

BAY CITY ACADEMY
BAY CITY, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2024



WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

TABLE OF
CONTENTS

Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 9
Basic Financial Statements	
Academy-wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Governmental Funds:	
Balance Sheet	12
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balance	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	15
Notes to Financial Statements	16 - 29
Required Supplemental Information	
Budgetary Comparison Schedule - General Fund	30
Other Supplemental Information	
Combining Balance Sheet - Nonmajor Governmental Funds	31
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	32
Independent Auditor's 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	33 - 34
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required By The Uniform Guidance	35 - 37
Schedule of Findings and Questioned Costs	38
Summary of Prior Year Findings	39
Schedule of Expenditures of Federal Awards	40 - 41
Notes to the Schedule of Expenditures of Federal Awards	42



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INDEPENDENT AUDITOR'S REPORT

October 23, 2024

Board of Directors
Bay City Academy
Bay City, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Bay City Academy (Academy), as of and for the year ended June 30, 2024 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 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 Bay City Academy as of June 30, 2024 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audit in accordance with U.S. generally accepted auditing standards (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 U.S. generally accepted accounting principles; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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



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.

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 Bay City 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 Bay City 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

U.S. generally accepted accounting principles requires that the management's discussion and analysis and budgetary comparison information, as noted in the table on 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, 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 U.S. generally accepted auditing standards, 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 combining nonmajor fund financial statements and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2024, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Weinlander Fitzhugh

BAY CITY ACADEMY
Management's Discussion and Analysis
For the Year Ended June 30, 2024

Our discussion and analysis of Bay City Academy's (Academy) financial performance provides an overview of the Academy's financial activities for the fiscal year ended June 30, 2024.

Financial Highlights

The Academy's net position increased by \$1,137,789. Program revenues were \$2,224,101 or 30% of total revenues, and general revenues were \$5,224,360 or 70%.

The General Fund reported a positive fund balance of \$2,410,375.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy financially as a whole. The *Academy-wide Financial Statements* provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the Academy-wide financial statements by providing information about the Academy's most significant funds - the General Fund with all other funds presented. The following summarizes the presentation included in this annual financial report.

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

Basic Financial Statements

- Academy-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Other Supplemental Information

Reporting the Academy as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions asked about the Academy's finances is: "Is the Academy better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Academy as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Academy's net position as a way to measure the Academy's financial position. The change in net position provides the reader a tool to assist in determining whether the Academy's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as student enrollment growth and facility conditions in arriving at their conclusion regarding the overall health of the Academy.

BAY CITY ACADEMY
Management's Discussion and Analysis
For the Year Ended June 30, 2024

Reporting the Academy's Most Significant Funds

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. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using grants and other sources of revenue. The Academy's governmental funds accounting approach is further described in the notes to the financial statements.

Governmental Funds

Most of the Academy's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Academy's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Academy's programs.

Academy-wide Financial Analysis

The statement of net position provides the perspective of the Academy as a whole. Exhibit A provides a summary of the Academy's net position as of June 30, 2024 and 2023:

Exhibit A

	<u>Governmental Activities</u>	
	<u>2024</u>	<u>2023</u>
Assets		
Current and other assets	\$ 3,451,617	\$ 2,587,903
Capital assets - net of accumulated depreciation/amortization	2,244,842	2,022,520
Total assets	<u>5,696,459</u>	<u>4,610,423</u>
Liabilities		
Current liabilities	1,005,014	949,757
Long-term liabilities	1,007,691	1,114,701
Total liabilities	<u>2,012,705</u>	<u>2,064,458</u>
Net Position		
Net investment in capital assets	1,130,141	809,274
Restricted	93,513	105,055
Unrestricted	2,460,100	1,631,636
Total net position	<u>\$ 3,683,754</u>	<u>\$ 2,545,965</u>

BAY CITY ACADEMY
Management's Discussion and Analysis
For the Year Ended June 30, 2024

The analysis above focuses on net position (see Exhibit A). The Academy's net position of governmental activities was \$3,683,754 at June 30, 2024. Restricted net position is reported separately to show legal constraints from legislation that limit the Academy's ability to use that net position for day-to-day operations.

The \$2,460,100 in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. 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 statement of activities. Exhibit B provides a summary of the changes in net position for the years ended June 30, 2024 and 2023.

Exhibit B

	Governmental Activities	
	2024	2023
Revenues		
Program revenue:		
Charges for services	\$ 107,066	\$ 99,597
Grants and categoricals	2,117,035	2,210,098
General revenue:		
State aid	5,195,910	4,665,367
Other	28,450	40,413
	7,448,461	7,015,475
Function/Program Expenses		
Instruction	2,793,567	2,736,132
Support services	2,719,831	2,412,255
Community services	15,219	0
Food service	480,460	437,836
Athletics	11,222	0
Student/school activities	101,366	90,176
Interest	93,227	99,419
Depreciation/amortization (Unallocated)	95,780	77,404
	6,310,672	5,853,222
Change in Net Position	\$ 1,137,789	\$ 1,162,253

As reported in the statement of activities, the cost of all of our governmental activities this year was \$6,310,672. Certain activities were partially funded from those who benefited from the programs, \$107,066, or by the other governments and organizations that subsidized certain programs with grants and categoricals of \$2,117,035. We paid for the remaining "public benefit" portion of our governmental activities with \$5,195,910 in State aid and with our other revenues, such as interest and entitlements.

The Academy's governmental activities had an increase in net position of \$1,137,789.

BAY CITY ACADEMY
Management's Discussion and Analysis
For the Year Ended June 30, 2024

The Academy's Funds

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.

The Academy's governmental funds reported a combined fund balance of \$2,561,214, which is above last year's total of \$1,734,098. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2024 and 2023.

	Fund Balance 6/30/2024	Fund Balance 6/30/2023	Increase (Decrease)
General	\$ 2,410,375	\$ 1,577,417	\$ 832,958
Food Service	93,513	105,055	(11,542)
Student/School Activities	57,326	51,626	5,700
	\$ 2,561,214	\$ 1,734,098	\$ 827,116

- Our General fund increase is mainly attributable to careful budgeting and monitoring of expense accounts through the year to ensure spending levels stay below revenue.
- Our Food Services fund had a decrease due to a purposeful decision to use excess fund balance from previous years to purchase needed equipment.
- Our Student/School Activities fund had an increase due to activity programs generating more than enough revenue to cover all expenditures. As enrollment grows, the number of clubs, organizations, and fundraiser's increases.

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues increased over original budget by \$1,040,981 due to enrollment growth leading to increased state revenue and carrying over more federal COVID grant funds than originally budgeted.
- Budgeted expenditures increased over original budget by \$694,244 due to higher enrollment leading to more student-related expenditures as well as several large building projects.
- Final actual revenues exceeded budgeted revenue by \$14,400 due to more federal grant funds being drawn than originally anticipated.
- Final budgeted expenditures exceeded actual expenditures by \$425,504 due to careful spending controls to ensure expenditures stay within budget.

BAY CITY ACADEMY
Management's Discussion and Analysis
For the Year Ended June 30, 2024

Capital Assets

At June 30, 2024, the Academy had \$2,244,842 invested in capital assets.

	<u>Governmental Activities</u>	
	<u>2024</u>	<u>2023</u>
Land	\$ 98,000	\$ 98,000
Buildings	1,924,175	1,720,823
Equipment	114,268	114,268
Buses	396,434	281,684
Right of use asset - office space	59,077	59,077
Total capital assets	2,591,954	2,273,852
Less accumulated depreciation	347,112	251,332
Net capital assets	<u>\$ 2,244,842</u>	<u>\$ 2,022,520</u>

The Academy purchased two new buses, metal doors, parking lot updates, and HVAC updates during the fiscal year ended June 30, 2024.

The Academy includes more details on capital assets in the notes to the financial statements.

Debt

At June 30, 2024, the Academy had outstanding long-term debt.

	<u>2024</u>	<u>2023</u>
Land contract - Mancelona	\$ 190,976	\$ 194,227
Land contract - Farragut	874,885	959,942
Lease liability	48,840	59,077
	<u>\$ 1,114,701</u>	<u>\$ 1,213,246</u>

The Academy includes more details on long term debt in the notes to the financial statements.

BAY CITY ACADEMY
Management's Discussion and Analysis
For the Year Ended June 30, 2024

Factors Expected to have an Effect on Future Operations

Our elected Board and Administration consider many factors when setting the Academy's 2025 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 2025 fiscal year budget was adopted in June 2024, based on an estimate of students that will be enrolled in September 2024. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2024-2025 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2025 fiscal year budget. Once the final student count and related per pupil funding is validated, state law requires the Academy to amend the budget if actual district resources are not sufficient to fund original appropriations.

The Academy has expanded its bus routes at the Bay City campus and is now offering dual enrollment with Delta College. This allows students to attend and obtain college credits. The Academy will continue to grow and service the needs of the students.

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation until 2024-2025.

Requests for Information

This financial report is designed to provide a general overview of the Academy's finances for all those with an interest in the Academy. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Superintendent
Bay City Academy
301 N. Farragut St.
Bay City, MI 48708

BAY CITY ACADEMY
Statement of Net Position
June 30, 2024

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments	\$ 1,888,309
Accounts receivable	1,507
Due from other governmental units	1,183,774
Security deposit	1,200
Prepaid expenses	376,827
Capital assets less accumulated depreciation/amortization \$347,112	2,244,842
Total assets	5,696,459
<u>Liabilities</u>	
Accounts payable	136,612
Accrued payroll	406,687
Unearned revenue	347,104
Accrued interest payable	7,601
Long-term liabilities:	
Due within one year	107,010
Due in more than one year	1,007,691
Total liabilities	2,012,705
<u>Net Position</u>	
Net investment in capital assets	1,130,141
Restricted for food service	93,513
Unrestricted	2,460,100
Total net position	\$ 3,683,754

See accompanying notes to financial statements.

BAY CITY ACADEMY
Statement of Activities
For the Year Ended June 30, 2024

		Program Revenues		Governmental Activities
Expenses	Charges for Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes in Net Position	
<u>Functions/Programs</u>				
Primary government -				
Governmental activities:				
Instruction	\$ 2,793,567	\$ 0	\$ 1,648,117	\$ (1,145,450)
Support services	2,719,831	0	0	(2,719,831)
Community services	15,219	0	0	(15,219)
Food service	480,460	0	468,918	(11,542)
Athletics	11,222	0	0	(11,222)
Student/school activities	101,366	107,066	0	5,700
Interest	93,227	0	0	(93,227)
Depreciation/amortization (Unallocated)	95,780	0	0	(95,780)
Total governmental activities	\$ 6,310,672	\$ 107,066	\$ 2,117,035	(4,086,571)
General revenues:				
State aid				5,195,910
Other				28,450
Total general revenues				5,224,360
Change in net position				1,137,789
Net position - beginning of year				2,545,965
Net position - end of year				\$ 3,683,754

See accompanying notes to financial statements.

BAY CITY ACADEMY
Governmental Funds
Balance Sheet
June 30, 2024

	<u>General</u>	<u>Other Nonmajor Governmental Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash and investments	\$ 1,888,022	\$ 287	\$ 1,888,309
Receivables - net:			
Accounts receivable	1,507	0	1,507
Due from other funds	0	138,546	138,546
Due from other governmental units	1,171,768	12,006	1,183,774
Security deposit	1,200	0	1,200
Prepaid expenditures	<u>376,827</u>	<u>0</u>	<u>376,827</u>
 Total assets	 <u>\$ 3,439,324</u>	 <u>\$ 150,839</u>	 <u>\$ 3,590,163</u>
<u>Liabilities and Fund Balance</u>			
<u>Liabilities</u>			
Accounts payable	\$ 136,612	\$ 0	\$ 136,612
Due to other funds	138,546	0	138,546
Accrued payroll and other liabilities	406,687	0	406,687
Unearned revenue	<u>347,104</u>	<u>0</u>	<u>347,104</u>
 Total liabilities	 <u>1,028,949</u>	 <u>0</u>	 <u>1,028,949</u>
<u>Fund Balance</u>			
Nonspendable - prepaid	376,827	0	376,827
Nonspendable - security deposit	1,200	0	1,200
Restricted for food service	0	93,513	93,513
Committed for student/school activities	0	57,326	57,326
Unassigned	<u>2,032,348</u>	<u>0</u>	<u>2,032,348</u>
 Total fund balance	 <u>2,410,375</u>	 <u>150,839</u>	 <u>2,561,214</u>
 Total liabilities and fund balance	 <u>\$ 3,439,324</u>	 <u>\$ 150,839</u>	 <u>\$ 3,590,163</u>

See accompanying notes to financial statements.

BAY CITY ACADEMY
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2024

Total fund balance - governmental funds	\$ 2,561,214
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and are not reported in the funds</p>	
Cost of the capital assets	2,532,877
Cost of right to use asset - office space	59,077
Accumulated depreciation/amortization	(347,112)
<p>Long-term liabilities are not due and payable in the current period and are not reported in the funds:</p>	
Land contracts payable	(1,065,861)
Lease liability	(48,840)
Accrued interest payable is included as a liability in governmental activities	(7,601)
Total net position - governmental activities	\$ 3,683,754

See accompanying notes to financial statements.

BAY CITY ACADEMY
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2024

	General	Other Nonmajor Governmental Fund	Total
<u>Revenues</u>			
Local sources	\$ 28,450	\$ 107,066	\$ 135,516
State sources	6,078,571	9,275	6,087,846
Federal sources	752,099	459,643	1,211,742
Interdistrict and other sources	23,957	0	23,957
Total revenues	6,883,077	575,984	7,459,061
<u>Expenditures</u>			
Current:			
Instruction	2,793,567	0	2,793,567
Support services	3,063,389	0	3,063,389
Food services	0	480,460	480,460
Athletics	11,222	0	11,222
Student/school activities	0	101,366	101,366
Debt Service:			
Principal	88,308	0	88,308
Interest and other	93,633	0	93,633
Total expenditures	6,050,119	581,826	6,631,945
Net change in fund balance	832,958	(5,842)	827,116
Fund balance - beginning of year	1,577,417	156,681	1,734,098
Fund balance - end of year	\$ 2,410,375	\$ 150,839	\$ 2,561,214

See accompanying notes to financial statements.

BAY CITY ACADEMY
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2024

Net change in fund balance - total governmental funds	\$	827,116
<p>Amounts reported for governmental activities in the statements of activities are different because:</p> <p style="padding-left: 20px;">Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation</p>		
Depreciation expense		(95,780)
Capital outlay		318,102
Unavailable revenue from other governmental units at June 30, 2023 and collected after September 1, 2023		(10,599)
<p>Long-term liabilities are not due and payable in the current period and are not reported in the funds:</p> <p style="padding-left: 20px;">Principal payments</p>		
		98,545
Accrued interest are reported as a reduction in expenditures on the Statement of Activities		<u>405</u>
Change in net position of governmental activities	\$	<u><u>1,137,789</u></u>

See accompanying notes to financial statements.

BAY CITY ACADEMY
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Bay City Academy (Academy) conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Academy:

Reporting Entity

The Academy is governed by an appointed Board of Directors and is authorized by Lake Superior State University. 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 Academy's reporting entity, and which organizations are legally separate component units of the Academy. The Academy has no component units.

Academy-wide and Fund Financial Statements

The Academy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Academy's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes; (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items are not properly included among program revenues 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.

BAY CITY ACADEMY
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

Fund-based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenue 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.

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.

The Academy reports the following major governmental fund:

General - The General fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Assets, Liabilities, and Net Assets or Equity

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

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

BAY CITY ACADEMY
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid items in both Academy-wide and fund financial statements.

Capital Assets - Capital assets, which include vehicles, are reported in the applicable governmental activities column in the Academy-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any asset susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. The Academy does not have infrastructure-type assets.

Vehicles and buildings are depreciated/amortized using the straight-line method over the following useful lives:

Buildings	50 years
Equipment	5 - 10 years
Buses	8 years
Right to use - leased building	5 years

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

Fund Equity - The fund balance classifications are reported on the extent to which a government is bound to observe constraints imposed on the use of the resources in governmental funds. The fund balances are classified as nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance represents amounts that are not in a spendable form. The Academy's nonspendable fund balance represents prepaid expenditures. In the fund financial statements, governmental funds report restrictions on fund balances for amounts that are legally restricted by outside parties for a specific purpose. Committed fund balance represents funds formally set aside by the Academy for a particular purpose. The use of committed funds would be approved by the Board of Directors through the budget process or official Board action.

Assigned fund balance would represent tentative management plans that are subject to change which at the present time the Academy does not have any assigned fund balance. The Academy's intent would be to spend uncommitted/unassigned funds prior to the use of committed funds. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first, then unrestricted resources as they are needed.

BAY CITY ACADEMY
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Lessee: The Academy is a lessee for a noncancelable lease of office space. The Academy recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The Academy recognizes lease liabilities with an initial, individual value of \$5,000 or more.

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

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

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

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

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

Deferred Outflows and Inflows of Resources

Deferred Outflows - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Academy has no items that qualify under this category.

Deferred Inflows - In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy has no items that qualify under this category.

BAY CITY ACADEMY
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates - The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

State Aid - For the fiscal year ended June 30, 2024, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2024, the foundation allowance was based on the average pupil membership counts taken in February and October of 2023.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2023 - August 2024. The local revenue is recognized as outlined in Note 1. Amounts receivable from the State of Michigan at June 30, 2024 relating to state aid is \$1,135,551.

The Academy also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Events Occurring After Reporting Date - Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying Independent Auditor's Report, which is the date the financial statements were available to be issued.

NOTE 2 - BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts and public school academies prior to the expenditure of monies in a fiscal year.

BAY CITY ACADEMY
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 2 - BUDGETS (CONTINUED)

Bay City Academy follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Academy's Superintendent submits to the Board of Directors a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board of Directors throughout the year. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end and therefore cancels all encumbrances. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Directors) for the General Fund is presented as Required Supplemental Information.

Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the General Fund are noted in the Required Supplementary Information section.

NOTE 3 - CASH AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Academy is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

BAY CITY ACADEMY
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

At year-end, the Academy's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Primary Government</u>
Cash and cash equivalents	\$ 1,888,309

As of June 30, 2024 the Academy had deposits and investments subject to the following risk:

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2024, \$1,657,492 of the Academy's bank balance of \$1,907,492 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

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

Concentration of credit risk. The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure by credit quality.

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

BAY CITY ACADEMY
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Fair value measurement. The Academy is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Academy's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The Academy does not have any investments subject to the fair value hierarchy.

BAY CITY ACADEMY
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 4 - CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	<u>Balance</u> <u>June 30, 2023</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2024</u>
Assets not being depreciated:				
Land	\$ 98,000	\$ 0	\$ 0	\$ 98,000
Capital assets being depreciated/amortized				
Buildings	1,720,823	203,352	0	1,924,175
Equipment	114,268	0	0	114,268
Buses	281,684	114,750	0	396,434
Right of use asset - office space	59,077	0	0	59,077
Subtotal	<u>2,175,852</u>	<u>318,102</u>	<u>0</u>	<u>2,493,954</u>
Accumulated depreciation/amortization				
Buildings	56,928	52,432	0	109,360
Equipment	2,696	0	0	2,696
Buses	191,708	31,532	0	223,240
Right of use asset - office space	0	11,816	0	11,816
Subtotal	<u>251,332</u>	<u>95,780</u>	<u>0</u>	<u>347,112</u>
Net capital assets being depreciated	<u>1,924,520</u>	<u>222,322</u>	<u>0</u>	<u>2,146,842</u>
Net capital assets	<u>\$ 2,022,520</u>	<u>\$ 222,322</u>	<u>\$ 0</u>	<u>\$ 2,244,842</u>

Depreciation expense for fiscal year ended June 30, 2024 was \$95,780. The Academy determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

BAY CITY ACADEMY
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of inter-fund transfers made during the year ended June 30, 2024 is as follows:

		<u>Payables</u>
		<u>General</u>
	Receivables	
	Food Service	\$ 81,507
	Student/School	
	Activities	<u>57,039</u>
		<u>\$ 138,546</u>

These interfund receivable and payable balances resulted from the time lag between the dates that; (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

There were no interfund transfers in the current year.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2024 consist of state aid and grants.

A summary of the intergovernmental receivables (due from other governmental units) follows:

State aid and grants	\$ 1,135,551
Federal grants	<u>48,223</u>
	<u>\$ 1,183,774</u>

NOTE 7 - UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also reflect unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, grant and categorical aid payments received prior to meeting all eligibility requirements amounted to \$347,104.

NOTE 8 - LONG-TERM OBLIGATIONS

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

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u> <u>and Payments</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Amount Due</u> <u>Within One</u> <u>Year</u>
Notes from direct borrowings and direct placements	<u>\$ 1,213,246</u>	<u>\$ 0</u>	<u>\$ 98,545</u>	<u>\$ 1,114,701</u>	<u>\$ 107,010</u>

BAY CITY ACADEMY
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 8 - LONG-TERM OBLIGATIONS (CONTINUED)

Long-term obligations at June 30, 2024 is comprised of the following issue:

Notes from direct borrowings and direct placements:

The Academy entered into a land contract for their Mancelona location in the amount of \$200,000 with monthly payments of \$1,072 including interest of 4.99%. Final payment is due July 2031.	\$ 190,976
The Academy entered into a land contract for their Farragut location in the amount of \$1,050,000 with monthly payments of \$14,000 including interest of 9.00%. Final payment is due February 2031.	874,885
The Academy entered into a short term lease on July 1, 2023 and extended the lease in March 2023 until June 30, 2028 with monthly installments of \$1,100 - \$1,200 including interest of 6%.	<u>48,840</u>
Total direct borrowings and direct placements	<u>\$ 1,114,701</u>

The annual debt service requirements on long-term debt as of June 30, 2024, including interest payments are as follows:

<u>Year Ended June 30</u>	<u>Notes from Direct Borrowings and Direct Placements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 107,010	\$ 87,060	\$ 194,070
2026	116,562	77,507	194,069
2027	128,216	67,053	195,269
2028	139,660	55,608	195,268
2029	137,342	43,527	180,869
2030 - 2032	485,911	48,500	534,411
	<u>\$ 1,114,701</u>	<u>\$ 379,255</u>	<u>\$ 1,493,956</u>

NOTE 9 - 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 did not exceed the amount of insurance coverage in any of the past three fiscal years.

BAY CITY ACADEMY
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 10 - RETIREMENT PLAN

All leased employees of the Academy are eligible to participate in a defined contribution retirement plan established by the management company which qualifies under the provision of Section 401(k). Eligible employees may contribute up to 15% of their salaries under the terms of this plan up to prescribed limits. The Academy's contributions to the plan through purchase services for the year ended June 30, 2024 was \$77,929.

NOTE 11 - GRANTS

The Academy receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the Academy's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the Academy management believes such disallowance, if any, would be immaterial.

NOTE 12 - ECONOMIC DEPENDENCY

The Academy received approximately 88% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the Academy, the Academy is considered to be economically dependent.

NOTE 13 - CONTRACTUAL COMMITMENTS

The Academy has entered into an agreement with Lake Superior State University's (Lake Superior) Board of Trustees, a public academy authorizing body. Lake Superior exercises oversight functions as authorized by the college board. The amount paid to Lake Superior for oversight functions during the year ended June 30, 2024 was \$190,934.

The Academy entered into a contract with Mitten Educational Management, LLC. Mitten Educational Management LLC provides a variety of services including financial management, leased employees, education programs and consulting as well as teacher training. Management fees paid during the year ended June 30, 2024 were \$895,087.

BAY CITY ACADEMY
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENT

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

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

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

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

BAY CITY ACADEMY
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENT (CONTINUED)

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

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

BAY CITY ACADEMY
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2024

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Local sources	\$ 31,020	\$ 49,232	\$ 28,450	\$ (20,782)
State sources	5,233,086	6,170,793	6,078,571	(92,222)
Federal sources	563,590	648,652	752,099	103,447
Interdistrict and other sources	0	0	23,957	23,957
Total revenues	<u>5,827,696</u>	<u>6,868,677</u>	<u>6,883,077</u>	<u>14,400</u>
<u>Expenditures</u>				
Instruction:				
Basic programs	1,992,103	1,986,369	1,887,798	98,571
Added needs	710,219	946,021	905,769	40,252
Support services:				
Pupil	0	0	143,072	(143,072)
Instructional staff	349,388	244,966	68,809	176,157
General administrative	733,614	224,298	214,755	9,543
School administration	368,172	511,319	470,939	40,380
Business services	201,670	934,569	899,105	35,464
Operations and maintenance	657,933	841,402	737,695	103,707
Transportation	558,563	488,263	451,950	36,313
Support other	14,902	66,297	61,845	4,452
Parent workshops	2,601	0	0	0
Community services	0	17,934	15,219	2,715
Principal and interest on long term debt	180,869	180,869	181,941	(1,072)
Athletics	11,345	33,316	11,222	22,094
Total expenditures	<u>5,781,379</u>	<u>6,475,623</u>	<u>6,050,119</u>	<u>425,504</u>
Net change in fund balance	46,317	393,054	832,958	439,904
Fund balance - beginning of year	<u>1,577,417</u>	<u>1,577,417</u>	<u>1,577,417</u>	<u>0</u>
Fund balance - end of year	<u>\$ 1,623,734</u>	<u>\$ 1,970,471</u>	<u>\$ 2,410,375</u>	<u>\$ 439,904</u>

BAY CITY ACADEMY
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024

	<u>Special Revenue Funds</u>		
	<u>Food Service</u>	<u>Student/School Activities</u>	<u>Total</u>
	<u>Assets</u>		
Cash and investments	\$ 0	\$ 287	\$ 287
Receivables - net:			
Due from other funds	81,507	57,039	138,546
Due from other governmental units	<u>12,006</u>	<u>0</u>	<u>12,006</u>
Total assets	<u>\$ 93,513</u>	<u>\$ 57,326</u>	<u>\$ 150,839</u>
	<u>Fund Balance</u>		
<u>Fund Balance</u>			
Restricted for food services	93,513	0	93,513
Committed for student/school activities	<u>0</u>	<u>57,326</u>	<u>57,326</u>
Total fund balance	<u>93,513</u>	<u>57,326</u>	<u>150,839</u>
Total fund balance	<u>\$ 93,513</u>	<u>\$ 57,326</u>	<u>\$ 150,839</u>

BAY CITY ACADEMY
Other Supplemental Information
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Special Revenue Funds		
	Food Service	Student/School Activities	Total
<u>Revenues</u>			
Local sources	\$ 0	\$ 107,066	\$ 107,066
State sources	9,275	0	9,275
Federal sources	459,643	0	459,643
Total revenues	468,918	107,066	575,984
<u>Expenditures</u>			
Current:			
Food services	480,460	0	480,460
Student/school activities	0	101,366	101,366
Total expenditures	480,460	101,366	581,826
Net change in fund balance	(11,542)	5,700	(5,842)
Fund balance - beginning of year	105,055	51,626	156,681
Fund balance - end of year	\$ 93,513	\$ 57,326	\$ 150,839



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INDEPENDENT AUDITOR'S 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

October 23, 2024

Board of Directors
Bay City Academy
Bay City, Michigan

We have audited, in accordance with U.S. generally accepted auditing standards 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 Bay City Academy (Academy), as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise Bay City Academy's basic financial statements and have issued our report thereon dated October 23, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bay City 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 Bay City Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Bay City Academy's internal control.

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

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



Report on Compliance and Other Matters

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

Purpose of this Report

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

Weinlander Fitzhugh



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

October 23, 2024

Board of Directors
Bay City Academy
Bay City, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Bay City Academy's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Bay City Academy's major federal programs for the year ended June 30, 2024. Bay City Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Bay City Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Bay City Academy and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Bay City Academy's compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Bay City Academy's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Bay City Academy's compliance based on our audit. 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 U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Bay City Academy's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Bay City Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Bay City Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Bay City Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Weinlander Fitzhugh

BAY CITY ACADEMY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified? YES NO
- Significant deficiency(ies) identified? YES NONE REPORTED

Noncompliance material to financial statements noted? YES NO

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified? YES NO
- Significant deficiency(ies) identified? YES NONE REPORTED

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? YES NO

Identification of major programs:

<u>ALN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
10.553, 10.555, and 10.558	Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? YES NO

SECTION II - Financial Statement Findings

There are no matters reported.

SECTION III - Federal Award Findings and Questioned Costs

There are no matters reported.

BAY CITY ACADEMY
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2024

2023-001

Audit Finding

The Academy incurred unfavorable variances in a number of its General Fund, Food Service Fund, and Student Activities Fund expenditure accounts. These variances resulted in a violation of the Uniform Accounting and Budgeting Act for its General Fund, Food Service Fund, and Student Activities Fund expenditure accounts.

Corrective Action Taken

The Board and the management company implemented measures to monitor financial activity and amended their budgets when necessary, in accordance with the requirements of the act.

Bay City Academy
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal AL Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2023	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2024
<u>U.S. Department of Agriculture</u>							
Passed through Michigan Department of Education							
National School Food Programs							
Lunch							
Cash assistance							
10.555							
231960-2223	\$ 308,440	\$ 260,129	\$ 11,779	\$ 0	\$ 60,090	\$ 48,311	\$ 0
240910-2324	16,907	0	0	0	16,907	16,907	0
241960-2324	256,586	0	0	0	248,799	256,586	7,787
241980-2324	2,825	0	0	0	2,790	2,825	35
		<u>260,129</u>	<u>11,779</u>	<u>0</u>	<u>328,586</u>	<u>324,629</u>	<u>7,822</u>
Non-cash assistance (Commodities)							
10.555							
Entitlement	37,168	<u>14,251</u>	<u>0</u>	<u>0</u>	<u>37,168</u>	<u>37,168</u>	<u>0</u>
Non-cash assistance (Commodities)							
10.555							
Bonus	1,479	<u>2,203</u>	<u>0</u>	<u>0</u>	<u>1,479</u>	<u>1,479</u>	<u>0</u>
Breakfast							
10.553							
231970-2223	95,535	78,085	4,977	0	22,427	17,450	0
241970-2324	75,760	0	0	0	73,685	75,760	2,075
		<u>78,085</u>	<u>4,977</u>	<u>0</u>	<u>96,112</u>	<u>93,210</u>	<u>2,075</u>
Fresh Fruit and Vegetable							
10.582							
240950-2024-1	17,760	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,158</u>	<u>3,158</u>	<u>0</u>
Total Child Nutrition Cluster		<u>354,668</u>	<u>16,756</u>	<u>0</u>	<u>466,503</u>	<u>459,644</u>	<u>9,897</u>
Total U.S. Department of Agriculture		<u>354,668</u>	<u>16,756</u>	<u>0</u>	<u>466,503</u>	<u>459,644</u>	<u>9,897</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

Bay City Academy
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal AL Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2023	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2024
<u>U.S. Department of Education</u>							
Passed through Michigan Department of Education							
E.C.I.A. Title I Part A							
84.010							
231530-2223	\$ 231,685	\$ 195,784	\$ 16,233	\$ 0	\$ 16,233	\$ 0	\$ 0
241530-2324	262,909	0	0	43,597	250,883	284,342	33,459
		<u>195,784</u>	<u>16,233</u>	<u>43,597</u>	<u>267,116</u>	<u>284,342</u>	<u>33,459</u>
Title II Part A							
84.367							
230520-2223	34,095	27,404	1,855	0	1,855	0	0
240520-2324	32,194	0	0	(32,194)	0	0	0
		<u>27,404</u>	<u>1,855</u>	<u>(32,194)</u>	<u>1,855</u>	<u>0</u>	<u>0</u>
Title IV A Student Support & Academic Enrichment							
84.424							
230750-2223	12,446	10,953	792	0	792	0	0
240750-2324	19,628	0	0	(11,403)	791	791	0
		<u>10,953</u>	<u>792</u>	<u>(11,403)</u>	<u>1,583</u>	<u>791</u>	<u>0</u>
Education Stabilization Fund							
COVID - 19 - Elementary and Secondary School Emergency Relief Fund (ESSER III)							
84.425U							
213712-2122	1,270,015	847,577	(101,924)	0	318,807	422,439	1,708
COVID - 19 - Elementary and Secondary School Emergency Relief Fund (ARP Homeless)							
84.425W							
211012-2122	19,837	7,658	7,658	(102)	16,678	12,281	3,159
COVID - 19 - Elementary and Secondary School Emergency Relief Fund (98C)							
84.425D							
213782-2223	25,440	7,556	7,556	102	25,440	17,782	0
Total Education Stabilization Fund		<u>862,791</u>	<u>(86,710)</u>	<u>0</u>	<u>360,925</u>	<u>452,502</u>	<u>4,867</u>
Total U. S. Department of Education		<u>1,096,932</u>	<u>(67,830)</u>	<u>0</u>	<u>631,479</u>	<u>737,635</u>	<u>38,326</u>
		<u>\$ 1,451,600</u>	<u>\$ (51,074)</u>	<u>\$ 0</u>	<u>\$ 1,097,982</u>	<u>\$ 1,197,279</u>	<u>\$ 48,223</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

BAY CITY ACADEMY
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Bay City Academy under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Bay City Academy, it is not intended to and does not present the financial position or changes in net position of Bay City Academy.

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

The Academy has elected not to use the 10 percent de minimus indirect cost rate to recover costs as allowed under the Uniform Guidance.

The Academy does not have any subrecipients.

NOTE 2 - OTHER DISCLOSURES

Management has utilized the NexSys, Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

NOTE 3 - RECONCILIATION OF REVENUE REPORTED IN THE FINANCIAL STATEMENTS

Total federal expenditures per Schedule of Expenditures of Federal Awards		\$	1,197,279
Add:			
60 day funds from the prior year			10,599
E-Rate funds			3,864
Revenues per financial statements - federal sources		\$	<u>1,211,742</u>

NOTE 4 - ADJUSTMENTS AND TRANSFERS

During the year ended June 30, 2024, the Academy transferred \$32,194 and \$11,403 of awarded Title II and Title IV, respectively, to Title I. The transfer was approved by Michigan Department of Education. The revenue and expenditures for each federal program for June 30, 2024 recorded in Title I, is as follows:

Federal Program and Award Number	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue as of June 30, 2024
Title I - 241530-2324	\$ 214,247	\$ 247,598	\$ 33,351
Title II - 240520-2324	27,396	27,504	108
Title IV - 240750-2324	9,240	9,240	0
Totals	<u>\$ 250,883</u>	<u>\$ 284,342</u>	<u>\$ 33,459</u>