



**HIGHLAND PARK**  
SCHOOL DISTRICT

**School District of the City of Highland Park**

**Financial Statements June 30, 2025**



**THE CLAIRMOUNT GROUP, PLC**  
Certified Public Accountants

## Table of Contents

Section		Page
1	<b>Independent Auditor's Report</b>	1 - 1
2	<b>Management's Discussion and Analysis</b>	2 - 1
3	<b>Basic Financial Statements</b>	
	District-Wide Financial Statements:	
	Statement of Net Position	3 - 1
	Statement of Activities	3 - 2
	Fund Financial Statements:	
	Governmental Funds:	
	Balance Sheet	3 - 3
	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	3 - 5
	Statement of Revenues, Expenditures and Changes in Fund Balances	3 - 6
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	3 - 7
	Notes to Financial Statements	3 - 8
4	<b>Required Supplementary Information</b>	
	Budgetary Comparison Schedule – General Fund	4 - 1

<b>Section</b>		<b>Page</b>
5	<b>Other Supplementary Information</b>	
	Nonmajor Governmental Funds:	
	Combining Balance Sheet	5 - 1
	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	5 - 2
	Schedule of Outstanding Bonded and Loan Indebtedness	5 - 3
6	<b>Other Reports</b>	
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> – Independent Auditors' Report	6 - 1
	Schedule of Findings and Responses	6 - 3
	Corrective Action Plans	6 - 4



THE CLAIRMOUNT GROUP, PLC  
Certified Public Accountants

## Independent Auditor's Report

Management and the Board of Education  
School District of the City of Highland Park  
Highland Park, Michigan

### Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of the City of Highland Park, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Deficit Fund Balance

The School District has accumulated an unassigned deficit in the General Fund of (\$476,808) as of June 30, 2025, which has resulted from operating deficits. The deficit and status of the District's Deficit Elimination Plan, which is required by the Michigan Department of Education, are disclosed in Note 2. Our opinions are not modified with respect to this matter.

### Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 School District of the City of Highland Park, 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 School District of the City of Highland Park'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.

## **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 generally accepted 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 generally accepted 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 School District of the City of Highland Park'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 School District of the City of Highland Park'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, identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 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.

## Other Information

Management is responsible for the other information included in the annual report. The other 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.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2025, on our consideration of the School District of the City of Highland Park'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 School District of the City of Highland Park'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 School District of the City of Highland Park's internal control over financial reporting and compliance.

*The Clairmount Group, PLC*

The Clairmount Group PLC  
Detroit, Michigan  
November 1, 2025



## 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS

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# **School District of the City of Highland Park Management's Discussion and Analysis**

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This section of the School District of the City of Highland Park's (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2025. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

## **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District of the City of Highland Park financially as a whole. The district-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund, Sinking Fund, and 2005 School and Building and Site Bond Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)  
(Required Supplemental Information)  
Basic Financial Statements  
Government-Wide Financial Statements  
Fund Financial Statements  
Notes to the Basic Financial Statements  
(Required Supplementary Information)  
Budgetary Information for Major Funds  
Other Supplemental Information

## **School District of the City of Highland Park Management's Discussion and Analysis (continued)**

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### ***Reporting the School District as a Whole - Government-Wide Financial Statements***

One of the most important questions asked about the School District is, "As a whole, what is the School District'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 School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the School District's net position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District'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 School District.

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including support services and debt service payments. Property taxes, discretionary state funding, and other revenues finance most of these activities.

### **Reporting the School District's Most Significant Funds - Fund Financial Statements**

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District 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 taxes and other money (such as debt service funds used to report debt millage revenue and the associated debt service payments). The governmental funds of the School District use the following accounting approach:

**Governmental Funds** - All of the School District's services are reported in 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 School District and the services it provides. Governmental fund information helps you determine whether there are more or less financial resources that can be spent in the near future to finance the School District'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.

## School District of the City of Highland Park Management's Discussion and Analysis (continued)

### The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position:

**Table 1**

	<b>Governmental Activities</b>	
	June 30	
	(in millions)	
<b><u>Assets</u></b>	<b>2025</b>	<b>2024</b>
Current and other assets	\$ 5.3	\$ 4.3
Capital assets	1.6	1.3
Total assets	<u>6.9</u>	<u>5.6</u>
<b><u>Liabilities</u></b>		
Current liabilities	\$ 3.4	\$ 3.4
Long-Term liabilities	5.2	5.5
Total liabilities	<u>8.6</u>	<u>8.9</u>
<b><u>Net Position</u></b>		
Net deficit in capital assets	0.9	0.6
Restricted	2.5	2.6
Unrestricted(deficit)	(5.1)	(6.5)
Total net position	<u>\$ (1.7)</u>	<u>\$ (3.3)</u>

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was negative (\$1.7) million at June 30, 2025. Net position in capital assets totaling \$.9 million, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limits the School District's ability to use those net assets for day-to-day operations. The remaining amount of the net deficit (\$5.1) million was unrestricted.

The net deficit of (\$1.7) million represents the accumulated results of all past years' operations. Total liabilities are greater than the current and capital assets of the School District; therefore, the net position is negative. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

## School District of the City of Highland Park Management's Discussion and Analysis (continued)

### The School District as a Whole (continued)

The results of this year's operations for the School District as a whole are reported in the statement of activities (Table 2), which shows the changes in net deficit for fiscal years 2025 and 2024.

**Table 2**

	<b>Governmental Activities</b>	
	June 30	
	(in millions)	
	<b>2025</b>	<b>2024</b>
<b>Revenues</b>		
General revenue		
Property taxes	\$ 2.1	\$ 2.0
Other	0.6	0.5
Total revenue	<u>2.7</u>	<u>2.5</u>
<b>Function/Program Expenses:</b>		
Support services	0.3	1.5
Interest on long-term Debt	0.9	0.2
Total functions/program expenses	<u>1.2</u>	<u>1.7</u>
<b>Increase/(Decrease) in Net Position</b>	1.5	0.8
Net Position - beginning of year	<u>(3.3)</u>	<u>(4.1)</u>
Net Position - end of year	<u>\$ (1.8)</u>	<u>\$ (3.3)</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$1.2 million. We paid for this cost with \$2.1 million in taxes and \$.6 million in other revenues, i.e., interest and general entitlements.

The School District experienced an increase in net assets of \$1.5 million. The key reason for the change in net assets is the continued maintenance of low operating expenses.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes constitute the vast majority of district operating revenue sources, the Chief Administrative Officer and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

## **School District of the City of Highland Park Management's Discussion and Analysis (continued)**

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### **The School District's Funds**

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$2.3 million, which is an increase in the fund balance of \$1.0 million from last year. The primary reasons for the decrease in the deficit are as follows:

In the General Fund, our principal operating fund, the fund deficit decreased from (\$1.7) million to (\$.5) million. The change is mainly due to the continued maintenance of low operating expenses.

Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Durant debt obligations are funded by annual state appropriation, and no fund balance exists at year end. Debt service funds' fund balances are restricted since they can only be used to pay debt service obligations.

## School District of the City of Highland Park Management's Discussion and Analysis (continued)

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### General Fund Budgetary Highlights

State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The School District amended its budget during the year. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

### Capital Assets and Debt Administration

#### Capital Assets

As of June 30, 2025, the School District had \$.9 million invested in capital and rights to use assets, including buildings, furniture, and equipment. We present more detailed information about our capital assets in the notes to the financial statements.

	<b>Governmental Activities</b>	
	June 30	
	<b>2025</b>	<b>2024</b>
Buildings and building improvements	\$ 2,443,673	\$ 2,168,673
Furniture and equipment	123,752	123,752
Total capital assets	2,567,425	2,292,425
Less accumulated depreciation	1,053,159	1,001,063
Net capital assets	<u>\$ 1,514,266</u>	<u>\$ 1,291,362</u>

## School District of the City of Highland Park Management’s Discussion and Analysis (continued)

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### Debt

At the end of this year, the School District had \$.6 million in bonds outstanding versus \$.7 million in the previous year, consisting of the following:

	<u>2025</u>	<u>2024</u>
General obligation bonds	<u>\$ 610,000</u>	<u>\$ 775,000</u>

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District’s boundaries. If the School District issues “qualified debt,” i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District has no outstanding unqualified general obligation debt.

Other obligations include two emergency loans issued during the 2012-2013 year. These loans are payable annually through 2042. We present more detailed information about our long-term liabilities in the notes to the financial statements.

### Economic Factors and Next Year’s Budgets and Rates

The Chief Administrative Officer for the District is the Chief Education Officer (CEO). The CEO has the responsibility to approve the day-to-day activities of the School District and is accountable for monitoring the activities and compliance measures of the Highland Park Public School Academy, focusing on implementing an Educational Strategic Plan to grow enrollment and add a high school location (grade levels 9-12), a trades skill program, adult learning, and GED program.

Services are provided by Alan C. Young & Associates, P.C. for the day-to-day activities of the School District's Finance Department and advice on business decisions to reduce operating costs, eliminate the deficit, and pay off debts.

The School District is adhering to a Deficit Elimination Plan approved by the State of Michigan in 2023 to pay off existing debts to vendors in installments over a period of 17 years. The 2023 Plan replaces the 2018 Deficit Elimination Plan reflecting revised projections since 2018. Once all debts are paid in full, the School District will revisit the charter school structure to determine if a return to a traditional K-12 district is feasible.

The School District will continue to collect property taxes on non-homestead properties in order to pay off the existing School District debt. Additionally, as the charter authorizing agency, the School District is entitled to a fee of 3 percent of the State Aid associated with the enrolled pupils of the charter school. The School District continues to receive, in addition to its 3 percent authorizer fee, monthly installment payments from the Highland Park Public School Academy equal to 4% of State Aid for the lease of the Barber Preparatory facilities. The CEO will continue to monitor the activities of the Highland Park Public School Academy, along with the charter school management company.

In the near term, these revenue sources will be the only available funds to pay off the existing debt of the School District. The School District’s ability to increase revenues long-term is directly dependent on its ability to grow enrollment from its strategic plan effort.

## **School District of the City of Highland Park Management's Discussion and Analysis (continued)**

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The Board of Education recently approved significant improvements to the District's PK-8th grade Public School Academy building. The 100-year-old building will undergo renovations to the twelve (12) existing restrooms, the removal of existing windows and the installation of new windows, and security upgrades. The \$983K capital project shall be funded by the District's sinking funds and minimally supported by the general funds budget. Given the upsurge in enrollment, 285 to 385, and the increase in the State of Michigan per pupil allocation foundation allowance by 5% from \$9,150 per-pupil to \$10,060, the District anticipates additional revenue from the 3% Authorizer Fee and the 4% Lease revenue. The MI Department of Treasury offers an annual reimbursement grant to which the district applies and qualifies for a varied reimbursement of expenditures.

### **Contacting the School District's Management**

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District'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 Chief Administrative Officer.

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## 3 - BASIC FINANCIAL STATEMENT

**School District of the City of Highland Park**  
**Statement of Net Position**  
**June 30, 2025**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 5,146,633
Due from other governmental units	108,606
Prepaid insurance	65,104
Capital assets- net of accumulated depreciation	1,514,266
Rights to use, net accumulated amortization	<u>115,155</u>
Total assets	<u><u>\$ 6,949,764</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 15,624
Due to other governmental units	2,973,444
Long-term debt - current portion	<u>373,738</u>
Total current liabilities	<u>3,362,806</u>
Long-term debt - long-term portion	<u>5,288,290</u>
Total liabilities	<u>8,651,096</u>
<b>Net Position</b>	
Net position in capital assets	904,266
Restricted for	
Debt service	327,394
Capital projects	2,163,831
Unrestricted (deficit)	<u>(5,096,822)</u>
Total net position	<u>(1,701,331)</u>
Total liabilities and net position	<u><u>\$ 6,949,764</u></u>

See Accompanying Notes to the Financial Statements

**School District of the City of Highland Park**  
**Statement of Activities**  
**For the Year Ended June 30, 2025**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues and Changes in Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Support services				
General administration	\$ 419,359	\$ -	\$ -	\$ (419,359)
Business	200,705	-	-	(200,705)
Operations and maintenance	228,641	-	-	(228,641)
Central	116,057	-	-	(116,057)
Student activity	20	-	-	(20)
Facilities acquisition, construction, and improvements	45,258	-	-	(45,258)
Interest on long-term debt	98,454	-	-	(98,454)
Depreciation (unallocated)	57,144	-	-	(57,144)
Total Governmental Activities	<u>\$ 1,165,638</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,165,638)</u>

General Revenues:

Property taxes, levied for general purposes	1,978,442
Property taxes, levied for debt service	122,199
Property taxes, levied for sinking fund	324
Interest and investment earnings	209,152
Authorizer fees	131,232
Lease revenue	174,976
Other	151,054
Total general revenues	<u>2,767,379</u>
Change in net position	1,601,741
Net Position, beginning of year	<u>(3,303,072)</u>
Net Position, end of year	<u>\$ (1,701,331)</u>

See Accompanying Notes to the Financial Statements

**School District of the City of Highland Park**  
**Balance Sheet**  
**June 30, 2025**

	General Fund	Sinking Fund	Debt Service Fund 2005 School and Building Bond Fund	Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash	\$ 2,329,128	\$ 2,163,831	\$ 327,394	\$ 326,280	\$ 5,146,633
Due from other funds	9,422	-	-	11,578	21,000
Due from other governmental units	108,606	-	-	-	108,606
Prepaid insurance	65,104	-	-	-	65,104
<b>Total assets</b>	<u>\$ 2,512,260</u>	<u>\$ 2,163,831</u>	<u>\$ 327,394</u>	<u>\$ 337,858</u>	<u>\$ 5,341,343</u>
<b>Liabilities</b>					
Accounts payable	\$ 15,624	\$ -	\$ -	\$ -	\$ 15,624
Due to other funds	-	-	-	21,000	21,000
Due to other governmental units	2,973,444	-	-	-	2,973,444
<b>Total liabilities</b>	<u>2,989,068</u>	<u>-</u>	<u>-</u>	<u>21,000</u>	<u>3,010,068</u>

**School District of the City of Highland Park**  
**Balance Sheet**  
**June 30, 2025**

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Debt Service Fund 2005 School and Building Bond Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Fund Balance</b>					
Restricted for					
Debt service	\$ -	\$ -	\$ 327,394	\$ -	\$ 327,394
Capital projects	-	2,163,831	-	11,578	2,175,409
Committed - student activity	-	-	-	305,280	305,280
Unassigned	<u>(476,808)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(476,808)</u>
 Total fund balances (deficit)	 <u>(476,808)</u>	 <u>2,163,831</u>	 <u>327,394</u>	 <u>316,858</u>	 <u>2,331,275</u>
 Total liabilities and fund balance	 <u>\$ 2,512,260</u>	 <u>\$ 2,163,831</u>	 <u>\$ 327,394</u>	 <u>\$ 337,858</u>	 <u>\$ 5,341,343</u>

**School District of the City of Highland Park**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2025**

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<b>Total fund balances for governmental funds</b>	\$ 2,331,275
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
Capital assets, net of depreciation	1,514,266
Right of use of assets	115,156
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Bonds payable	(610,000)
Emergency loans payable	(4,930,000)
Lease liability	<u>(122,028)</u>
<b>Net Position - Governmental activities</b>	<u><u>\$(1,701,331)</u></u>

**School District of the City of Highland Park  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2025**

	General Fund	Sinking Fund	Debt Service Fund 2005 School and Building Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local sources	\$ 2,507,690	\$ 107,698	\$ 137,622	\$ 14,369	\$ 2,767,379
<b>Expenditures</b>					
Current					
Support services					
General administration	419,359	-	-	-	419,359
Business	200,595	110	-	-	200,705
Operations and maintenance	228,641	-	-	-	228,641
Central	116,057	-	-	-	116,057
Student activity	-	-	-	20	20
Facilities acquisition, construction, and improvements	-	320,258	-	-	320,258
Debt service					
Principal	235,000	-	85,000	-	320,000
Interest and other expenditures	63,094	-	35,360	-	98,454
Total expenditures	<u>1,262,746</u>	<u>320,368</u>	<u>120,360</u>	<u>20</u>	<u>1,703,494</u>
Excess of revenues over (under) expenditures	<u>1,244,944</u>	<u>(212,670)</u>	<u>17,262</u>	<u>14,349</u>	<u>1,063,885</u>
Fund balance (deficit) - beginning	<u>(1,721,752)</u>	<u>2,376,501</u>	<u>310,132</u>	<u>302,509</u>	<u>1,267,390</u>
Fund balance (deficit) - ending	<u>\$ (476,808)</u>	<u>\$ 2,163,831</u>	<u>\$ 327,394</u>	<u>\$ 316,858</u>	<u>\$ 2,331,275</u>

See Accompanying Notes to the Financial Statements

**School District of the City of Highland Park  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
 Of Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2025**

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**Net change in fund balances - Total governmental funds** \$ 1,063,885

Total change in net position reported for governmental activities in the statement of activities is different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.

Depreciation expense	(52,095)
Capital outlay	275,000
Rights of use assets amortization	(5,049)

Bond and not proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Repayments of long-term debt	320,000
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**Net Position - Governmental activities** **\$ 1,601,741**

# School District of the City of Highland Park

## Notes to Financial Statements

### June 30, 2025

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#### Note 1 - Summary of Significant Accounting Policies

The accounting policies of the School District of the City of Highland Park (the "School District") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

##### Reporting Entity

Pursuant to Public Act 4 – Local Government Fiscal Responsibility Act, the State of Michigan determined that a financial emergency exists within the School District. An emergency manager (EM) was appointed in February 2012 and was succeeded by the successor EM effective May 2012, again in October 2013, and again in November 2016. The EM assumes control over all fiscal matters of the School District and makes fiscal decisions, including but not limited to the preparation of the School District's financial statements. In April of 2018, the EM was replaced by a Director of Operations, and governance over the School District was resumed by an elected seven-member Board of Education.

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 financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

#### District-Wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The School District first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, and operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

# School District of the City of Highland Park

## Notes to Financial Statements (continued)

### June 30, 2025

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#### District-Wide Financial Statements (continued)

The net costs (by function) are normally covered by general revenue (property taxes, state sources, federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements, the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

#### Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

#### Fund Financial Statements (continued)

Property taxes, 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 government.

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

Governmental funds are reported as separate columns in the fund financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds. Sinking Fund – The Sinking Fund is used to record the sinking fund property tax levy and other revenue and the disbursement of invoices specifically designated for technology and major remodeling. The fund will operate until the purpose for which it was created is accomplished.

2005 School and Building Bond Fund – The 2005 School and Building Bond debt service fund is used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on the School District's 2005 School Building and Site Bonds. General capital asset acquisitions, including entering into contracts giving the School District the right to use leased assets, are reported as expenditures in governmental funds.

**School District of the City of Highland Park  
Notes to Financial Statements (continued)  
June 30, 2025**

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**Fund Financial Statements (continued)**

Additionally, the School District reports the following fund types:

Special Revenue Fund – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Student Activity Fund is the only special revenue fund.

Capital Project Funds – The nonmajor Energy Bond Fund and 2005 School Building and Site Project Fund are used to record bond proceeds, interest, and other revenue, and the disbursement of monies specifically designated for technology and major remodeling. The funds operate until the purpose for which it was created is accomplished.

The nonmajor Technology Equipment Fund is used to account for certain insurance proceeds received and related interest revenue that is to be used for technology and related electrical upgrades. The fund operates until the purpose for which it was created is accomplished.

The nonmajor Other Capital Improvement Fund is used to account for certain insurance proceeds received and related interest revenue that is to be used for various capital improvements. The fund operates until the purpose for which it was created is accomplished.

**Assets, Liabilities and Net Position or Equity**

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

**Assets, Liabilities and Net Position or Equity (continued)**

All trade and property tax receivables are shown net of an allowance for uncollectible amounts of \$0.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2025, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non principal residence exemption	17.7300
Commercial personal property	5.7300
Debt Service Fund	2.9500

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds, the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

**School District of the City of Highland Park  
Notes to Financial Statements (continued)  
June 30, 2025**

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**Assets, Liabilities and Net Position or Equity (continued)**

Capital Assets (continued)

Buildings and improvements	20-40 years
Furniture and other equipment	5-20 years

Rights to Use Assets

The District has recorded the right to use lease assets as a result of implementing GASB Statement No. 87. The right to use assets is initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, plus any ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Leases - The School District recognizes lease contracts or equivalents that have a term exceeding one year, and the cumulative future payments on the contract exceed \$25,000 that meet the definition of another than short-term lease. The School District uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the School District's incremental borrowing rate at start of the lease for a similar asset type and term length to the contract. Short-term lease payments are expensed when incurred.

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

**Assets, Liabilities and Net Position or Equity (continued)**

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of a net position by the government that is applicable to a future reporting period. For governmental funds, this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – Amounts that are not available in a spendable form.

Restricted – Amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – Amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – Amounts intended to be used for specific purposes, as determined by the Chief Administrative Officer. The Board of Education has granted the Chief Administrative Officer the authority to assign funds. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – All other resources; the remaining fund balances after non-spendable, restrictions, commitments, and assignments. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

# School District of the City of Highland Park

## Notes to Financial Statements (continued)

### June 30, 2025

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#### **Assets, Liabilities and Net Position or Equity (continued)**

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

#### **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, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

#### **Eliminations and Reclassifications**

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

The School District doesn't meet the requirements of this Statement for the fiscal year ending June 30, 2025.

#### **Note 2 - Stewardship, Compliance, and Accountability**

##### **Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

##### **Budgetary Information (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 School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Chief Administrative Officer is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

##### **Excess of Expenditures Over Appropriations**

During the year, the School District did not incur expenditures in excess of the amounts appropriated.

**School District of the City of Highland Park  
Notes to Financial Statements (continued)  
June 30, 2025**

**Deficit Fund Balance**

The School District has accumulated an unassigned deficit in the General Fund of (\$476,808) as of June 30, 2025. The School District has filed a deficit elimination plan with the State of Michigan, which the School District is in compliance with as of year end.

**Compliance - Sinking Funds**

The Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4 - Noncompliance with Legal or Contractual Provisions.

**Note 3 - Deposits and Investments**

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rates prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority. At June 30, 2025, the School District did not have any investments.

The School District has designated two banks for the deposit of its funds. The School District's deposits are reported as cash in the basic financial statements for governmental activities.

**Note 3 - Deposits and Investments (continued)**

*Concentration of Credit Risk* – The School District has no policy that would limit the amount that may be invested with any one issuer.

*Custodial Credit Risk – Deposits* – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, \$2.1 million of the School District's bank balance of \$3.6 million was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Note 4 - Capital and Rights to Use Assets**

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets being depreciated:				
Building and improvements	\$ 2,168,673	\$ 275,000	\$ -	\$ 2,443,673
Furniture & Equipment	123,752	-	-	123,752
Subtotal	<u>2,292,425</u>	<u>275,000</u>	<u>-</u>	<u>2,567,425</u>
Less accumulated depreciation:				
Building and improvements	936,380	50,542	-	986,922
Furniture & Equipment	64,683	1,554	-	66,237
Subtotal	<u>1,001,063</u>	<u>52,096</u>	<u>-</u>	<u>1,053,159</u>
Net capital assets being depreciated	<u>\$ 1,291,362</u>	<u>\$ 222,904</u>	<u>\$ -</u>	<u>\$ 1,514,266</u>

Depreciation expenses other than those allocated to specific activities are identified as unallocated.

**School District of the City of Highland Park  
Notes to Financial Statements (continued)  
June 30, 2025**

**Note 5 - Lease**

*School District as a Lessee*

The School District extended its building lease for a period of five years in May 2025. The initial lease liability was recorded in the amount of \$123,261. The School District is required to make monthly payments of \$3,500. The lease agreement didn't have an interest rate as such, an implicit rate equal to the US Treasury Yield as of June 30, 2025, of 3.69%. The value of the right-to-use assets for the year ended June 30, 2025, was \$115,156.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025, are as follows:

*School District as a Lessor*

The School District leases space to a charter school at 4% of the charter school's state aid, which is a rate based on usage. Accordingly, revenue is recognized as a variable payment, and the School District does not have a lease receivable under this lease.

**Note 6 - Interfund Receivable and Payable Transfers**

Individual interfund receivables and payable balances at year end were:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Funds	9,422
Nonmajor Fund	Nonmajor Funds	<u>11,578</u>
		<u>\$ 21,000</u>

**Note 6 - Interfund Receivable and Payable Transfers (continued)**

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year, with the exception of the amounts owed from the General Fund to Sinking Fund, which are being paid back in accordance with the deficit elimination plan. There were no interfund transfers during the fiscal year.

**Note 7 - Payable Agreements**

In prior periods, the School District accumulated large payable balances due to the Office of Retirement Services (ORS) for unpaid pension contributions, to the Unemployment Insurance Agency for unpaid claims, and to the State of Michigan for state aid advances.

The future requirements in association with the ongoing payments to these vendors are as follows:

<u>Year Ending</u>	<u>Michigan Department of Education</u>
2026	\$ -
2027	-
2028	-
2029	-
2030	-
2031-2035	-
2036-2037	<u>2,973,444</u>
	<u>\$ 2,973,444</u>

**School District of the City of Highland Park  
Notes to Financial Statements (continued)  
June 30, 2025**

**Note 8 - Long-Term Debt**

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. Two emergency loans were issued during

The year ended June 30, 2013, under the powers of the emergency manager and in communication with the State of Michigan. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The State can withhold state aid if it has to make a bond payment on behalf of the School District related to qualified bonds.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds payable					
School Building and Site Bonds - Series 2005	\$ 695,000	\$ -	\$ 85,000	\$ 610,000	\$ 95,000
Notes form direct borrowings and direct placements					
Emergency Loan #1	3,080,000	-	140,000	2,940,000	145,000
Emergency Loan #2	2,085,000	-	95,000	1,990,000	95,000
	<u>5,165,000</u>	<u>-</u>	<u>235,000</u>	<u>4,930,000</u>	<u>240,000</u>
Lease liability	30,068	123,261	31,301	122,028	38,738
Total	<u>\$ 5,890,068</u>	<u>\$ 123,261</u>	<u>\$ 351,301</u>	<u>\$ 5,662,028</u>	<u>\$ 373,738</u>

**Note 8 - Long-Term Debt (continued)**

General obligations, bonds, and emergency loans payable at year end consist of the following:

\$3,580,000 of School Building and Site Bonds due in installments of \$170,000 to \$175,000 through May 1, 2031; interest at 3.625 percent to 5.00 percent	\$ 610,000
\$4,410,000 of Emergency Loan #1 due in installments of \$135,000 to \$205,000 through November 1, 2041; interest at 1.25 percent	2,940,000
\$3,000,000 of Emergency Loan #2 due in installments of \$90,000 to \$140,000 through November 1, 2041; interest at 1.25 percent	1,990,000
Total general obligation bonded debt	<u>\$ 5,540,000</u>

Future principal and interest requirements for bonded debt and direct placements are as follows:

Year Ending	Bond		Emergency Loans		Total Principal	Total Interest
	Principal	Interest	Principal	Interest		
2026	\$ 90,000	\$ 30,500	\$ 240,000	\$ 60,125	\$ 330,000	\$ 90,625
2027	95,000	26,000	245,000	57,094	340,000	83,094
2028	100,000	21,250	245,000	54,032	345,000	75,282
2029	105,000	32,750	260,000	50,875	365,000	83,625
2030	110,000	-	260,000	47,626	370,000	47,626
2031-2035	110,000	-	1,410,000	186,754	1,520,000	186,754
2036-2040	-	-	1,590,000	93,250	1,590,000	93,250
2041-2042	-	-	680,000	8,561	680,000	8,561
Total	<u>\$ 610,000</u>	<u>\$ 110,500</u>	<u>\$ 4,930,000</u>	<u>\$ 558,317</u>	<u>\$ 5,540,000</u>	<u>\$ 668,817</u>

**School District of the City of Highland Park**  
**Notes to Financial Statements (continued)**  
**June 30, 2025**

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**Note 9 - Risk Management**

The School District is exposed to various risks of loss related to property loss, errors and omissions, and employee inquiries (workers' compensation). The School District has purchased commercial insurance for property loss, errors, and omission and participates in the SET/SEG risk pool.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. Settled claims have not exceeded excess coverage for the past three fiscal years.

**Note 10 - Management's Plan**

The School District is working closely with the State of Michigan Departments of Treasury and Education on deficit elimination plans and financing. With the chartering of the School District as of July 1, 2012, the School District is collecting property taxes for the taxpayers and using those funds to pay down loans and vendor obligations as efficiently as it can. Additionally, the School District receives a total fee equal to 3 percent of the state aid received by the charter school district they have authorized.

Continual discussion occurs with the State as to the long-term plan for the School District and its ability to repay amounts that are owed. The Chief Administrative Officer meets regularly with the Board of Education and the community to discuss the status of operations, so all parties are adequately informed.

**Note 11 - Tax Abatements**

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by cities, villages, and townships within the County. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

There are no significant abatements made by the School District.

**Note 12 - Subsequent Event**

There were no subsequent events that would materially affect the results presented in this disclosure.

## 4 - REQUIRED SUPPLEMENTARY INFORMATION

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**School District of the City of Highland Park  
Required Supplementary Information  
Budgetary Comparison Schedule – General Fund  
For the Year Ended June 30, 2025**

	Original	Final Budget	Actual	Over (Under) Budget
<b>Revenues</b>				
Local sources	\$ 2,122,300	\$ 2,265,300	\$ 2,507,690	\$ 242,390
<b>Expenditures</b>				
Supporting services				
General administration	500,430	418,000	419,359	1,359
Business	183,420	196,520	200,595	4,075
Operations and maintenance	125,466	225,354	228,641	3,287
Central	111,890	115,732	116,057	325
Debt service	298,094	298,094	298,094	-
Total expenditures	1,219,300	1,253,700	1,262,746	9,046
Excess of revenues over expenditures	903,000	1,011,600	1,244,944	233,344
Fund balance (deficit) - Beginning of year	(1,770,000)	(1,666,751)	(1,721,752)	55,001
Fund balance (deficit) - End of year	\$ (867,000)	\$ (655,151)	\$ (476,808)	\$ 288,345

## 5 - OTHER SUPPLEMENTARY INFORMATION

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**School District of the City of Highland Park  
Other Supplementary Information  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2025**

	Special Revenue	Capital Projects Funds				Total Nonmajor Governmental Funds
	Student Activity	Energy Bonds	Technology Equipment	2005 School Building & Site Project	Other Capital Improvements	
<b>Assets</b>						
Cash	\$ 326,280	\$ -	\$ -	\$ -	\$ -	\$ 326,280
Due from other funds	-	8,840	2,530	106	102	11,578
<b>Total assets</b>	<u>\$ 326,280</u>	<u>\$ 8,840</u>	<u>\$ 2,530</u>	<u>\$ 106</u>	<u>\$ 102</u>	<u>\$ 337,858</u>
<b>Liabilities</b>						
Due to other funds	\$ 21,000	\$ -	\$ -	\$ -	\$ -	\$ 21,000
<b>Fund Balance</b>						
Restricted for						
Capital projects	-	8,840	2,530	106	102	11,578
Committed	305,280	-	-	-	-	305,280
<b>Total fund balances</b>	<u>305,280</u>	<u>8,840</u>	<u>2,530</u>	<u>106</u>	<u>102</u>	<u>316,858</u>
<b>Total liabilities and fund balance</b>	<u>\$ 326,280</u>	<u>\$ 8,840</u>	<u>\$ 2,530</u>	<u>\$ 106</u>	<u>\$ 102</u>	<u>\$ 337,858</u>

**School District of the City of Highland Park  
Other Supplementary Information  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2025**

	Special	Capital Projects Funds				Total
	Revenue			2005 School	Other Capital	Nonmajor
	Student	Energy	Technology	Building &	Improvements	Governmental
	Activity	Bonds	Equipment	Site Project		Funds
<b>Revenues</b>						
Local sources	\$ 14,369	\$ -	\$ -	\$ -	\$ -	\$ 14,369
<b>Expenditures</b>						
Current						
Education						
Supporting services	20	-	-	-	-	20
Excess (deficiency) of revenues over expenditures	14,349	-	-	-	-	14,349
Fund balances - beginning	290,931	8,840	2,530	106	102	302,509
Fund balances - ending	\$ 305,280	\$ 8,840	\$ 2,530	\$ 106	\$ 102	\$ 316,858

**School District of the City of Highland Park  
Other Supplementary Information  
Schedule of Outstanding Bonded and Loan Indebtedness  
June 30, 2025**

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Year Ending June 30,	Emergency Loan #1	Emergency Loan #2	2005 Issuance Principal	Total
2026	\$ 145,000	\$ 95,000	\$ 90,000	\$ 330,000
2027	145,000	100,000	95,000	340,000
2028	145,000	100,000	100,000	345,000
2029	155,000	105,000	105,000	365,000
2030	155,000	105,000	110,000	370,000
2031-2035	840,000	570,000	110,000	1,520,000
2036-2040	950,000	640,000	-	1,590,000
2041-2042	405,000	275,000	-	680,000
	<u>\$ 2,940,000</u>	<u>\$ 1,990,000</u>	<u>\$ 610,000</u>	<u>\$ 5,540,000</u>

Principal payments  
due the first day of

November

November

May

Interest payments  
due the first day of

May and  
November

May and  
November

May and  
November

Interest rate

1.25%

1.25%

4.25%-5.00%

Original issue

\$ 4,410,000

\$ 3,000,000

\$ 3,580,000

## 6 - OTHER REPORTS

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THE CLAIRMOUNT GROUP, PLC  
Certified Public Accountants

**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 Auditors' Report**

Management and the Board of Directors  
School District of the City of Highland Park  
Highland Park, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of the City of Highland Park as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School District of the City of Highland Park's basic financial statements, and have issued our report thereon dated November 1, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District of the City of Highland Park'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of School District of the City of Highland Park's internal control. Accordingly, we do not express an opinion on the effectiveness of School District of the City of Highland Park's internal control.

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2025-001 that we consider to be material weaknesses.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District of the City of Highland Park'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2025-001.

### **The School District of the City of Highland Park's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the School District of the City of Highland Park's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. School District of the City of Highland Park's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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

*The Clairmount Group PLC*

Detroit, Michigan  
November 1, 2025

**School District of the City of Highland Park**  
**Schedule of Findings and Responses**  
**June 30, 2025**

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**2025-001, 2024-001, 2023-001, 2022-001, 2021-001, 2020-001, 2019-002, 2018-004, 2017-005, 2016-005, 2015-005, 2014-005**  
**Material Weakness and Material Noncompliance – Deficit Fund Balance**

Criteria: The State School Aid Act of 1979 Article 10 Section 388.1702 does not allow for districts receiving funds under the act to operate under a deficit.

Condition: The General Fund has an unassigned deficit fund balance as of June 30, 2025.

Cause: The School District lacked adequate budgetary controls in the past, and revenues decreased at a larger rate than expenditures.

Effect: The district has filed a deficit elimination plan with the State that continues to be evaluated and monitored for compliance.

Recommendation: The School District should continue to follow its deficit elimination plan and submit needed revisions as they arise.

Views of responsible officials: Management agrees with the finding. Corrective action plan: See attached corrective action plan.

**School District of the City of Highland Park**  
**Schedule of Findings and Responses (continued)**  
**June 30, 2025**

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**2024-002, 2023-002, 2022-002, 2021-002, 2020-002, 2019-003, 2018-005, 2017-006, 2016-006, 2015-006, 2014-006 Material Weakness and Material Noncompliance – Sinking Fund**

The correction plan was implemented.



# HIGHLAND PARK

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## SCHOOL DISTRICT

**THE SCHOOL DISTRICT OF THE CITY OF HIGHLAND PARK**  
12360 Woodward Avenue Highland Park, Michigan 48203

Findings	Responsible Individual	Management Views	Corrective Action	Anticipated Completion Date
2025-001	Chief Education Officer	Management understands the requirement to have a positive general fund balance.	The District will continue to monitor the Deficit Elimination Plan that was approved by the State of Michigan to ensure the deficit elimination targets are met.	FY2026