BAY CITY ACADEMY
BAY CITY, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2026



WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

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INDEPENDENT AUDITOR'S REPORT

October 28, 2026

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, 2026 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2026 and the respective changes in financial position 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.

Change in Accounting Principle

As discussed in Note 15 to the financial statements, in 2026, the Academy adopted GASB Statement No. 103, *Financial Reporting Model Improvements*. Our opinion is not modified with respect to this matter.

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.

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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.

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Certified Public Accountants & Advisors

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 of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 are presented for 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 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 28, 2026, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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, 2026

The purpose of management's discussion and analysis (MD&A) is to help the Academy's residents and other readers understand what the financial statements and notes in this financial report say about the Academy's financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the finance staff's knowledge of the Academy's finances.

If you have any questions about this report or need any additional information, please contact:

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

OVERVIEW OF THE FINANCIAL STATEMENTS

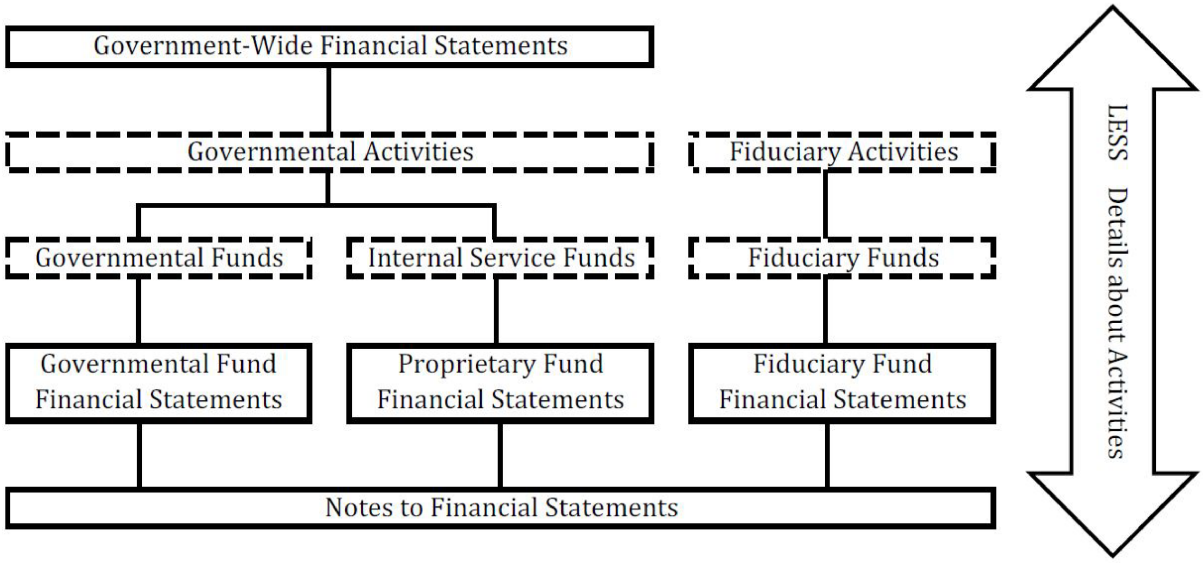
The Academy's financial report contains basic financial statements. Those financial statements present the Academy's finance at both an overall and a detailed level. The first two - the government-wide financial statements - cover the Academy's governmental activities. (See the diagram in Figure A-1.)

- Governmental activities comprise the Academy's most basic functions, such as instruction, support services, and food services. Governmental activities primarily are financed by property taxes from non-personal residence exemption properties, state aid foundation, and federal grants. These statements provide both short-term and long-term information.

The remaining basic financial statements present the Academy's finances in greater detail and present fiduciary activities. As their name implies, the fund financial statements disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted. The Academy reports one group of funds:

- Governmental fund financial statements report all of the governmental activities except those that involve providing services to Academy's departments. In addition to the Academy's main operating fund - the general fund - those financial statements report special revenue funds that track the use of restricted or committed funding sources, debt service funds to record the repayment of outstanding bonds, and capital projects funds to account for resources used to acquire or construct long-lived assets.

Figure A-1. Contents of the Academy's Basic Financial Statements



The next section of this financial report contains notes to financial statements, which delve deeper into the Academy's finances as reported in the financial statements. The information in the notes is as important to understanding the Academy's finances as the information in the financial statements. The Academy uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

TYPES OF INFORMATION IN THE FINANCIAL STATEMENTS

All of the Academy's financial statements, except for the governmental fund financial statements, use the economic resources measurement focus and accrual basis of accounting. (See Figure A-2.) In other words, they comprehensively report all types of financial statement elements:

- Assets - resources the Academy's controls, from short-term assets like cash and cash equivalents to long-term assets like buildings and transportation equipment.
- Liabilities - amounts the Academy owes, from short-term liabilities such as salaries and related items to long-term liabilities such as outstanding debt and pension obligations.
- Deferred outflows of resources and deferred inflows of resources - flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.
- Revenues and expenses - inflows and outflows of economic resources, respectively, related to the current year.

Governmental fund financial statements use the current financial resources measurement focus and modified accrual basis of accounting to report on the sources, uses, and balances of current financial resources. The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds, but they do report the flows of current financial resources related to those long-term items; for example, the proceeds from issuing bonds or selling equipment, as well as principal and interest payments on bonds and spending on construction.

Figure A-2. Types of Information Reported in the Academy's Financial Statements

	Financial Statements	
	Government-wide	Governmental Funds
Types of assets and liabilities	*All assets and liabilities, both financial and nonfinancial, short term and long term	* Only current financial resources, such as cash, receivables, and accounts payable
Types of revenue/additions	*All types of revenues/additions that flow into the Academy during the year that relate to that year, regardless of when cash is received	* Only revenues that are measurable and available to finance expenditures of that year
Types of expenses/deductions/ expenditures	*All types of expenses/deductions that flow out of the Academy during the year that relate to that year, regardless of when cash is paid	* Only expenditures for which the related governmental fund liability is incurred in that year
Types of deferred outflows of resources and deferred inflows of resources	*All types of resources that flow into and out of the Academy during the year that relate to a future year	* Current financial resources that flow into and out of the governmental funds during the year that related to a future year

More detail about the measurement focuses and bases of accounting can be found in the first note to financial statements, the summary of significant accounting policies.

Academy-wide Financial Analysis

Table A-1

	Governmental Activities			
	2026	2025	Dollar Change	Percentage Change
Assets				
Current and other assets	$ 4,016,177	$ 3,816,253	$ 199,924	5.24 %
Capital assets - net of accumulated depreciation	2,460,956	2,322,649	138,307	5.95 %
Total assets	6,477,133	6,138,902	338,231	5.51 %
Liabilities				
Current liabilities	818,429	1,050,026	(231,597)	(22.06)%
Long-term liabilities	149,652	431,658	(282,006)	(65.33)%
Total liabilities	968,081	1,481,684	(513,603)	(34.66)%
Net Position				
Net investment in capital assets	2,311,304	1,754,392	556,912	31.74 %
Restricted	49,552	73,638	(24,086)	(32.71)%
Unrestricted	3,148,196	2,829,188	319,008	11.28 %
Total net position	$ 5,509,052	$ 4,657,218	$ 851,834	18.29 %

Table A-1 shows that as of June 30, 2026, the Academy's net position - assets minus liabilities - was $5,509,052 a change of $851,834 or 18.29% compared with 2025. This increase is primarily due to an $319,008 or 11.28% change in unrestricted net position. All of the increase in net position was the result of financial performance of the government activities. The following sections of MD&A analyze the finances of the governmental activities.

GOVERNMENTAL ACTIVITIES

Table A-2 shows that revenues continued to exceed expenses in the current year, resulting in a change of $851,834 or (12.49)% compared with 2025. Various events contributed to this increase in net position; however, the primary factors affecting the change in net position are as follows:

- Increases in grant revenues, particularly for At-Risk and Educator Compensation Program.
- Increases in state sources.
- Increase in expenses for support services and instruction.

Table A-2	Governmental Activities			
	2026	2025	Dollar Change	Percentage Change
Revenues				
Program revenue:				
Charges for services	$ 122,854	$ 103,875	$ 18,979	18.27 %
Grants and categoricals	2,373,818	2,036,499	337,319	16.56 %
General revenue:				
State aid	5,781,866	5,532,319	249,547	4.51 %
Other	54,030	45,615	8,415	18.45 %
Total revenues	8,332,568	7,718,308	614,260	7.96 %
Function/Program Expenses				
Instruction	3,147,954	3,009,986	137,968	4.58 %
Support services	3,343,743	2,839,586	504,157	17.75 %
Community services	13,217	11,122	2,095	18.84 %
Food service	613,146	555,342	57,804	10.41 %
Athletics	83,477	37,421	46,056	123.08 %
Student/school activities	104,529	104,341	188	0.18 %
Interest	29,620	72,919	(43,299)	(59.38)%
Depreciation/amortization (Unallocated)	145,048	114,127	30,921	27.09 %
Total expenses	7,480,734	6,744,844	735,890	10.91 %
Change in Net Position	$ 851,834	$ 973,464	$ (121,630)	(12.49)%

Change in Operating Grants and Contributions

There were notable increases in operating grants and contributions compared to the prior year, which account for 28.5% of overall revenues. Most of the increase is attributed to having more funds available and expended through At-Risk and Educator Compensation Program.

Increase in State Sources

State sources increased in the current year compared to the prior year, which accounts for 69.4% of overall revenues. State sources are a product of student counts multiplied by the foundation allowance. The foundation allowance increased by $250 per pupil in 2026. The increase in State Sources also relates to the increase in enrollment of approximately 21 students.

Increase in Expenses

Total expenses for the Academy increased by 10.9% overall. The significant increase was due to increases in wages and benefits effecting the instruction and support service expenses, which is affected by an increase in students. An increase in state and federal income also increases oversight and management fees.

Governmental Funds

The Academy reports one major fund individually in the governmental fund financial statements. This fund is the general fund. Most of the discussion regarding governmental activities is equally applicable to the finances of this governmental fund. However, certain factors that are relevant to the Academy's current financial health are more apparent in the fund financial statements than in the government-wide statements. The changes are shown in Table A-3 and are discussed in more detail below:

Table A-3

	General Fund Balance	
	2026	2025
Revenues	$ 7,620,653	$ 7,076,087
Expenditures	7,452,219	6,727,169
Excess (deficiency) of revenues over expenditures	168,434	348,918
Other Financing Sources (Uses)	131,418	14,500
Net change in fund balance	299,852	363,418
Fund balance begining of year	2,773,793	2,410,375
Fund balance end of year	$ 3,073,645	$ 2,773,793

General Fund

The fund balance of the Academy's general fund changed by 10.8%. The increase in fund balance is attributable to an increase in revenues (previously discussed) and net increases in expenditures in comparison to prior year (previously discussed).

The overall fund balance at the end of June 30, 2026, represented approximately 41% of operating expenditures. The Academy aims to have a minimum fund balance of 15% of operating expenditures. Within fund balance, approximately 93% of the balance is considered unassigned. The remaining 7% is considered nonspendable for other items and is not readily available for use.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM OBLIGATIONS

Capital Assets

The discussion thus far has only touched upon certain significant transactions and events during 2026 with respect to capital assets and long-term obligations. Overall, the carrying value of capital assets-original cost minus accumulated depreciation- increased 138,307 over 2025. See Table A-4 for the carrying value of capital assets.

Table A-4
Capital Assets

	2026			2025	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value	Percentage Change
Land	$ 98,000	$ 0	$ 98,000	$ 98,000	0.00 %
Construction in progress	0	0	0	10,032	(100.00)%
Buildings	2,006,066	218,265	1,787,801	1,797,444	(0.54)%
Equipment	139,220	29,662	109,558	93,594	17.06 %
Buses	542,863	218,624	324,239	288,134	12.53 %
Right to use - office and event space	190,495	49,137	141,358	35,445	298.81 %
Net capital assets	$ 2,976,644	$ 515,688	$ 2,460,956	$ 2,322,649	5.95 %

A significant reason for the increase in the net capital assets relates to the purchase of a new bus, right-to-use asset for the event space, bathroom remodeling, and bottle filters. The additions of capital assets outpaced the depreciation during the year, resulting in a net increase in capital assets.

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

Long-term Obligation

Overall, the carrying value of the Academy's long-term obligations decreased by 74% from the prior year. See Table A-5 for the carrying value of the Academy's long term obligations.

Table A-5

	2026	2025	Percentage Change
Land contract - Farragut	$ 0	$ 529,974	(100.00)%
Lease Liability	149,652	38,283	290.91 %
	$ 149,652	$ 568,257	(73.66)%

During 2026, the Academy paid off the remaining balance of its land contract with Farragut. This is the primary reason for the decrease in long-term obligations.

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

Current Known Facts, Decisions, or Conditions

Our elected Board and Administration consider many factors when setting the Academy's 2027 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2027 fiscal year budget was adopted in June 2026, based on an estimate of students that will be enrolled in September 2026. 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 2026-2027 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2027 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 duel 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. The Academy has also added a full scale athletic program to support student opportunities, well-being, and community.

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 2026-2027.

BAY CITY ACADEMY
Statement of Net Position
June 30, 2026

	Governmental Activities
Assets	
Cash and investments	$ 2,322,418
Accounts receivable	1,816
Due from other governmental units	1,470,501
Security deposit	2,550
Prepaid expenses	218,892
Capital assets less accumulated depreciation/amortization $515,688	2,460,956
Total assets	6,477,133
Liabilities	
Accounts payable	74,108
Accrued payroll	406,537
Unearned revenue	337,150
Accrued interest payable	634
Long-term liabilities:	
Due within one year	23,559
Due in more than one year	126,093
Total liabilities	968,081
Net Position	
Net investment in capital assets	2,311,304
Restricted for food service	49,552
Unrestricted	3,148,196
Total net position	$ 5,509,052

See accompanying notes to financial statements.

BAY CITY ACADEMY
Statement of Activities
For the Year Ended June 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants/ Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Primary government -				
Governmental activities:				
Instruction	$ 3,147,954	$ 0	$ 1,791,119	$ (1,356,835)
Support services	3,343,743	0	0	(3,343,743)
Community services	13,217	0	0	(13,217)
Food service	613,146	0	582,699	(30,447)
Athletics	83,477	0	0	(83,477)
Student/school activities	104,529	122,854	0	18,325
Interest	29,620	0	0	(29,620)
Depreciation/amortization (Unallocated)	145,048	0	0	(145,048)
Total governmental activities	$ 7,480,734	$ 122,854	$ 2,373,818	(4,984,062)
General revenues:				
State aid				5,781,866
Interest and investment earnings				560
Other				53,470
Total general revenues				5,835,896
Change in net position				851,834
Net position - beginning of year				4,657,218
Net position - end of year				$ 5,509,052

See accompanying notes to financial statements.

BAY CITY ACADEMY
Governmental Funds
Balance Sheet
June 30, 2026

	General	Other Nonmajor Governmental Fund	Total
Assets			
Cash and investments	$ 2,319,980	$ 2,438	$ 2,322,418
Receivables - net:			
Accounts receivable	1,816	0	1,816
Due from other funds	0	99,332	99,332
Due from other governmental units	1,447,534	22,967	1,470,501
Security deposit	2,550	0	2,550
Prepaid expenditures	218,892	0	218,892
Total assets	$ 3,990,772	$ 124,737	$ 4,115,509
Liabilities and Fund Balance			
Liabilities			
Accounts payable	$ 74,108	$ 0	$ 74,108
Due to other funds	99,332	0	99,332
Accrued payroll and other liabilities	406,537	0	406,537
Unearned revenue	337,150	0	337,150
Total liabilities	917,127	0	917,127
Fund Balance			
Nonspendable - prepaid	218,892	0	218,892
Nonspendable - security deposit	2,550	0	2,550
Restricted for food service	0	49,552	49,552
Committed for student/school activities	0	75,185	75,185
Unassigned	2,852,203	0	2,852,203
Total fund balance	3,073,645	124,737	3,198,382
Total liabilities and fund balance	$ 3,990,772	$ 124,737	$ 4,115,509

See accompanying notes to financial statements.

BAY CITY ACADEMY
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2026

Total fund balance - governmental funds	$ 3,198,382
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
Cost of the capital assets	2,786,149
Cost of right to use asset - office and event space	190,495
Accumulated depreciation/amortization	(515,688)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Lease liability	(149,652)
Accrued interest payable is included as a liability in governmental activities	(634)
Total net position - governmental activities	$ 5,509,052

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, 2026

	General	Other Nonmajor Governmental Fund	Total
Revenues			
Local sources	$ 54,030	$ 122,854	$ 176,884
State sources	7,177,398	6,602	7,184,000
Federal sources	363,274	582,458	945,732
Interdistrict and other sources	25,951	0	25,951
Total revenues	7,620,653	711,914	8,332,567
Expenditures			
Current:			
Instruction	3,147,954	0	3,147,954
Support services	3,475,391	0	3,475,391
Food services	0	613,146	613,146
Community services	13,217	0	13,217
Athletics	83,477	0	83,477
Student/school activities	0	104,529	104,529
Capital outlay	171,757	0	171,757
Debt Service:			
Principal	529,974	0	529,974
Interest and other	30,449	0	30,449
Total expenditures	7,452,219	717,675	8,169,894
Excess (deficiency) of revenues over expenditures	168,434	(5,761)	162,673
Other Financing Sources (Uses)			
Proceeds on lease agreement	131,418	0	131,418
Net change in fund balance	299,852	(5,761)	294,091
Fund balance - beginning of year	2,773,793	130,498	2,904,291
Fund balance - end of year	$ 3,073,645	$ 124,737	$ 3,198,382

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, 2026

Net change in fund balance - total governmental funds	$	294,091
Amounts reported for governmental activities in the statements of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation/amortization		
Depreciation/amortization expense		(145,048)
Capital outlay		283,355
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Proceeds on lease agreement		(131,418)
Principal payments		550,023
Accrued interest are reported as a reduction in expenditures on the Statement of Activities		831
Change in net position of governmental activities	$	851,834

See accompanying notes to financial statements.

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.

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."

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 buildings	5 - 10 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Lessee: The Academy is a lessee for noncancelable leases of office space and event 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 it estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancelable period of the lease. Lease payments include 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.

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, 2026, 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, 2026, the foundation allowance was based on the average pupil membership counts taken in February and October of 2025.

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 2025 - August 2026. The local revenue is recognized as outlined in Note 1. Amounts receivable from the State of Michigan at June 30, 2026 relating to state aid is $1,249,242.

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.

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.

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:

	Primary Government
Cash and cash equivalents	$ 2,322,418

As of June 30, 2026 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, 2026, $2,097,221 of the Academy's bank balance of $2,347,221 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.

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.

NOTE 4 - CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Balance June 30, 2025	Additions	Disposals and Adjustments	Balance June 30, 2026
Assets not being depreciated:				
Land	$ 98,000	$ 0	$ 0	$ 98,000
Construction in progress	10,032	0	(10,032)	0
Subtotal	108,032	0	(10,032)	98,000
Capital assets being depreciated/amortized:				
Buildings	1,955,695	50,371	0	2,006,066
Equipment	114,268	24,952	0	139,220
Buses	456,217	86,646	0	542,863
Right to use - office and event space	59,077	131,418	0	190,495
Subtotal	2,585,257	293,387	0	2,878,644
Accumulated depreciation/amortization:				
Buildings	158,251	60,014	0	218,265
Equipment	20,674	8,988	0	29,662
Buses	168,083	50,541	0	218,624
Right to use - office and event space	23,632	25,505	0	49,137
Subtotal	370,640	145,048	0	515,688
Net capital assets being depreciated/amortized	2,214,617	148,339	0	2,362,956
Net capital assets	$ 2,322,649	$ 148,339	$ (10,032)	$ 2,460,956

Depreciation/amortization expense for fiscal year ended June 30, 2026 was $145,048. The Academy determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of inter-fund transfers made during the year ended June 30, 2026 is as follows:

		Payables
		General
Receivables	Food Service	$ 26,585
	Student/School Activities	72,747
		$ 99,332

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, 2026 consist of state aid and grants.

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

State aid and grants	$ 1,249,242
Federal grants	178,046
Other	43,213
	$ 1,470,501

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 $337,150.

NOTE 8 - LONG-TERM OBLIGATIONS

The following is a summary of governmental long-term obligations for the Academy for the year ended June 30, 2026:

	Balance June 30, 2025	Additions	Retirements and Payments	Balance June 30, 2026	Amount Due Within One Year
Notes from direct borrowings and direct placements	$ 568,257	$ 131,418	$ 550,023	$ 149,652	$ 23,559

NOTE 8 - LONG-TERM OBLIGATIONS (CONTINUED)

Long-term obligations at June 30, 2026 is comprised of the following issue:

Notes from direct borrowings and direct placements:

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%. The remaining balance was paid off in 2026.	$	0
The Academy entered into a 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%.		27,075
The Academy entered into a lease agreement on September 1, 2025 for the office space next to their admin office. The lease matures in June 2028 with the option to extend three times for two years on each extension, until June 2034. Monthly installments are $1,350 to $1,750 including interest of 4.90%.		122,577
Total direct borrowings and direct placements	$	149,652

The annual debt service requirements on long-term debt and leases as of June 30, 2026, including interest payments are as follows:

	Notes from direct borrowings and direct placements		
Year Ended June 30	Principal	Interest	Total
2027	$ 23,559	$ 7,041	$ 30,600
2028	24,891	5,709	30,600
2029	13,338	4,662	18,000
2030	14,006	3,994	18,000
2031	16,549	3,251	19,800
Thereafter	57,309	4,491	61,800
	$ 149,652	$ 29,148	$ 178,800

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.

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 prescribed limits. The Academy's contributions to the plan through purchase services for the year ended June 30, 2026 was $96,515.

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 94% 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 - RELATED PARTY DISCLOSURE

During the year, a member of the Academy's key management personnel became an immediate family member of an executive of Mitten Education Management, LLC. The management agreement was in effect prior to the establishment of the related-party relationship. Total payment to the management company can be seen in Note 14.

NOTE 14 - 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, 2026 was $208,152.

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, 2026 were $999,980.

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2026, the Academy implemented the following GASB Standards:

GASB Statement No. 103, *Financial Reporting Model Improvements*. The Standard addressed the following areas:.

a. Management's discussion and analysis (MD&A)
b. Unusual or infrequent items
c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
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.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. This Statement also requires additional disclosures for capital assets held for sale.

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENT

In December 2025, the GASB issued Statement No. 105, Subsequent Events. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2026-2027 fiscal year.

BAY CITY ACADEMY
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2026

	Original Budget	Final Amended Budget	Original to Final Budget Variances	Actual	Variances with Final Budget to Actual
Revenues					
Local sources	$ 58,445	$ 50,158	$ (8,287)	$ 54,030	$ 3,872
State sources	6,131,010	6,966,006	834,996	7,177,398	211,392
Federal sources	246,557	284,352	37,795	363,274	78,922
Interdistrict and other sources	0	25,951	25,951	25,951	0
Total revenues	6,436,012	7,326,467	890,455	7,620,653	294,186
Expenditures					
Instruction:					
Basic programs	2,163,658	2,109,495	(54,163)	2,131,327	(21,832)
Added needs	960,246	1,021,026	60,780	1,016,627	4,399
Support services:					
Pupil	200,784	219,163	18,379	230,584	(11,421)
Instructional staff	146,215	174,378	28,163	177,633	(3,255)
General administrative	224,900	450,991	226,091	449,899	1,092
School administration	634,414	467,324	(167,090)	466,337	987
Business services	771,742	961,289	189,547	1,003,950	(42,661)
Operations and maintenance	563,530	627,883	64,353	629,820	(1,937)
Transportation	362,519	458,766	96,247	434,817	23,949
Support other	0	0	0	133	(133)
Principal	88,940	87,394	(1,546)	82,218	5,176
Community services	6,620	14,621	8,001	13,217	1,404
Principal on long term debt	125,391	529,974	404,583	529,974	0
Interest on long term debt	42,609	30,449	(12,160)	30,449	0
Capital outlay	0	34,198	34,198	171,757	(137,559)
Athletics	45,079	101,246	56,167	83,477	17,769
Total expenditures	6,336,647	7,288,197	951,550	7,452,219	(164,022)
Excess (deficiency) of revenues over expenditures	99,365	38,270	(61,095)	168,434	130,164
Other Financing Sources (Uses)					
Proceeds on lease agreement	0	0	0	131,418	131,418
Net change in fund balance	99,365	38,270	(61,095)	299,852	261,582
Fund balance - beginning of year	2,773,793	2,773,793	0	2,773,793	0
Fund balance - end of year	$ 2,873,158	$ 2,812,063	$ (61,095)	$ 3,073,645	$ 261,582

BAY CITY ACADEMY
Notes to Required Supplementary Information
For the Year Ended June 30, 2026

NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The does not utilize encumbrance accounting.

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. 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.

d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

e. The final budget was approved prior to June 30, 2026 year-end.

NOTE 2 - BUDGETARY COMPARISON

Significant variances between original and final budget:

	Variance	Explanation
General Fund		
Revenues		
State sources	834,996	Actual count day enrollment came in significantly above our budgeted level, which was intentionally conservative.
Expenditures		
General administrative	226,091	Staff were reclassified from school to general administrative, based on duties performed; higher enrollment led to higher authorizer fees.

NOTE 2 - BUDGET COMPARISON (CONTINUED)

School administrative	(167,090)	Staff were reclassified from school to general administrative, based on duties performed.
Business services	189,547	Higher enrollment driven revenue led to increased management fees.
Principal on long term debt	404,583	Based on favorable enrollment, a strategic decision was made to pay off the outstanding building debt early, leading to significant long term interest savings.

Significant variances between final budget and actual:

	Variance	Explanation
General Fund		
Revenues		
State Sources	211,392	The Acadmey was able to utilize more at risk funding than was anticipated

BAY CITY ACADEMY
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2026

	Special Revenue Funds		
	Food Service	Student/School Activities	Total
Assets			
Cash and investments	$ 0	$ 2,438	$ 2,438
Receivables - net:			
Due from other funds	26,585	72,747	99,332
Due from other governmental units	22,967	0	22,967
Total assets	$ 49,552	$ 75,185	$ 124,737
Fund Balance			
Fund Balance			
Restricted for food services	49,552	0	49,552
Committed for student/school activities	0	75,185	75,185
Total fund balance	49,552	75,185	124,737
Total fund balance	$ 49,552	$ 75,185	$ 124,737

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, 2026

	Special Revenue Funds		
	Food Service	Student/School Activities	Total
Revenues			
Local sources	$ 0	$ 122,854	$ 122,854
State sources	6,602	0	6,602
Federal sources	582,458	0	582,458
Total revenues	589,060	122,854	711,914
Expenditures			
Current:			
Food services	613,146	0	613,146
Student/school activities	0	104,529	104,529
Total expenditures	613,146	104,529	717,675
Net change in fund balance	(24,086)	18,325	(5,761)
Fund balance - beginning of year	73,638	56,860	130,498
Fund balance - end of year	$ 49,552	$ 75,185	$ 124,737

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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 28, 2026

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, 2026 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 28, 2026.

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.

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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

BAY CITY ACADEMY
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2026

There were no matters reported in the prior year's audit.

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October 28, 2026

Board of Directors
Bay City Academy
Bay City, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Bay City Academy (Academy) for the year ended June 30, 2026. Professional standards require that we provide you with information about our responsibilities under U.S. generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 17, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Bay City Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2026. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Academy's financial statements was:

> Management’s estimate of depreciation/amortization expense is based on the estimated useful life of the fixed assets or the term of the lease. We evaluated the key factors and assumptions used to develop the depreciation/amortization expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 28, 2026.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Bay City Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the budgetary comparison schedules for the General Fund and management's discussion and analysis, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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We were engaged to report on combining non-major funds financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of Board of Directors and management of Bay City Academy and is not intended to be and should not be, used by anyone other than these specified parties.

Very truly yours,

Weinlander Fitzhugh