academy’s highest level of decision-making authority. The board of directors is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Academy for specific purposes but do not meet the criteria to be classified as committed. The assignment is based on direction provided by the board of directors.

Grants and Contributions

From time to time, the Academy receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as noncapital subsidies revenue. Amounts restricted to capital acquisitions are reported as other nonoperating revenue.

Pension and Other Postemployment Benefit (OPEB) Plans

For purposes of measuring the net pension liability and net OPEB asset, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

Note 2 - Significant Accounting Policies (Continued)

Compensated Absences

In accordance with GASB Statement No. 101, *Compensated Absences*, the Academy has accrued a liability for future absences, recognizing the obligation relating to compensation for absences attributable to services already rendered. Teachers and other employees receive compensation for personal leave. A leave liability is recognized due to the leave attributable to services already rendered, leave that accumulates, and leave that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Accounting Changes

Adoption of New Accounting Pronouncement

During the current year, the Academy adopted GASB Statement No. 103, *Financial Reporting Model Improvements*. The new accounting standard impacted the organization and disclosure requirements of management's discussion and analysis and budgetary comparison disclosures in the required supplementary information. The adoption of the new standard did not have a material impact on the Academy's financial statements.

Upcoming Accounting Pronouncement

In December 2025, the Governmental Accounting Standards Board issued Statement No. 105, *Subsequent Events*, which improves financial reporting requirements for subsequent events by clarifying the subsequent events time frame and the distinction between recognized and nonrecognized events. This statement also establishes specific note disclosure requirements and requires disclosure of the date through which subsequent events have been evaluated. The provisions of this statement are effective for the Academy's financial statements for the year ending June 30, 2027.

Note 3 - 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, which is a summarization of the Academy's line-item adopted budget. The budget categories are different from the basic financial statements due to the capital outlay being budgeted functionally. 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 amended budgeted amounts during the year in response to changes in funding sources, changes from anticipated pupil counts, and changes in expenditure levels.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Note 4 - 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, certificates of deposit, commercial paper rated prime at the time of purchase that matures no 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 is subject to custodial credit risk, which is examined in more detail below:

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 does not have a deposit policy for custodial credit risk. At year end, the Academy's deposit balance of $1,203,025 had bank deposits of $953,025 (checking 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.

Note 5 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2026, the Academy had no unavailable revenue and $197,458 of unearned revenue related to grant payments received prior to meeting all eligibility requirements.

Note 6 - Capital Assets

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

	Balance July 1, 2025	Additions	Balance June 30, 2026
Capital assets not being depreciated - Land	$ 868,834	$ -	$ 868,834
Capital assets being depreciated:			
Buildings and improvements	2,103,840	121,882	2,225,722
Furniture and equipment	656,127	108,304	764,431
Vehicles	149,002	-	149,002
Subtotal	2,908,969	230,186	3,139,155
Accumulated depreciation:			
Buildings and improvements	952,071	72,682	1,024,753
Furniture and equipment	304,991	58,252	363,243
Vehicles	-	14,900	14,900
Subtotal	1,257,062	145,834	1,402,896
Net governmental activities capital assets	$ 2,520,741	$ 84,352	$ 2,605,093

Note 6 - Capital Assets (Continued)

Depreciation expense totaling $145,834 was not charged to activities, as the Academy's assets benefit multiple activities and allocation is not practical.

Note 7 - Interfund Receivables, Payables, and Transfers

Interfund Transfers

During the year, the General Fund transferred $13,972 to the Lunch Fund to support operations.

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 Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 - Long-term Debt

Long-term debt activity for the year ended June 30, 2026 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Compensated absences	$ 54,957	$ 10,227	$ -	$ 65,184	$ -

Note 10 - Michigan Public School Employees' Retirement System

Plan Description

The Academy participates in the Michigan Public School Employees' Retirement System (the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the Academy. Certain academy employees also receive defined contribution retirement and health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment health care plans. That report is available on the web at http://www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan and the postemployment health care plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced by 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplementary payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions

Public Act 300 of 1980, as amended, required the Academy to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to retiree health care and keeping the premium subsidy benefit described above or choosing not to pay the 3 percent contribution and, instead, opting out of the subsidy benefit and becoming participants in the Personal Healthcare Fund (PHF), a portable tax-deferred fund that can be used to pay health care expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 accounts as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stopped paying the 3 percent contribution to retiree health care as of the day before their transition date, and their prior contributions were deposited into their 401(k) accounts.

The Academy's contributions are determined based on employee elections. There are multiple different pension and health care benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The ranges of rates are as follows:

	Pension	OPEB
October 1, 2024 - September 30, 2025	20.96% - 30.11%	0.00% - 1.25%
October 1, 2025 - September 30, 2026	15.21% - 26.08%	0.00% - 3.83%

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The Academy's required and actual pension contributions to the plan for the year ended June 30, 2026 were $850,492, which includes the Academy's contributions required for those members with a defined contribution benefit. For the year ended June 30, 2026, the Academy's required and actual pension contributions include an allocation of $300,914 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate.

The Academy's required and actual OPEB contributions to the plan for the year ended June 30, 2026 were $72,590, which includes the Academy's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2026, the Academy reported a liability of $3,540,673 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2024, which used update procedures to roll forward the estimated liability to September 30, 2025. The Academy's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2025 and 2024, the Academy’s proportion was 0.018 percent and 0.016 percent, respectively, representing a change of 9.39 percent.

Net OPEB Asset

At June 30, 2026, the Academy reported an asset of $819,206 for its proportionate share of the net OPEB asset. The net OPEB asset for fiscal year 2026 was measured as of September 30, 2025, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of September 30, 2024, which used update procedures to roll forward the estimated liability to September 30, 2025. The Academy’s proportion of the net OPEB asset was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2025 and 2024, the Academy’s proportion was 0.013 percent and 0.017 percent, respectively, representing a change of (22.02) percent.

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For 2026, the Academy recognized pension expense of $362,982, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2026, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 137,140	$ (31,536)
Changes in assumptions	127,085	(187,133)
Net difference between projected and actual earnings on pension plan investments	-	(846,145)
Changes in proportion and differences between the Academy's contributions and proportionate share of contributions	619,433	(13,978)
The Academy's contributions to the plan subsequent to the measurement date	653,477	-
Total	$ 1,537,135	$ (1,078,792)

The $300,914 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2027. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2027	$ 166,356
2028	(171,665)
2029	(146,628)
2030	(43,197)
Total	$ (195,134)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2026, the Academy recognized OPEB recovery of $258,825.

Note 10 - Michigan Public School Employees' Retirement System (Continued)

At June 30, 2026, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (560,867)
Changes in assumptions	109,332	(8,688)
Net difference between projected and actual earnings on OPEB plan investments	-	(115,116)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	72,505	(29,151)
Employer contributions to the plan subsequent to the measurement date	39,402	-
Total	$ 221,239	$ (713,822)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will increase the net OPEB asset and, therefore, will not be included in future OPEB expense):

Years Ending	Amount
2027	$ (145,402)
2028	(141,215)
2029	(124,014)
2030	(79,469)
2031	(31,407)
Thereafter	(10,478)
Total	$ (531,985)

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2025 are based on the results of an actuarial valuation as of September 30, 2024 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.00%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75 percent
Health care cost trend rate - OPEB	6.50% - 7.75%	Year 1 graded to 3.5 percent in year 15
Mortality basis		PubT-2010 Male and Female Employee Mortality Tables, scaled 100 percent (retirees: 116 percent for males and 116 percent for females) and adjusted for mortality improvements using projection scale MP-2021 from 2010
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2017 through 2022 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2023 valuation. The total pension liability and OPEB liability as of September 30, 2025 are based on the results of an actuarial valuation date of September 30, 2024 and rolled forward using generally accepted actuarial procedures, including the experience study.

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Significant assumption changes since the prior measurement date, September 30, 2024, for the OPEB plans include an increase in the health care cost trend rate of 0.50 percentage points for members under 65. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2024.

Discount Rate

The discount rate used to measure the total pension liability and OPEB liability was 6.00 percent as of September 30, 2025. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that academy contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (Pension)	Target Allocation (OPEB)	Long-term Expected Real Rate of Return
Domestic equity pools	21.00 %	16.00 %	5.80 %
Private equity pools	16.00	16.00	9.30
International equity pools	14.00	11.00	5.60
Fixed-income pools	15.00	26.00	2.50
Real estate and infrastructure pools	8.00	5.00	7.00
Absolute return pools	13.00	15.00	4.40
Real return/opportunistic pools	9.00	7.00	7.00
Short-term investment pools	4.00	4.00	1.30
Total	100.00 %	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.4 percent.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Academy, calculated using the discount rate depending on the plan option. The following also reflects what the Academy's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00 %)	1 Percentage Point Increase (7.00%)
Net pension liability of the Academy	$ 5,587,377	$ 3,540,673	$ 1,836,030

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the Academy, calculated using the current discount rate. It also reflects what the Academy's net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00%)	1 Percentage Point Increase (7.00%)
Net OPEB asset of the Academy	$ 705,798	$ 819,206	$ 918,463

Sensitivity of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB asset of the Academy, calculated using the current health care cost trend rate. It also reflects what the Academy's net OPEB asset would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Rate	1 Percentage Point Increase
Net OPEB asset of the Academy	$ 917,557	$ 819,206	$ 715,941

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

At June 30, 2026, the Academy reported a payable of $101,378 and $6,090 for the outstanding amount of contributions to the pension and OPEB plan, respectively, required for the year ended June 30, 2026.

Required Supplementary Information

Arts Academy in the Woods

Required Supplementary Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2026

	Original Budget	Final Budget	Variance with Original Budget - Over (Under) Final Budget	Actual	Variance with Final Budget - Over (Under) Actual Amounts
Revenue					
Local sources	$ 24,800	$ 37,265	$ 12,465	$ 37,747	$ 482
State sources	4,503,018	5,069,512	566,494	4,874,973	(194,539)
Federal sources	523,374	486,466	(36,908)	220,336	(266,130)
Interdistrict sources	289,718	292,309	2,591	293,457	1,148
Total revenue	5,340,910	5,885,552	544,642	5,426,513	(459,039)
Expenditures					
Current:					
Instruction:					
Basic programs	2,389,697	2,454,062	64,365	2,181,932	(272,130)
Added needs	589,102	462,603	(126,499)	498,255	35,652
Support services:					
Pupil	658,042	643,198	(14,844)	600,813	(42,385)
Instructional staff	257,097	273,836	16,739	177,781	(96,055)
General administration	353,700	419,430	65,730	409,005	(10,425)
School administration	542,053	641,978	99,925	579,873	(62,105)
Business	16,944	18,102	1,158	18,102	-
Operations and maintenance	585,643	784,380	198,737	647,748	(136,632)
Pupil transportation services	3,491	6,628	3,137	8,388	1,760
Central	158,210	182,742	24,532	164,819	(17,923)
Community services	25,035	34,506	9,471	34,506	-
Total expenditures	5,579,014	5,921,465	342,451	5,321,222	(600,243)
Excess of Revenue (Under) Over Expenditures	(238,104)	(35,913)	202,191	105,291	141,204
Other Financing Uses - Transfers out	(6,478)	(24,046)	(17,568)	(13,972)	10,074
Net Change in Fund Balance	(244,582)	(59,959)	184,623	91,319	151,278
Fund Balance - Beginning of year	786,153	786,153	-	786,153	-
Fund Balance - End of year	**$ 541,571**	**$ 726,194**	**$ 184,623**	**$ 877,472**	**$ 151,278**

See notes to required supplementary information.

Arts Academy in the Woods

Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
Michigan Public School Employees' Retirement System

Last Ten Plan Years

Plan Years Ended September 30

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Academy's proportion of the net pension liability	0.01767 %	0.01616 %	0.01462 %	0.01428 %	0.01456 %	0.01484 %	0.01492 %	0.01479 %	0.01496 %	0.01437 %
Academy's proportionate share of the net pension liability	$ 3,540,673	$ 3,955,711	$ 4,731,880	$ 5,370,484	$ 3,447,348	$ 5,097,815	$ 4,941,532	$ 4,445,846	$ 3,875,533	$ 3,584,506
Academy's covered payroll	$ 2,045,556	$ 1,880,360	$ 1,589,338	$ 1,383,705	$ 1,368,260	$ 1,338,157	$ 1,344,473	$ 1,273,987	$ 1,278,990	$ 1,240,262
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	173.09 %	210.37 %	297.73 %	388.12 %	251.95 %	380.96 %	367.54 %	348.97 %	303.02 %	289.01 %
Plan fiduciary net position as a percentage of total pension liability	79.44 %	74.44 %	65.91 %	60.77 %	72.32 %	59.49 %	62.12 %	62.12 %	63.96 %	63.01 %

See notes to required supplementary information.

Required Supplementary Information
Schedule of Pension Contributions
Michigan Public School Employees' Retirement System

Last Ten Fiscal Years

Years Ended June 30

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Statutorily required contribution	$ 795,435	$ 801,187	$ 713,635	$ 707,568	$ 511,117	$ 460,158	$ 426,173	$ 401,536	$ 379,483	$ 352,174
Contributions in relation to the statutorily required contribution	795,435	801,187	713,635	707,568	511,117	460,158	426,173	401,536	379,483	352,174
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Academy's Covered Payroll	$ 2,110,316	$ 1,998,908	$ 1,811,124	$ 1,607,222	$ 1,374,669	$ 1,353,659	$ 1,354,976	$ 1,310,969	$ 1,249,124	$ 1,265,450
Contributions as a Percentage of Covered Payroll	37.69 %	40.08 %	39.40 %	44.02 %	37.18 %	33.99 %	31.45 %	30.63 %	30.38 %	27.83 %

See notes to required supplementary information.

Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net OPEB Liability (Asset)
Michigan Public School Employees' Retirement System

Last Nine Plan Years

Plan Years Ended September 30

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Academy's proportion of the net OPEB (asset) liability	0.01348 %	0.01728 %	0.01563 %	0.01393 %	0.01472 %	0.01491 %	0.01525 %	0.01485 %	0.01500 %
Academy's proportionate share of the net OPEB (asset) liability	$ (819,206)	$ (743,815)	$ (88,445)	$ 295,109	$ 224,627	$ 798,873	$ 1,094,556	$ 1,180,806	$ 1,328,464
Academy's covered payroll	$ 2,045,556	$ 1,880,360	$ 1,589,338	$ 1,383,705	$ 1,368,260	$ 1,338,157	$ 1,344,473	$ 1,273,987	$ 1,278,990
Academy's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	(40.05)%	(39.56)%	(5.56)%	21.33 %	16.42 %	59.70 %	81.41 %	92.69 %	103.87 %
Plan fiduciary net position as a percentage of total OPEB liability	164.94 %	143.08 %	105.04 %	83.09 %	88.87 %	59.76 %	48.67 %	43.10 %	36.53 %

See notes to required supplementary information.

Arts Academy in the Woods

Required Supplementary Information
Schedule of OPEB Contributions
Michigan Public School Employees' Retirement System

Last Nine Fiscal Years

Years Ended June 30

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contribution	$ 43,689	$ 59,517	$ 148,792	$ 129,369	$ 112,025	$ 112,648	$ 108,880	$ 102,977	$ 90,221
Contributions in relation to the statutorily required contribution	43,689	59,517	148,792	129,369	112,025	112,648	108,880	102,977	90,221
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Academy's Covered Payroll	$ 2,110,316	$ 1,998,908	$ 1,811,124	$ 1,607,222	$ 1,374,669	$ 1,353,659	$ 1,354,976	$ 1,310,969	$ 1,249,124
Contributions as a Percentage of Covered Payroll	2.07 %	2.98 %	8.22 %	8.05 %	8.15 %	8.32 %	8.04 %	7.86 %	7.22 %

See notes to required supplementary information.

Budgetary Information

Significant variances between original and amended budget - During the year, there were significant variances between the Academy's original and amended budget, as follows:

	Original Budget	Amended Budget	Variance
General Fund - State source revenue	$ 4,503,018	$ 5,069,512	$ (566,494)
General Fund - Instruction - Added needs expenditures	589,102	462,603	126,499
General Fund - Support services - Operations and maintenance expenditures	585,643	784,380	(198,737)

The original budget was adopted before state funding for the year was known. State sources were increased primarily due to an increase of 27 students on count day (approximately $271,350), additional Section 31aa funding ($132,038), and an increase in the per pupil foundation allowance of $442 (approximately $143,650). Instruction - Added needs was decreased to reflect updated staffing plans for special education. Support services - Operations and maintenance was increased due to building maintenance needs and the remaining cost of the boiler replacement project, which carried forward from the prior year.

Significant variances between amended budget and actual results - During the year, there were significant variances between the Academy's amended budget and actual results, as follows:

	Amended Budget	Actual	Variance
General Fund - State source revenue	$ 5,069,512	$ 4,874,973	$ 194,539
General Fund - Federal source revenue	486,466	220,336	266,130
General Fund - Instruction - Basic program expenditures	2,454,062	2,181,932	272,130
General Fund - Support services - Operations and maintenance expenditures	784,380	647,748	136,632

State sources were less than budgeted primarily because certain categorical funding, including Section 31aa ($117,751), Section 23g ($37,337), and Section 21h ($36,683), was not fully spent during the year and was, therefore, reported as unearned revenue or not recognized. Federal sources were less than budgeted because certain grant funds were not spent during the year, including the Grow Your Own grant ($194,516), the filter grant ($31,600), and smaller amounts from other federal programs. Because federal grants are recognized as they are spent, the unspent amounts were not recognized as revenue. Instruction - Basic programs was less than budgeted primarily because two special education teachers were reclassified to Instruction - Added needs after the final budget amendment. Support services - Operations and maintenance was less than budgeted primarily because Section 31aa funds ($117,751) and filter grant funds ($31,600) budgeted for these costs were not spent during the year.

Pension Information

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended September 30 except for the following:

- 2023 - The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.80 percentage points.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percent points.

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

OPEB Information

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended September 30 except for the following:

- 2025 - The health care cost trend rate used in the September 30, 2025 actuarial valuation increased by 0.50 percentage points for members under 65.
- 2024 - The health care cost trend rate used in the September 30, 2024 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 0.25 percentage points for members over 65.
- 2023 - The health care cost trend rate used in the September 30, 2022 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 1.00 percentage point for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.95 percentage points. This resulted in a lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional $1.1 billion in 2022.
- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by $1.3 billion in 2021.
- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points. This, in addition to the actual per person health benefit cost being lower than projected, reduced the plan's total OPEB liability by an additional $1.8 billion in 2020.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by an additional $1.4 billion in 2019
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by $1.4 billion in 2018.

Other Supplementary Information

Arts Academy in the Woods

Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2026

	Special Revenue Funds				
	Lunch Fund	School Activities Fund	Total Special Revenue Funds	Capital Projects Fund	Total
Assets	**$ 50**	**$ 46,323**	**$ 46,373**	**$ 3,074**	**$ 49,447**
Liabilities - Unearned revenue	$ 50	$ -	$ 50	$ -	$ 50
Fund Balances					
Committed - School activities	-	46,323	46,323	-	46,323
Assigned - Capital projects	-	-	-	3,074	3,074
Total fund balances	-	46,323	46,323	3,074	49,397
Total liabilities and fund balances	**$ 50**	**$ 46,323**	**$ 46,373**	**$ 3,074**	**$ 49,447**

Other Supplementary Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2026

	Special Revenue Funds				
	Lunch Fund	School Activities Fund	Total Special Revenue Funds	Capital Projects Fund	Total
Revenue					
Local sources	$ 1,369	$ 27,538	$ 28,907	$ -	$ 28,907
State sources	26,592	-	26,592	-	26,592
Federal sources	161,587	-	161,587	-	161,587
Total revenue	189,548	27,538	217,086	-	217,086
Expenditures					
Current:					
Support services:					
Business	-	23,209	23,209	-	23,209
Operations and maintenance	2,477	-	2,477	-	2,477
Food services	205,410	-	205,410	-	205,410
Total expenditures	207,887	23,209	231,096	-	231,096
Excess of Revenue (Under) Over Expenditures	(18,339)	4,329	(14,010)	-	(14,010)
Other Financing Sources - Transfers in	13,972	-	13,972	-	13,972
Net Change in Fund Balances	(4,367)	4,329	(38)	-	(38)
Fund Balances - Beginning of year	4,367	41,994	46,361	3,074	49,435
Fund Balances - End of year	**$ -**	**$ 46,323**	**$ 46,323**	**$ 3,074**	**$ 49,397**

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

Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

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*

Independent Auditor's Report

To Management and the Board of Directors
Arts Academy in the Woods

We have audited, 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, the basic financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Arts Academy in the Woods (the "Academy") as of and for the year ended June 30, 2026 and the related notes to the basic financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 19, 2026.

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 preceding paragraph 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*.

PRAXITY™
Empowering Business Globally

To Management and the Board of Directors
Arts Academy in the Woods

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.

Plante & Moran, PLLC

October 19, 2026