

BAY CITY ACADEMY
BAY CITY, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2022



WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

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INDEPENDENT AUDITOR'S REPORT

October 21, 2022

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, 2022 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Bay City Academy as of June 30, 2022 and the respective changes in financial position 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.



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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, misrepresentation or the override of internal control. Misstatements, including omissions, 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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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 to 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 non-major fund financial statements and 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* 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 for 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 non-major fund financial statements and 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 21, 2022, 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 & Analysis
For the Year Ended June 30, 2022

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, 2022.

Financial Highlights

The Academy's net position increased by \$806,583. Program revenues were \$1,583,842 or 27% of total revenues, and general revenues were \$4,242,176 or 73%.

The General Fund reported a positive fund balance of \$582,106.

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 & Analysis
For the Year Ended June 30, 2022

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, 2022 and 2021:

Exhibit A	Governmental Activities	
	2022	2021
Assets		
Current and other assets	\$ 2,216,612	\$ 1,768,642
Capital assets - net of accumulated depreciation	1,833,882	595,668
Total assets	4,050,494	2,364,310
Liabilities		
Current liabilities	1,512,613	1,589,856
Long-term liabilities	1,154,169	197,325
Total liabilities	2,666,782	1,787,181
Net Position		
Net investment in capital assets	598,858	395,668
Restricted	105,198	106,419
Unrestricted	679,656	75,042
Total net position	\$ 1,383,712	\$ 577,129

BAY CITY ACADEMY
Management's Discussion & Analysis
For the Year Ended June 30, 2022

The analysis above focuses on net position (see Exhibit A). The Academy's net position of governmental activities was \$1,383,712 at June 30, 2022. 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 \$679,656 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, 2022 and 2021.

Exhibit B	Governmental Activities	
	2022	2021
Revenues		
Program revenue:		
Charges for services	\$ 348,989	\$ 57,599
Grants and categoricals	1,234,853	1,338,588
General revenue:		
State aid	4,219,591	3,816,587
Other	22,585	37,151
Total revenues	5,826,018	5,249,925
Function/Program Expenses		
Instruction	2,408,536	1,904,316
Support services	2,112,793	1,877,239
Food service	304,744	269,705
Student/school activities	74,602	36,835
Capital outlay	35,205	0
Interest	33,428	0
Depreciation (Unallocated)	47,364	28,813
Loss on disposal of assets	2,763	11,510
Total expenses	5,019,435	4,128,418
Change in Net Position	\$ 806,583	\$ 1,121,507

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$5,019,435. Certain activities were partially funded by the other governments and organizations that subsidized certain programs with grants and categoricals of \$1,234,853. We paid for the remaining "public benefit" portion of our governmental activities with, \$4,219,591 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 \$806,583.

BAY CITY ACADEMY
Management's Discussion & Analysis
For the Year Ended June 30, 2022

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 \$729,509, which is above last year's total of \$151,461. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2022 and 2021.

	Fund Balance 6/30/2022	Fund Balance 6/30/2021	Increase (Decrease)
General	\$ 582,106	\$ (1,748)	\$ 583,854
Food Services	105,198	106,419	(1,221)
Student/School Activities	42,205	46,790	(4,585)
	\$ 729,509	\$ 151,461	\$ 578,048

- Our General Fund increase is mainly attributable to the management team's appropriate controls over expenditures, large influx of federal grants, and increased pupil counts.
- Our Food Services Fund had a decrease due to higher non-food related expenditures.
- Our Student/School Activities Fund had a decrease due to an increase in expenditures.

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 \$832,073 due to local, state, and federal sources being different than anticipated. The original budget was based on estimated pupil count. Pupil count was higher than anticipated.
- Budgeted expenditures increased over original budget by \$1,684,493 due to increased expenditures on staff and certain programs, which was directly related to increased enrollment.
- Actual revenues exceeded the final budgeted revenues by \$64,627 due to an increase in federal sources.
- Actual expenditures exceeded final budgeted expenditures by \$22,458 due to certain bills arriving after year end at a higher amount than anticipated.

BAY CITY ACADEMY
Management's Discussion & Analysis
For the Year Ended June 30, 2022

Capital Assets

At June 30, 2022, the Academy had \$1,833,882 invested in five school buses.

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Land	\$ 98,000	\$ 56,000
Buildings	1,628,126	444,235
Buses	<u>281,684</u>	<u>226,034</u>
Total capital assets	2,007,810	726,269
Less accumulated depreciation	<u>173,928</u>	<u>130,601</u>
Net capital assets	<u>\$ 1,833,882</u>	<u>\$ 595,668</u>

The Academy purchased two school buses, their Farragut location, a security system, and had a kitchen update during the fiscal year ended June 30, 2022.

Debt

At June 30, 2022, the Academy had outstanding long-term debt.

	<u>2022</u>	<u>2021</u>
Land contract - Mancelona	\$ 197,320	\$ 200,000
Land contract - Farragut	<u>1,037,704</u>	<u>0</u>
	<u>\$ 1,235,024</u>	<u>\$ 200,000</u>

BAY CITY ACADEMY
Management's Discussion & Analysis
For the Year Ended June 30, 2022

Factors Expected to have an Effect on Future Operations

Our elected Board and Administration consider many factors when setting the Academy's 2023 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 2023 fiscal year budget was adopted in June 2022, based on an estimate of students that will be enrolled in September 2022. 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 2022-2023 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2023 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 2022-2023.

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, 2022

	Governmental Activities
<u>Assets</u>	
Cash and investments	\$ 1,084,521
Accounts receivable	11,528
Due from other governmental units	981,891
Prepaid expenses	138,672
Capital assets less accumulated depreciation \$173,928	1,833,882
Total assets	4,050,494
<u>Liabilities</u>	
Accounts payable	106,413
Notes payable	1,025,002
Accrued payroll	287,861
Unearned revenue	3,880
Accrued interest payable	8,602
Long-term liabilities:	
Due within one year	80,855
Due in more than one year	1,154,169
Total liabilities	2,666,782
<u>Net Position</u>	
Net investment in capital assets	598,858
Restricted for food service	105,198
Unrestricted	679,656
Total net position	\$ 1,383,712

See accompanying notes to financial statements.

BAY CITY ACADEMY
Statement of Activities
For the Year Ended June 30, 2022

	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	\$ 2,408,536	\$ 0	\$ 1,118,879	\$ (1,289,657)
Support services	2,112,793	0	36,694	(2,076,099)
Food service	304,744	278,972	79,280	53,508
Student/school activities	74,602	70,017	0	(4,585)
Capital outlay	35,205	0	0	(35,205)
Interest	33,428	0	0	(33,428)
Depreciation (Unallocated)	47,364	0	0	(47,364)
Loss on disposal of assets	2,763	0	0	(2,763)
	<u>\$ 5,019,435</u>	<u>\$ 348,989</u>	<u>\$ 1,234,853</u>	<u>(3,435,593)</u>
Total governmental activities				
General revenues:				
State aid				4,219,591
Interest and investment earnings				7
Other				22,578
				<u>4,242,176</u>
Total general revenues				
Change in net position				
Net position - beginning of year				
Net position - end of year				
<u>\$ 1,383,712</u>				

See accompanying notes to financial statements.

BAY CITY ACADEMY
Governmental Funds
Balance Sheet
June 30, 2022

	General	Other Nonmajor Governmental Fund	Total
<u>Assets</u>			
Cash and investments	\$ 1,012,899	\$ 71,622	\$ 1,084,521
Receivables - net:			
Accounts receivable	11,528	0	11,528
Due from other funds	7,642	65,894	73,536
Due from other governmental units	964,362	17,529	981,891
Prepaid expenditures	138,672	0	138,672
Total assets	\$ 2,135,103	\$ 155,045	\$ 2,290,148
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>			
<u>Liabilities</u>			
Accounts payable	\$ 106,413	\$ 0	\$ 106,413
Due to other funds	65,894	7,642	73,536
Notes payable	1,025,002	0	1,025,002
Accrued payroll and other liabilities	287,861	0	287,861
Unearned revenue	3,880	0	3,880
Total liabilities	1,489,050	7,642	1,496,692
<u>Deferred Inflows of Resources</u>			
Unavailable revenue	63,947	0	63,947
<u>Fund Balance</u>			
Nonspendable - prepaid	138,672	0	138,672
Restricted for food service	0	105,198	105,198
Committed for student/school activities	0	42,205	42,205
Unassigned	443,434	0	443,434
Total fund balance	582,106	147,403	729,509
Total liabilities, deferred inflows of resources and fund balance	\$ 2,135,103	\$ 155,045	\$ 2,290,148

See accompanying notes to financial statements.

BAY CITY ACADEMY
 Reconciliation of Balance Sheet of Governmental Funds
 to the Statement of Net Position
June 30, 2022

Total fund balance - governmental funds	\$ 729,509
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	2,007,810
Accumulated depreciation	(173,928)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Land contracts payable	(1,235,024)
Accrued interest payable is included as a liability in governmental activities	
	(8,602)
Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in governmental funds:	
Unavailable revenue	<u>63,947</u>
Total net position - governmental activities	<u>\$ 1,383,712</u>

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, 2022

	General	Other Nonmajor Governmental Fund	Total
<u>Revenues</u>			
Local sources	\$ 62,799	\$ 70,017	\$ 132,816
State sources	4,650,697	19,062	4,669,759
Federal sources	637,574	351,922	989,496
Total revenues	5,351,070	441,001	5,792,071
<u>Expenditures</u>			
Current:			
Instruction	2,186,100	0	2,186,100
Support services	2,453,080	0	2,453,080
Food services	0	372,205	372,205
Student/school activities	0	74,602	74,602
Capital outlay	1,138,235	0	1,138,235
Debt Service:			
Principal	14,976	0	14,976
Interest and other	24,825	0	24,825
Total expenditures	5,817,216	446,807	6,264,023
Excess (deficiency) of revenues over expenditures	(466,146)	(5,806)	(471,952)
<u>Other Financing Sources (Uses)</u>			
Proceeds on issuance of long-term debt	1,050,000	0	1,050,000
Net change in fund balance	583,854	(5,806)	578,048
Fund balance - beginning of year	(1,748)	153,209	151,461
Fund balance - end of year	\$ 582,106	\$ 147,403	\$ 729,509

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, 2022

Net change in fund balance - total governmental funds	\$ 578,048
<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	(47,364)
Capital outlay	1,288,341
Loss on disposal of assets	(2,763)
Unavailable revenue from other governmental units at June 30, 2021 and collected after September 1, 2021	(30,000)
Unavailable revenue from other governmental units at June 30, 2022 and collected after September 1, 2022	63,947
<p>Long-term liabilities are not due and payable in the current period and are not reported in the funds:</p>	
Principal payments	14,976
Proceeds on issuance of long-term debt	(1,050,000)
Accrued interest are reported as a reduction in expenditures on the Statement of Activities	<u>(8,602)</u>
Change in net position of governmental activities	<u><u>\$ 806,583</u></u>

See accompanying notes to financial statements.

BAY CITY ACADEMY
Notes to Financial Statements
For the Year Ended June 30, 2022

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, 2022

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

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, 2022

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. The Academy does not have infrastructure-type assets.

Vehicles are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Buses	8 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.

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.

BAY CITY ACADEMY
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 one item that qualifies for reporting in this category. The item arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from receipts that are received after 60 days of year end. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available.

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, 2022, 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, 2022, the foundation allowance was based on the average pupil membership counts taken in February and October of 2021.

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 2021 - August 2022. The local revenue is recognized as outlined in Note 1. Amounts receivable from the State of Michigan at June 30, 2022 relating to state aid is \$837,973.

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.

BAY CITY ACADEMY
Notes to Financial Statements
For the Year Ended June 30, 2022

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 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.

BAY CITY ACADEMY
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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.

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	<u>\$ 1,084,521</u>

As of June 30, 2022 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, 2022, \$831,562 of the Academy's bank balance of \$1,088,469 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.

BAY CITY ACADEMY
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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.

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, 2022

NOTE 4 - CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Balance June 30, 2021	Additions	Disposals and Adjustments	Balance June 30, 2022
Assets not being depreciated:				
Land	\$ 56,000	\$ 42,000	\$ 0	\$ 98,000
Capital assets being depreciated:				
Buildings	444,235	1,183,891	0	1,628,126
Buses	226,034	62,450	(6,800)	281,684
Subtotal	670,269	1,246,341	(6,800)	1,909,810
Accumulated depreciation:				
Buildings	0	17,431	0	17,431
Buses	130,601	29,933	(4,037)	156,497
Subtotal	130,601	47,364	(4,037)	173,928
Net capital assets being depreciated	539,668	1,198,977	(2,763)	1,735,882
Net capital assets	<u>\$ 595,668</u>	<u>\$ 1,240,977</u>	<u>\$ (2,763)</u>	<u>\$ 1,833,882</u>

Depreciation expense for fiscal year ended June 30, 2022 was \$47,364. 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, 2022 is as follows:

		<u>Payables</u>		
		General	Student/ School Activities	Total
Receivables	General	\$ 0	\$ 7,642	\$ 7,642
	Food Service	65,894	0	65,894
		<u>\$ 65,894</u>	<u>\$ 7,642</u>	<u>\$ 73,536</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.

BAY CITY ACADEMY
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 6 - RECEIVABLES

Receivables at June 30, 2022 consist of state aid and grants.

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

State aid and grants	\$	837,973
Federal grants		143,918
		\$ 981,891

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 \$3,880.

NOTE 8 - SHORT-TERM DEBT ACTIVITY

The Academy issues state aid anticipation notes in advance of State of Michigan state aid payments, depositing the proceeds in its General Fund. These notes are necessary because the Academy's cash flow obligation to operating expenses precede the collection of state aid.

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Wildfire Credit Union; interest payable at 3.00%.	\$ 363,450	\$ 0	\$ 75,932	\$ 287,518
First National Bank of Michigan; interest payable at 3.00%.	934,555	0	197,071	737,484
	\$ 1,298,005	\$ 0	\$ 273,003	\$ 1,025,002

The Academy has successfully renegotiated the terms of their short-term debt with Wildfire Credit Union and First National Bank of Michigan. The notes will mature in August 2023.

NOTE 9 - LONG-TERM OBLIGATIONS

The following is a summary of governmental long-term obligations for the Academy for the year ended June 30, 2022:

	<u>Balance June 30, 2021</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2022</u>	<u>Amount Due Within One Year</u>
Notes from direct borrowings and direct placements	\$ 200,000	\$ 1,050,000	\$ 14,976	\$ 1,235,024	\$ 80,855

BAY CITY ACADEMY
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 9 - LONG-TERM OBLIGATIONS (CONTINUED)

Long-term obligations at June 30, 2022 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.	\$ 197,320
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.	<u>1,037,704</u>
Total direct borrowings and direct placements	<u>\$ 1,235,024</u>

The annual debt service requirements on long-term debt as of June 30, 2022, 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>
2023	\$ 80,855	\$ 100,014	\$ 180,869
2024	88,308	92,561	180,869
2025	96,453	84,417	180,870
2026	105,354	75,515	180,869
2027	115,083	65,786	180,869
2028 - 2032	748,971	147,178	896,149
	<u>\$ 1,235,024</u>	<u>\$ 565,471</u>	<u>\$ 1,800,495</u>

NOTE 10 - 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, 2022

NOTE 11 - 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, 2022 was \$52,021.

NOTE 12 - 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 13 - ECONOMIC DEPENDENCY

The Academy received approximately 87% 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 14 - SUBSEQUENT EVENTS

The Academy entered into a lease agreement for its administrative office on July 1, 2022 in the amount of \$1,000 a month. The lease matures on July 30, 2023.

NOTE 15 - 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, 2022 was \$139,816.

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, 2022 were \$481,942.

BAY CITY ACADEMY
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENT

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

BAY CITY ACADEMY
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2022

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Local sources	\$ 36,000	\$ 73,881	\$ 62,799	\$ (11,082)
State sources	4,221,230	4,644,904	4,650,697	5,793
Federal sources	197,140	567,658	637,574	69,916
Total revenues	<u>4,454,370</u>	<u>5,286,443</u>	<u>5,351,070</u>	<u>64,627</u>
<u>Expenditures</u>				
Instruction:				
Basic programs	1,628,070	1,806,154	1,749,327	56,827
Added needs	427,440	388,960	436,773	(47,813)
Support services:				
Instructional staff	191,140	228,718	250,925	(22,207)
General administrative	546,900	628,554	699,421	(70,867)
School administration	379,545	422,550	424,926	(2,376)
Business services	175,555	148,180	85,262	62,918
Operations and maintenance	528,720	663,781	657,720	6,061
Transportation	174,540	278,008	262,877	15,131
Support other	57,635	71,949	71,949	0
Parent workshops	720	0	0	0
Capital outlay	0	1,103,030	1,138,235	(35,205)
Principal and interest on long term debt	0	54,874	39,801	15,073
Total expenditures	<u>4,110,265</u>	<u>5,794,758</u>	<u>5,817,216</u>	<u>(22,458)</u>
Excess (deficiency) of revenues over expenditures	344,105	(508,315)	(466,146)	42,169
<u>Other Financing Sources (Uses)</u>				
Proceeds on issuance of long-term debt	0	1,050,000	1,050,000	0
Net change in fund balance	344,105	541,685	583,854	42,169
Fund balance - beginning of year	<u>(1,748)</u>	<u>(1,748)</u>	<u>(1,748)</u>	<u>0</u>
Fund balance - end of year	<u>\$ 342,357</u>	<u>\$ 539,937</u>	<u>\$ 582,106</u>	<u>\$ 42,169</u>

BAY CITY ACADEMY
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	Special Revenue Funds		
	Food Service	Student/School Activities	Total
<u>Assets</u>			
Cash and investments	\$ 21,775	\$ 49,847	\$ 71,622
Receivables - net:			
Due from other funds	65,894	0	65,894
Due from other governmental units	17,529	0	17,529
Total assets	\$ 105,198	\$ 49,847	\$ 155,045
<u>Liabilities and Fund Balance</u>			
<u>Liabilities</u>			
Due to other funds	\$ 0	\$ 7,642	\$ 7,642
<u>Fund Balance</u>			
Restricted for food services	105,198	0	105,198
Committed for student/school activities	0	42,205	42,205
Total fund balance	105,198	42,205	147,403
Total liabilities and fund balance	\$ 105,198	\$ 49,847	\$ 155,045

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, 2022

	Special Revenue Funds		
	Food Service	Student/School Activities	Total
<u>Revenues</u>			
Local sources	\$ 0	\$ 70,017	\$ 70,017
State sources	19,062	0	19,062
Federal sources	351,922	0	351,922
Total revenues	370,984	70,017	441,001
<u>Expenditures</u>			
Current:			
Food services	372,205	0	372,205
Student/school activities	0	74,602	74,602
Total expenditures	372,205	74,602	446,807
Net change in fund balance	(1,221)	(4,585)	(5,806)
Fund balance - beginning of year	106,419	46,790	153,209
Fund balance - end of year	\$ 105,198	\$ 42,205	\$ 147,403



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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 21, 2022

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, 2022 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 21, 2022.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a material weakness.



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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. We consider the deficiency in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-002 and 2022-003.

School District's Response to Findings

Bay City Academy's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Bay City Academy's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 21, 2022

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, 2022. 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 types of 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, 2022.

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 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 for 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, 2022

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>
32.009	Emergency Connectivity Fund Program
84.425C	COVID 19 - Governor's Emergency Education Relief Funds I
84.425D	COVID 19 - Elementary and Secondary School Emergency Relief Funds II
84.425U	COVID 19 - Elementary and Secondary School Emergency Relief Funds III

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

Auditee qualified as low-risk auditee? YES NO

BAY CITY ACADEMY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SECTION II - Financial Statement Findings

2022-001 (Repeat Finding 2021-001)

Criteria or Specific Requirement

The preparation of financial statements is the responsibility of the Academy management and requires internal controls over both; (1) recording, processing and summarizing financial data (i.e., maintaining internal books and records) and (2) reporting this financial data in the form of financial statements, including all related footnote disclosures (i.e., external financial reporting).

Condition

As is the case with many small schools, the Academy is relying on their independent external auditors to assist with preparation of the financial statements and related note disclosures as part of its external financial reporting process.

Context

Internal controls should be in place to provide reasonable assurance to the Academy that management possesses the specialized skills necessary to monitor and report annual financial activity without auditor involvement.

Effect

The effect of this condition places a reliance on the independent auditor to be part of the Academy's internal control over financial reporting.

Cause

This condition was caused by the Academy's decision that it is more cost effective to outsource the preparation of its annual financial statements to auditors than to incur the time and expense to obtain the necessary training and expertise required by the Academy to perform this task internally. The Academy's ability to adjust its books and records and prepare financial statements is based, in part, on its reliance on its external auditors who cannot, by definition, be considered a part of the Academy's internal control.

Recommendation

We recommend the Board review this decision annually and evaluate the cost effectiveness of outsourcing the preparation process to determine if this function can be implemented internally.

Views of the Responsible Officials and Planned Corrective Action

We have determined the cost of completing GAAP basis financial statements internally outweighs the benefit to be received. Refer to our corrective action plan for additional information.

BAY CITY ACADEMY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

2022-002 (Repeat Finding 2021-002 for the General Fund only)

Criteria or Specific Requirement

The State of Michigan requires Michigan school districts to maintain appropriate controls over expenditures so that disbursements do not exceed budgeted amounts.

Condition

The Academy incurred unfavorable variances in 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, Michigan Public Act of 1978 (Act).

Context

Internal controls should be in place to appropriately monitor actual expenditures to budget amounts to ensure that disbursements were within the final approved budget.

Effect

The effect of this condition results in unfavorable budget variances.

Cause

The Academy did not appropriately monitor actual expenditures and budget amounts so that disbursements were within the approved budget.

Recommendation

We recommend the Academy should implement measures to monitor its financial activity and amend its budgets when necessary, in accordance with requirements of the Act.

Views of the Responsible Officials and Planned Corrective Action

The management team will monitor the budget and make sure that actual expenditures do not exceed the budgeted expenditures. Refer to our corrective action plan for additional information.

BAY CITY ACADEMY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

2022-003 (Repeat Finding 2021-005)

Criteria or Specific Requirement

Federal register section 7 CFR Part 210.14b requires school districts to limit its School Breakfast and Lunch fund net resources to an amount that does not exceed three months of average expenditures.

Condition

The Academy's net cash resources exceeded three months of average expenditures at June 30, 2022.

Context

The Academy did not meet the three month of average expenditure test as of June 30, 2022.

Effect

The Academy received more federal funding in the prior fiscal year from the Unanticipated School Closure Food Service Program due to COVID-19. The Academy did not monitor their net resources and their spend down plan in the current year to ensure they did not exceed three months of average expenditures.

Cause

As of June 30, 2022, the Academy's fund balance was in excess of three months expenditures by approximately \$4,000.

Recommendation

The Academy should closely monitor their spend down plan with Michigan Department of Education. The Academy should also consider their spend down plan when reviewing and amending the annual budget.

Views of the Responsible Officials and Planned Corrective Action

The management team will create a spend down strategy and formulate a plan to move forward to become in compliance. The plan will be submitted to the Michigan Department of Education timely.

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, 2022

2021-001, 002, and 005.

Audit Finding

All audit findings listed above are repeat findings in the current year.

Corrective Action Taken

Corrective action plans were not implemented.

2021-003

Audit Finding

The lack of adequate budgetary controls in 2015 contributed to a significant accumulated deficit at June 30, 2021. At June 30, 2021 the General Fund had an unassigned deficit fund balance.

Corrective Action Taken

During the current year, the Academy made changes that lead to the General Fund no longer having an unassigned deficit fund balance.

2021-004

Audit Finding

The Academy's final approved budget adopted for the General Fund for 2020/2021 reflected a deficit fund balance at year end, which is not allowed by the Uniform Accounting and Budgeting Act, Michigan Public Act 621 of 1978.

Corrective Action Taken

The Academy re-evaluated the 2021/2022 budget and made modifications within the Academy in order to adopt a final budget reflecting a positive fund balance.

2021-006

Audit Finding

The Academy is required to have internal controls over the preparation of the schedule of expenditures of federal awards, which includes tracking federal expenditures for specific federal programs.

Corrective Action Taken

During the current year, the Academy implemented a tracking system to identify specific expenditures for each federal program operated by the Academy.

Bay City Academy
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

	Federal ALN Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2021	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2022
<u>U.S. Department of Education</u>								
Passed through Michigan Department of Education								
E.C.I.A. Title I Part A								
	84.010							
	211530-2021	\$ 171,711	\$ 115,345	\$ 39,390	\$ 0	\$ 76,273	\$ 36,883	\$ 0
	221530-2122	187,242	0	0	0	104,258	175,926	71,668
			<u>115,345</u>	<u>39,390</u>	<u>0</u>	<u>180,531</u>	<u>212,809</u>	<u>71,668</u>
Title II Part A								
	84.367							
	210520-2021	28,970	23,144	12,317	0	17,805	5,488	0
	220520-2122	26,387	0	0	0	10,755	18,622	7,867
			<u>23,144</u>	<u>12,317</u>	<u>0</u>	<u>28,560</u>	<u>24,110</u>	<u>7,867</u>
Title IV A Student Support & Academic Enrichment								
	84.424							
	210750-2021	16,577	16,577	77	0	77	0	0
	220750-2122	12,343	0	0	0	3,546	11,227	7,681
			<u>16,577</u>	<u>77</u>	<u>0</u>	<u>3,623</u>	<u>11,227</u>	<u>7,681</u>
Education Stabilization Fund								
COVID - 19 - Elementary and Secondary School Emergency Relief Fund (ESSER II)								
	84.425D							
	203710-1920	565,091	246,380	246,380	0	565,091	318,711	0
COVID - 19 - Elementary and Secondary School Emergency Relief Fund (ESSER II) Summer Programming								
	84.425D							
	213722-2122	27,500	0	0	0	0	14,600	14,600
COVID - 19 - Elementary and Secondary School Emergency Relief Fund (ESSER II) Credit Recovery								
	84.425D							
	213742-2122	27,500	0	0	0	0	11,480	11,480
COVID - 19 - Elementary and Secondary School Emergency Relief Fund (ESSER III)								
	84.425U							
	213712-2021	1,270,015	0	0	0	0	16,045	16,045

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, 2022

	Federal ALN Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2021	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2022
<u>U.S. Department of Education</u>								
Passed through Michigan Department of Education								
COVID - 19 - Governor's Emergency Education Relief Fund (GEER I)								
	84.425C							
	201200-2021	\$ 32,048	\$ 32,048	\$ 32,048	\$ 0	\$ 32,048	\$ 0	\$ 0
	211200-2022	4,525	0	0	0	4,525	4,525	0
			<u>32,048</u>	<u>32,048</u>	<u>0</u>	<u>36,573</u>	<u>4,525</u>	<u>0</u>
	Total Education Stabilization Fund		<u>278,428</u>	<u>278,428</u>	<u>0</u>	<u>601,664</u>	<u>365,361</u>	<u>42,125</u>
	Total U. S. Department of Education		<u>433,494</u>	<u>330,212</u>	<u>0</u>	<u>814,378</u>	<u>613,507</u>	<u>129,341</u>
<u>Federal Communications Commission</u>								
Passed through Universal Service Administrative Company								
COVID-19 - Emergency Connectivity Fund Program								
	32.009							
	ECF202108927	103,754	0	0	0	88,014	88,014	0
	Total Federal Communications Commission		<u>0</u>	<u>0</u>	<u>0</u>	<u>88,014</u>	<u>88,014</u>	<u>0</u>
<u>U.S. Department of Agriculture</u>								
Passed through Michigan Department of Education								
National School Food Programs								
COVID - 19 - Lunch								
	10.555							
	Cash assistance							
	211960-2021	41,197	0	0	0	41,197	41,197	0
	211965-2021	2,398	0	0	0	2,398	2,398	0
	221961-2122	235,378	0	0	0	223,091	235,378	12,287
			<u>0</u>	<u>0</u>	<u>0</u>	<u>266,686</u>	<u>278,973</u>	<u>12,287</u>
	Non-cash assistance (Commodities)							
	10.555							
	Entitlement	10,717	8,394	0	0	10,717	10,717	0

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, 2022

	Federal ALN Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2021	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2022
<u>U.S. Department of Agriculture</u>								
Passed through Michigan Department of Education								
National School Food Programs								
COVID - 19 -Breakfast								
	10.553							
		\$ 9,845	\$ 0	\$ 0	\$ 0	\$ 9,844	\$ 9,844	\$ 0
		51,774	0	0	0	49,484	51,774	2,290
			0	0	0	59,328	61,618	2,290
Total Child Nutrition Cluster			8,394	0	0	336,731	351,308	14,577
COVID - 19 - Pandemic EBT Local Level Costs								
	10.649							
		614	0	0	0	614	614	0
Total U.S. Department of Agriculture			8,394	0	0	337,345	351,922	14,577
<u>U.S Department of Homeland Security</u>								
Passed through Michigan State Police, Emergency								
Management and Homeland Security Division								
Disaster Grants - Public Assistance								
	97.036	6,325	6,325	6,325	0	6,325	0	0
Total U.S Department of Homeland Security			6,325	6,325	0	6,325	0	0
			\$ 448,213	\$ 336,537	\$ 0	\$ 1,246,062	\$ 1,053,443	\$ 143,918

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, 2022

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, 2022. 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	\$ 1,053,443
Less:	
Title I received after 60 days	(21,822)
ESSER II - Credit Recovery received after 60 days	(11,480)
ESSER II - Summer Program received after 60 days	(14,600)
ESSER III received after 60 days	(16,045)
Revenues per financial statements - federal sources	<u>\$ 989,496</u>

NOTE 4 - (UNAUDITED) DONATED PERSONAL PROTECTIVE EQUIPMENT

For the year ended June 30, 2022, the Academy did not receive any personal protective equipment donations.