



# WEINLANDER FITZHUGH

BAY CITY ACADEMY  
BAY CITY, MICHIGAN  
FINANCIAL STATEMENTS  
JUNE 30, 2021

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# WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

October 25, 2021

Board of Directors  
Bay City Academy  
Bay City, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining funds information of Bay City Academy (Academy), as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

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, 2021 and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

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Board of Directors  
Bay City Academy  
October 25, 2021

*Substantial Doubt about the Academy's Ability to Continue as a Going Concern*

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 17 to the financial statements, the Academy has incurred a significant operating deficit in 2015 resulting in a cash flow shortage. These conditions raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note 17. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

U.S. generally accepted accounting principles require that 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, 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.

*Other 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 funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is also not a required part of the basic financial statements.

The combining nonmajor funds financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 U.S. generally accepted auditing standards. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.



# WEINLANDER FITZHUGH

Board of Directors  
Bay City Academy  
October 25, 2021

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2021, 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, 2021

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, 2021.

**Financial Highlights**

The Academy's net position increased by \$1,121,507. Program revenues were \$1,396,187 or 27% of total revenues, and general revenues were \$3,853,738 or 73%.

The General Fund reported a negative fund balance of \$(1,748).

**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, 2021

**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, 2021 and 2020:

| <b>Exhibit A</b>                                 | Governmental Activities |              |
|--|-------------------------|--------------|
|  | 2021                    | 2020         |
| <b>Assets</b>                                    |                         |              |
| Current and other assets                         | \$ 1,768,642            | \$ 1,139,062 |
| Capital assets - net of accumulated depreciation | 595,668                 | 105,756      |
| Total assets                                     | 2,364,310               | 1,244,818    |
| <b>Liabilities</b>                               |                         |              |
| Current liabilities                              | 1,589,856               | 1,789,196    |
| Long-term liabilities                            | 197,325                 | 0            |
| Total liabilities                                | 1,787,181               | 1,789,196    |
| <b>Net Position</b>                              |                         |              |
| Net investment in capital assets                 | 395,668                 | 105,756      |
| Restricted                                       | 106,419                 | 133,098      |
| Unrestricted                                     | 75,042                  | (783,232)    |
| Total net position                               | \$ 577,129              | \$ (544,378) |

**BAY CITY ACADEMY**  
**Management's Discussion & Analysis**  
For the Year Ended June 30, 2021

The analysis above focuses on net position (see Exhibit A). The Academy's net position of governmental activities was \$577,129 at June 30, 2021. 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 \$75,042 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, 2021 and 2020.

| <b>Exhibit B</b>                 | Governmental Activities |            |
|----------------------------------|-------------------------|------------|
|                                  | 2021                    | 2020       |
| <b>Revenues</b>                  |                         |            |
| Program revenue:                 |                         |            |
| Charges for services             | \$ 57,599               | \$ 22      |
| Grants and categoricals          | 1,338,588               | 863,976    |
| General revenue:                 |                         |            |
| State aid                        | 3,816,587               | 3,024,541  |
| Other                            | 37,151                  | 6,395      |
| Total revenues                   | 5,249,925               | 3,894,934  |
| <b>Function/Program Expenses</b> |                         |            |
| Instruction                      | 1,904,316               | 1,765,108  |
| Support services                 | 1,877,239               | 1,574,700  |
| Food service                     | 269,705                 | 204,015    |
| Student/school activities        | 36,835                  | 45,682     |
| Interest                         | 0                       | 2,779      |
| Depreciation (Unallocated)       | 28,813                  | 25,020     |
| Loss on disposal of assets       | 11,510                  | 0          |
| Total expenses                   | 4,128,418               | 3,617,304  |
| <b>Change in Net Position</b>    | \$ 1,121,507            | \$ 277,630 |

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$4,128,418. Certain activities were partially funded by the other governments and organizations that subsidized certain programs with grants and categoricals of \$1,338,588. We paid for the remaining "public benefit" portion of our governmental activities with, \$3,816,587 in state aid and with our other revenues, such as interest and entitlements.

The Academy's governmental activities had an increase in net position of \$1,121,507.



**BAY CITY ACADEMY**  
**Management's Discussion & Analysis**  
**For the Year Ended June 30, 2021**

**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 \$151,461, which is above last year's total of \$(650,134). The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2021 and 2020.

|                           | Fund<br>Balance<br>6/30/2021 | Fund<br>Balance<br>6/30/2020 | Increase<br>(Decrease) |
|---------------------------|------------------------------|------------------------------|------------------------|
| General                   | \$ (1,748)                   | \$ (811,258)                 | \$ 809,510             |
| Food Services             | 106,419                      | 133,098                      | (26,679)               |
| Student/School Activities | 46,790                       | 28,026                       | 18,764                 |
|                           | \$ 151,461                   | \$ (650,134)                 | \$ 801,595             |

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

**General Fund Budgetary Highlights**

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

- Budgeted revenues increased over original budget by \$1,403,437 due to local, state and federal sources being different than anticipated. The original budget was based on estimated pupil count and the amended budget was based on actual pupil counts.
- Budgeted expenditures increased over original budget by \$887,657 due to increased expenditures on staff and certain programs, which is directly related to increased enrollment.
- Actual revenues exceeded the final budgeted revenues by \$251,832 due to an increase in federal sources.
- Actual expenditures exceeded final budgeted expenditures by \$202,985 due to certain bills coming in after year end at a higher amount than anticipated.

**BAY CITY ACADEMY**  
**Management's Discussion & Analysis**  
**For the Year Ended June 30, 2021**

**Capital Assets**

At June 30, 2021, the Academy had \$595,668 invested in five school buses.

|                               | <u>Governmental Activities</u> |                   |
|-------------------------------|--------------------------------|-------------------|
|                               | <u>2021</u>                    | <u>2020</u>       |
| Land                          | \$ 56,000                      | \$ 0              |
| Buildings                     | 444,235                        | 0                 |
| Buses                         | 226,034                        | 211,819           |
| Total capital assets          | 726,269                        | 211,819           |
| Less accumulated depreciation | 130,601                        | 106,063           |
| Net capital assets            | <u>\$ 595,668</u>              | <u>\$ 105,756</u> |

The Academy purchased a school bus and their Mancelona location during the fiscal year ended June 30, 2021.

**Debt**

At June 30, 2020, the Academy had outstanding long-term debt.

|               | <u>2021</u> | <u>2020</u> |
|---------------|-------------|-------------|
| Land contract | \$ 200,000  | \$ 0        |

**Factors Expected to have an Effect on Future Operations**

Our elected Board and Administration consider many factors when setting the Academy's 2022 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 2022 fiscal year budget was adopted in June 2021, based on an estimate of students that will be enrolled in September 2021. 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 2021-2022 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2022 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 2021-2022.

**BAY CITY ACADEMY**  
Management's Discussion & Analysis  
For the Year Ended June 30, 2021

**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, 2021

|  | Governmental<br>Activities |
|--|----------------------------|
| <u>Assets</u>  |                            |
| Cash and investments                                   | \$ 509,569                 |
| Accounts receivable                                    | 14,109                     |
| Due from other governmental units                      | 1,119,652                  |
| Security deposit                                       | 9,000                      |
| Prepaid expenses                                       | 116,312                    |
| Capital assets less accumulated depreciation \$130,601 | 595,668                    |
| Total assets   | 2,364,310                  |
| <u>Liabilities</u>                                     |                            |
| Accounts payable                                       | 62,851                     |
| Notes payable  | 1,298,005                  |
| Accrued payroll  | 224,980                    |
| Unearned revenue                                       | 1,345                      |
| Long-term liabilities:                                 |                            |
| Due within one year                                    | 2,675                      |
| Due in more than one year                              | 197,325                    |
| Total liabilities                                      | 1,787,181                  |
| <u>Net Position</u>                                    |                            |
| Net investment in capital assets                       | 395,668                    |
| Restricted for food service                            | 106,419                    |
| Unrestricted   | 75,042                     |
| Total net position                                     | \$ 577,129                 |

See accompanying notes to financial statements.

BAY CITY ACADEMY  
Statement of Activities  
For the Year Ended June 30, 2021

|                                  | Program Revenues        |                                       |  | Governmental<br>Activities |
|----------------------------------|-------------------------|---------------------------------------|--|----------------------------|
| Expenses                         | Charges for<br>Services | Operating<br>Grants/<br>Contributions | Net (Expense)<br>Revenue and<br>Changes in Net<br>Position |                            |
| <u>Functions/Programs</u>        |                         |                                       |  |                            |
| Primary government -             |                         |                                       |  |                            |
| Governmental activities:         |                         |                                       |  |                            |
| Instruction                      | \$ 1,904,316            | \$ 0                                  | \$ 1,065,142   | \$ (839,174)               |
| Support services                 | 1,877,239               | 0                                     | 37,694   | (1,839,545)                |
| Food service                     | 269,705                 | 2,000                                 | 235,752  | (31,953)                   |
| Student/school activities        | 36,835                  | 55,599                                | 0  | 18,764                     |
| Depreciation (Unallocated)       | 28,813                  | 0                                     | 0  | (28,813)                   |
| Loss on disposal of assets       | 11,510                  | 0                                     | 0  | (11,510)                   |
|                                  | <u>\$ 4,128,418</u>     | <u>\$ 57,599</u>                      | <u>\$ 1,338,588</u>  | <u>(2,732,231)</u>         |
| Total governmental activities    |                         |                                       |  |                            |
| General revenues:                |                         |                                       |  |                            |
| State aid                        |                         |                                       |  | 3,816,587                  |
| Interest and investment earnings |                         |                                       |  | 2                          |
| Other                            |                         |                                       |  | 37,149                     |
|                                  |                         |                                       |  | <u>3,853,738</u>           |
|                                  |                         |                                       |  | 1,121,507                  |
|                                  |                         |                                       |  | (544,378)                  |
|                                  |                         |                                       |  | <u>\$ 577,129</u>          |

See accompanying notes to financial statements.

BAY CITY ACADEMY  
Governmental Funds  
Balance Sheet  
June 30, 2021

|  | General             | Other<br>Nonmajor<br>Governmental<br>Fund | Total               |
|--|---------------------|---|---------------------|
| <u>Assets</u>  |                     |   |                     |
| Cash and investments   | \$ 365,988          | \$ 143,581                                | \$ 509,569          |
| Receivables - net:   |                     |   |                     |
| Accounts receivable  | 14,109              | 0   | 14,109              |
| Due from other funds   | 3,179               | 12,056                                    | 15,235              |
| Due from other governmental units                                  | 1,118,901           | 751                                       | 1,119,652           |
| Security deposit   | 9,000               | 0   | 9,000               |
| Prepaid expenditures   | 116,312             | 0   | 116,312             |
|  | <u>\$ 1,627,489</u> | <u>\$ 156,388</u>                         | <u>\$ 1,783,877</u> |
| <u>Liabilities, Deferred Inflows of Resources and Fund Balance</u> |                     |   |                     |
| <u>Liabilities</u>   |                     |   |                     |
| Accounts payable   | \$ 62,851           | \$ 0                                      | \$ 62,851           |
| Due to other funds   | 12,056              | 3,179                                     | 15,235              |
| Notes payable  | 1,298,005           | 0   | 1,298,005           |
| Accrued payroll and other liabilities                              | 224,980             | 0   | 224,980             |
| Unearned revenue   | 1,345               | 0   | 1,345               |
|  | <u>1,599,237</u>    | <u>3,179</u>                              | <u>1,602,416</u>    |
| <u>Deferred Inflows of Resources</u>                               |                     |   |                     |
| Unavailable revenue  | 30,000              | 0   | 30,000              |
| <u>Fund Balance</u>  |                     |   |                     |
| Nonspendable - prepaid   | 116,312             | 0   | 116,312             |
| Nonspendable - security deposit                                    | 9,000               | 0   | 9,000               |
| Restricted for food service  | 0                   | 106,419                                   | 106,419             |
| Committed for student/school activities                            | 0                   | 46,790                                    | 46,790              |
| Unassigned   | (127,060)           | 0   | (127,060)           |
|  | <u>(1,748)</u>      | <u>153,209</u>                            | <u>151,461</u>      |
| Total liabilities, deferred inflows of resources and fund balance  | <u>\$ 1,627,489</u> | <u>\$ 156,388</u>                         | <u>\$ 1,783,877</u> |

See accompanying notes to financial statements.

BAY CITY ACADEMY  
 Reconciliation of Balance Sheet of Governmental Funds  
 to the Statement of Net Position  
June 30, 2021

|  |                          |
|--|--------------------------|
| Total fund balance - governmental funds  | \$ 151,461               |
| 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   | 726,269                  |
| Accumulated depreciation   | (130,601)                |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds:   |                          |
| Land contract  | (200,000)                |
| Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in governmental funds: |                          |
| Unavailable revenue  | <u>30,000</u>            |
| Total net position - governmental activities   | <u><u>\$ 577,129</u></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, 2021

|   | General           | Other<br>Nonmajor<br>Governmental<br>Fund | Total             |
|---|-------------------|---|-------------------|
| <u>Revenues</u>                                   |                   |   |                   |
| Local sources                                     | \$ 43,561         | \$ 59,195                                 | \$ 102,756        |
| State sources                                     | 4,086,757         | 9,595                                     | 4,096,352         |
| Federal sources                                   | 790,981           | 229,835                                   | 1,020,816         |
| Total revenues                                    | <u>4,921,299</u>  | <u>298,625</u>                            | <u>5,219,924</u>  |
| <u>Expenditures</u>                               |                   |   |                   |
| Current:  |                   |   |                   |
| Instruction                                       | 1,970,952         | 0   | 1,970,952         |
| Support services                                  | 1,840,602         | 0   | 1,840,602         |
| Food services                                     | 0                 | 269,705                                   | 269,705           |
| Student/school activities                         | 0                 | 36,835                                    | 36,835            |
| Capital outlay                                    | 500,235           | 0   | 500,235           |
| Total expenditures                                | <u>4,311,789</u>  | <u>306,540</u>                            | <u>4,618,329</u>  |
| Excess (deficiency) of revenues over expenditures | 609,510           | (7,915)                                   | 601,595           |
| <u>Other Financing Sources (Uses)</u>             |                   |   |                   |
| Debt proceeds                                     | 200,000           | 0   | 200,000           |
| Net change in fund balance                        | 809,510           | (7,915)                                   | 801,595           |
| Fund balance - beginning of year                  | <u>(811,258)</u>  | <u>161,124</u>                            | <u>(650,134)</u>  |
| Fund balance - end of year                        | <u>\$ (1,748)</u> | <u>\$ 153,209</u>                         | <u>\$ 151,461</u> |

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, 2021**

|  |                            |
|--|----------------------------|
| Net change in fund balance - total governmental funds  | \$ 801,595                 |
| <p>Amounts reported for governmental activities in the statements of activities are different because:</p> <p>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   | (28,813)                   |
| Capital outlay   | 530,235                    |
| Loss on disposal of assets   | (11,510)                   |
| Unavailable revenue from other governmental units at June 30, 2021 and collected after September 1, 2021   | 30,000                     |
| <p>Long-term liabilities are not due and payable in the current period and are not reported in the funds:</p>  |                            |
| Proceeds on issuance of debt   | <u>(200,000)</u>           |
| Change in net position of governmental activities  | <u><u>\$ 1,121,507</u></u> |

See accompanying notes to financial statements.

**BAY CITY ACADEMY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2021**

**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, 2021

**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, 2021

**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, 2021

**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, 2021, 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, 2021, the foundation allowance was based on the average pupil membership counts taken in February and October of 2020.

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 2020 - August 2021. The local revenue is recognized as outlined in Note 1. Amounts receivable from the State of Michigan at June 30, 2021 relating to state aid is \$753,114.

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, 2021**

**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 District 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, 2021

**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 School District's deposits and investments were reported in the basic financial statements in the following categories:

|                           | Primary<br>Government |
|---------------------------|-----------------------|
| Cash and cash equivalents | \$ 509,571            |

As of June 30, 2021 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, 2021, \$277,024 of the Academy's bank balance of \$530,895 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, 2021

**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, 2021

**NOTE 4 - CAPITAL ASSETS**

A summary of changes in governmental capital assets follows:

|                                      | Balance<br>June 30, 2020 | Additions         | Disposals and<br>Adjustments | Balance<br>June 30, 2021 |
|--------------------------------------|--------------------------|-------------------|------------------------------|--------------------------|
| Assets not being depreciated:        |                          |                   |                              |                          |
| Land                                 | \$ 0                     | \$ 56,000         | \$ 0                         | \$ 56,000                |
| Capital assets being depreciated:    |                          |                   |                              |                          |
| Buildings                            | 0                        | 444,235           | 0                            | 444,235                  |
| Buses                                | 211,819                  | 30,000            | (15,785)                     | 226,034                  |
| Subtotal                             | 211,819                  | 474,235           | (15,785)                     | 670,269                  |
| Accumulated depreciation:            |                          |                   |                              |                          |
| Buildings                            | 0                        | 0                 | 0                            | 0                        |
| Buses                                | 106,063                  | 28,813            | (4,275)                      | 130,601                  |
| Subtotal                             | 106,063                  | 28,813            | (4,275)                      | 130,601                  |
| Net capital assets being depreciated | 105,756                  | 445,422           | (11,510)                     | 539,668                  |
| Net capital assets                   | <u>\$ 105,756</u>        | <u>\$ 501,422</u> | <u>\$ (11,510)</u>           | <u>\$ 595,668</u>        |

Depreciation expense for fiscal year ended June 30, 2021 was \$28,813. 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, 2021 is as follows:

|             |              | <u>Payables</u>  |                                  |                  |
|-------------|--------------|------------------|----------------------------------|------------------|
|             |              | General          | Student/<br>School<br>Activities | Total            |
| Receivables | General      | \$ 0             | \$ 3,179                         | \$ 3,179         |
|             | Food Service | 12,056           | 0                                | 12,056           |
|             |              | <u>\$ 12,056</u> | <u>\$ 3,179</u>                  | <u>\$ 15,235</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, 2021

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2021 consist of state aid and grants.

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

|                      |                     |
|----------------------|---------------------|
| State aid and grants | \$ 753,114          |
| Federal grants       | 336,536             |
| Other                | 30,002              |
|                      | <u>\$ 1,119,652</u> |

**NOTE 7 - UNEARNED REVENUE**

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also reflect unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, grant and categorical aid payments received prior to meeting all eligibility requirements amounted to \$1,345.

**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<br/>Balance</u> | <u>Issued</u> | <u>Redeemed</u>   | <u>Ending<br/>Balance</u> |
|--|------------------------------|---------------|-------------------|---------------------------|
| Wildfire Credit Union, due in March 2015; interest payable at 3.00%. | \$ 429,145                   | \$ 0          | \$ 65,695         | \$ 363,450                |
| First National Bank of Michigan; interest payable at 3.00%.          | <u>1,109,238</u>             | <u>0</u>      | <u>174,683</u>    | <u>934,555</u>            |
|  | <u>\$ 1,538,383</u>          | <u>\$ 0</u>   | <u>\$ 240,378</u> | <u>\$ 1,298,005</u>       |

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 2022.

**BAY CITY ACADEMY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 9 - LONG-TERM OBLIGATIONS**

The following is a summary of governmental long-term obligations for the Academy for the year ended June 30, 2021:

|  | Balance<br>June 30, 2020 | Additions  | Retirements<br>and Payments | Balance<br>June 30, 2021 | Amount Due<br>Within One<br>Year |
|--|--------------------------|------------|-----------------------------|--------------------------|----------------------------------|
| Notes from direct borrowings and direct placements | \$ 0                     | \$ 200,000 | \$ 0                        | \$ 200,000               | \$ 2,675                         |

Long-term obligations at June 30, 2021 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 interest of 4.99%. Final payment is due July 2031.

\$ 200,000

The annual debt service requirements on long-term debt as of June 30, 2021, including interest payments are as follows:

| Year Ended June 30 | <u>Notes from Direct Borrowings and Direct Placements</u> |                  |                   |
|--------------------|---|------------------|-------------------|
|                    | Principal   | Interest         | Total             |
| 2022               | \$ 2,675  | \$ 9,121         | \$ 11,796         |
| 2023               | 3,093   | 9,776            | 12,869            |
| 2024               | 3,251   | 9,618            | 12,869            |
| 2025               | 3,417   | 9,453            | 12,870            |
| 2026               | 3,591   | 9,278            | 12,869            |
| 2027 - 2031        | 20,898  | 43,447           | 64,345            |
| 2032               | 163,075   | 678              | 163,753           |
|                    | <u>\$ 200,000</u>   | <u>\$ 91,371</u> | <u>\$ 291,371</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, 2021**

**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, 2021 was \$43,008.

**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 83% 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 - LEASE**

The Academy conducts a significant portion of its operations with leased facilities. The lease expense for their location in Bay City for year ended June 30, 2021 was \$117,000. Minimum future lease payments under noncancelable leases after June 30, 2021 are as follows:

|       |                   |
|-------|-------------------|
| 2022  | \$ 144,000        |
| 2023  | 144,000           |
| Total | <u>\$ 288,000</u> |

Lease payments for their location in Mancelona for the year ended June 30, 2021 was \$17,607. The Academy purchased the location on a land contract in June 2021, which resulted in no future minimum lease payments.

**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, 2021 was \$122,006.

**BAY CITY ACADEMY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 15 - CONTRACTUAL COMMITMENTS (CONTINUED)**

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, 2021 were \$443,038.

**NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENT**

Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, was issued by the GASB in June 2017 and will be effective for the Academy's 2022 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021-2022 fiscal year.

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.

**NOTE 17 - GOING CONCERN**

As of June 30, 2021, the Academy's General Fund liabilities exceeded its assets by \$1,748. A plan of action was filed with the State of Michigan. The management team has eliminated several jobs and many other expenditures. The eliminated jobs are being taken over by the management company or will be distributed to other administrative employees. With regard to cutting expenditures, the management company has renegotiated the Academy's debt. Expenditures of the Academy are being aggressively bid out in a more formal process.

**BAY CITY ACADEMY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 18 - UNCERTAINTY**

On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) a pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen having a broad and negative impact on commerce and financial markets around the world. While the disruption is currently expected to be temporary, there is considerable uncertainty regarding the duration. The extent on the impact of COVID-19 on the Academy's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Academy's employees, funding sources and vendors, all of which, at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Academy is uncertain and the accompanying financial statements include no adjustments related to the effects of this pandemic. For the year ended June 30, 2021, the Academy was the recipient of significant grant and other funding intended to address increased expenditures attributed to COVID-19.

BAY CITY ACADEMY  
Required Supplemental Information  
Budgetary Comparison Schedule - General Fund  
For the Year Ended June 30, 2021

|   | Original<br>Budget  | Final<br>Amended<br>Budget | Actual            | Variances with<br>Final Budget<br>Favorable<br>(Unfavorable) |
|---|---------------------|----------------------------|-------------------|--|
| <u>Revenues</u>                                   |                     |                            |                   |  |
| Local sources                                     | \$ 33,400           | \$ 73,239                  | \$ 43,561         | \$ (29,678)  |
| State sources                                     | 3,025,310           | 4,372,488                  | 4,086,757         | (285,731)  |
| Federal sources                                   | 207,320             | 223,740                    | 790,981           | 567,241  |
| Total revenues                                    | <u>3,266,030</u>    | <u>4,669,467</u>           | <u>4,921,299</u>  | <u>251,832</u>   |
| <u>Expenditures</u>                               |                     |                            |                   |  |
| Instruction:                                      |                     |                            |                   |  |
| Basic programs                                    | 1,387,090           | 1,627,186                  | 1,602,286         | 24,900   |
| Added needs                                       | 330,585             | 342,074                    | 368,666           | (26,592)   |
| Support services:                                 |                     |                            |                   |  |
| Instructional staff                               | 172,575             | 173,077                    | 196,491           | (23,414)   |
| General administrative                            | 409,620             | 540,136                    | 612,854           | (72,718)   |
| School administration                             | 251,000             | 327,013                    | 323,505           | 3,508  |
| Business services                                 | 151,200             | 145,386                    | 105,622           | 39,764   |
| Operations and maintenance                        | 341,105             | 424,171                    | 421,608           | 2,563  |
| Transportation                                    | 117,365             | 174,084                    | 152,634           | 21,450   |
| Support other                                     | 59,520              | 55,094                     | 27,307            | 27,787   |
| Parent workshops                                  | 1,085               | 581                        | 581               | 0  |
| Capital outlay                                    | 0                   | 300,000                    | 500,235           | (200,235)  |
| Total expenditures                                | <u>3,221,145</u>    | <u>4,108,802</u>           | <u>4,311,789</u>  | <u>(202,987)</u>   |
| Excess (deficiency) of revenues over expenditures | 44,885              | 560,665                    | 609,510           | 48,845   |
| <u>Other Financing Sources (Uses)</u>             |                     |                            |                   |  |
| Debt proceeds                                     | 0                   | 0                          | 200,000           | 200,000  |
| Net change in fund balance                        | 44,885              | 560,665                    | 809,510           | 248,845  |
| Fund balance - beginning of year                  | <u>(811,258)</u>    | <u>(811,258)</u>           | <u>(811,258)</u>  | <u>0</u>   |
| Fund balance - end of year                        | <u>\$ (766,373)</u> | <u>\$ (250,593)</u>        | <u>\$ (1,748)</u> | <u>\$ 248,845</u>  |

BAY CITY ACADEMY  
Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2021

|   | Special Revenue Funds |                              |            |
|---|-----------------------|------------------------------|------------|
|   | Food Service          | Student/School<br>Activities | Total      |
| <u>Assets</u>                           |                       |                              |            |
| Cash and investments                    | \$ 93,612             | \$ 49,969                    | \$ 143,581 |
| Due from other funds                    | 12,056                | 0                            | 12,056     |
| Due from other governmental units       | 751                   | 0                            | 751        |
| Total assets                            | \$ 106,419            | \$ 49,969                    | \$ 156,388 |
| <u>Liabilities and Fund Balance</u>     |                       |                              |            |
| <u>Liabilities</u>                      |                       |                              |            |
| Due to other funds                      | \$ 0                  | \$ 3,179                     | \$ 3,179   |
| <u>Fund Balance</u>                     |                       |                              |            |
| Restricted for food services            | 106,419               | 0                            | 106,419    |
| Committed for student/school activities | 0                     | 46,790                       | 46,790     |
| Total fund balance                      | 106,419               | 46,790                       | 153,209    |
| Total liabilities and fund balance      | \$ 106,419            | \$ 49,969                    | \$ 156,388 |



**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, 2021**

|                                  | Special Revenue Funds |                              |            |
|----------------------------------|-----------------------|------------------------------|------------|
|                                  | Food Service          | Student/School<br>Activities | Total      |
| <u>Revenues</u>                  |                       |                              |            |
| Local sources                    | \$ 3,596              | \$ 55,599                    | \$ 59,195  |
| State sources                    | 9,595                 | 0                            | 9,595      |
| Federal sources                  | 229,835               | 0                            | 229,835    |
| Total revenues                   | 243,026               | 55,599                       | 298,625    |
| <u>Expenditures</u>              |                       |                              |            |
| Current:                         |                       |                              |            |
| Food services                    | 269,705               | 0                            | 269,705    |
| Student/school activities        | 0                     | 36,835                       | 36,835     |
| Total expenditures               | 269,705               | 36,835                       | 306,540    |
| Net change in fund balance       | (26,679)              | 18,764                       | (7,915)    |
| Fund balance - beginning of year | 133,098               | 28,026                       | 161,124    |
| Fund balance - end of year       | \$ 106,419            | \$ 46,790                    | \$ 153,209 |



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 25, 2021

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, 2021 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 25, 2021.

### 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs we identified a certain deficiency 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 items 2021-002 to be a material weakness.



Board of Directors  
Bay City Academy  
October 25, 2021

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 to be a significant deficiency: 2021-001.

## **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 2021-003, 2021-004, and 2021-005.

## **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*



# WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

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

October 25, 2021

To the Board of Directors  
Bay City Academy  
Bay City, Michigan

### **Report on Compliance for Each Major Federal Program**

We have audited Bay City Academy's compliance with the types of compliance requirements described 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, 2021. 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.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Bay City Academy's major federal programs based on our audit of the types of compliance requirements referred to above. 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bay City Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bay City Academy's compliance.

#### ***Opinion on Each Major Federal Program***

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, 2021.

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Board of Directors  
Bay City Academy  
October 25, 2021

## ***Other Matters***

Bay City Academy is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Bay City Academy's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

## **Report on Internal Control Over Compliance**

Management of Bay City Academy, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bay City Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bay City Academy's 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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-006 to be a significant deficiency.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Bay City Academy's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.



# WEINLANDER FITZHUGH

Board of Directors  
Bay City Academy  
October 25, 2021

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, 2021**

**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>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u>                            |
|-----------------------|--|
| 84.425D               | COVID 19 - Elementary and Secondary School Emergency Relief Funds I  |
| 84.425D               | COVID 19 - Elementary and Secondary School Emergency Relief Funds II |
| 84.425C               | COVID 19 - Governor's Emergency Education Relief Funds I             |

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, 2021

**SECTION II - Financial Statement Findings**

**2021-001 (Repeat Finding 2020-001)**

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, 2021

**2021-002 (Repeat Finding 2020-002)**

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 a number of its General Fund and Food Service 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, 2021

**2021-003 (Repeat Finding 2020-003)**

Criteria or Specific Requirement

The Uniform Accounting and Budgeting Act, Michigan Public Act of 1978, does not allow a local unit of government to have a deficit fund balance.

Condition

As of June 30, 2021, the General Fund has an unassigned deficit fund balance.

Context

Internal controls should be in place to monitor the actual expenditures and ensure the Academy's fund balance does not go into a deficit.

Effect

The effect of this condition results in the Academy having a going concern consideration.

Cause

Lack of adequate budgetary controls in 2015 contributed to the significant accumulated deficit at June 30, 2021. The Academy is not in compliance with the Michigan Uniform Accounting and Budgeting Act for its General Fund.

Recommendation

We recommend that management and the Board of Directors review the 2021-2022 fiscal year budget and continue to work with the State of Michigan to develop a plan to eliminate the unassigned deficit in the General Fund.

Views of the Responsible Officials and Planned Corrective Action

A plan of action filed with the State of Michigan. The management team has eliminated several jobs and many other expenses. The eliminated jobs are being taken over by the new management company or distributed to other administrative employees. With regard to cutting expenditures, the new management company has renegotiated the Academy's debt. Expenditures of the Academy are being aggressively bid out in a more formal process. Refer to our corrective action plan for additional information.

BAY CITY ACADEMY  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

**2021-004 (Repeat Finding 2020-004)**

Criteria or Specific Requirement

The Uniform Accounting and Budgeting Act, Michigan Public Act 621 of 1978, does not allow a local unit of government to adopt a budget projecting an overall deficit in its fund balance at year end.

Condition

The final approved budget adopted for the General Fund for the 2020-2021 reflected a deficit fund balance at year end.

Context

Internal controls should be in place to monitor the actual expenditures and ensure the Academy's fund balance does not go into a deficit

Effect

The effect of this condition results in the Academy having a going concern consideration.

Cause

Lack of adequate budgetary controls in 2015 contributed to the significant accumulated deficit at June 30, 2021. The Academy is not in compliance with the Michigan Uniform Accounting and Budgeting Act for its General Fund.

Recommendation

We recommend that management and the Board of Directors review the General Fund budget for 2021-2022 and modify expected revenues and expenditures to work toward a balanced budget.

Views of the Responsible Officials and Planned Corrective Action

The management team and the Board of Directors will be working to closely monitor the Academy's budget as it pertains to the actual 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, 2021**

**2021-005 (Repeat Finding 2020-005)**

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, 2021.

Context

The Academy did not meet the three month of average expenditure test as of June 30, 2021.

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, 2021, the Academy's fund balance was in excess of three months expenditures by approximately \$19,000.

Recommendation

We recommend the Academy create a spend down plan and submit the plan of action to Michigan Department of Education by February 2022. 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.

BAY CITY ACADEMY  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

**SECTION III - Federal Award Findings and Questioned Costs**

2021-006

Program

Elementary and Secondary School Emergency Relief Fund I (CFDA # 84.425D), Elementary and Secondary School Emergency Relief Fund II (CFDA # 84.425D) and Governor's Emergency Education Relief Fund I (CFDA #84.425C)

Criteria

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.

Condition

The Academy does not have a proper tracking system for federal expenditures.

Questioned costs

None.

Context

The Academy should have internal controls in place to properly track federal expenditures relating to each specific federal program.

Effect

The Academy could have requested reimbursement of federal expenditures for multiple federal programs.

Cause

The Academy grouped their federal expenditures for various federal programs in the same accounts. Determining what expenditures were applied to the different federal programs was not obvious and traceable.

Recommendation

The Academy should implement a proper tracking system of federal expenditures for the different federal programs they are to be allocated to.

Views of the Responsible Officials and Planned Corrective Action

The management team will implement a tracking system for all federal expenditures.

BAY CITY ACADEMY  
Summary Schedule of Prior Year Findings  
For the Year Ended June 30, 2021

**2020-001, 002, 003, 004 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.

Bay City Academy  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

|  | Federal<br>CFDA<br>Number | Approved<br>Grant Award<br>Amount | (Memo Only)<br>Prior Year<br>Expenditures | Accrued<br>(Deferred)<br>Revenue<br>July 1, 2020 | Adjustments<br>and Transfers | Current Year<br>Receipts<br>(Cash Basis) | Current Year<br>Expenditures | Accrued<br>(Deferred)<br>Revenue<br>June 30, 2021 |
|--|---------------------------|-----------------------------------|---|--|------------------------------|--|------------------------------|---|
| <u>U.S. Department of Education</u>  |                           |                                   |   |  |                              |  |                              |   |
| Passed through Michigan Department of Education                                  |                           |                                   |   |  |                              |  |                              |   |
| E.C.I.A. Title I Part A  |                           |                                   |   |  |                              |  |                              |   |
|  | 84.010                    |                                   |   |  |                              |  |                              |   |
| 201530-1920  |                           | \$ 175,898                        | \$ 153,649                                | \$ 52,237  | \$ 0                         | \$ 72,316                                | \$ 20,079                    | \$ 0  |
| 211530-2021  |                           | 171,711                           | 0   | 0  | 0                            | 75,955                                   | 115,344                      | 39,389  |
|  |                           |                                   | <u>153,649</u>                            | <u>52,237</u>                                    | <u>0</u>                     | <u>148,271</u>                           | <u>135,423</u>               | <u>39,389</u>                                     |
| Title II Part A  |                           |                                   |   |  |                              |  |                              |   |
|  | 84.367                    |                                   |   |  |                              |  |                              |   |
| 200520-1920  |                           | 26,576                            | 18,237                                    | 4,367  | 0                            | 6,881                                    | 2,514                        | 0   |
| 210520-2021  |                           | 28,970                            | 0   | 0  | 0                            | 10,827                                   | 23,144                       | 12,317  |
|  |                           |                                   | <u>18,237</u>                             | <u>4,367</u>                                     | <u>0</u>                     | <u>17,708</u>                            | <u>25,658</u>                | <u>12,317</u>                                     |
| Title IV A Student Support & Academic Enrichment                                 |                           |                                   |   |  |                              |  |                              |   |
|  | 84.424                    |                                   |   |  |                              |  |                              |   |
| 200750-1920  |                           | 16,489                            | 9,762                                     | 705  | 0                            | 2,839                                    | 2,134                        | 0   |
| 210750-2021  |                           | 16,577                            | 0   | 0  | 0                            | 16,500                                   | 16,577                       | 77  |
|  |                           |                                   | <u>9,762</u>                              | <u>705</u>                                       | <u>0</u>                     | <u>19,339</u>                            | <u>18,711</u>                | <u>77</u>   |
| Education Stabilization Fund   |                           |                                   |   |  |                              |  |                              |   |
| COVID - 19 - Elementary and Secondary School<br>Emergency Relief Fund (ESSER I)  |                           |                                   |   |  |                              |  |                              |   |
|  | 84.425D                   |                                   |   |  |                              |  |                              |   |
| 203710-1920  |                           | 134,533                           | 0   | 0  | 0                            | 134,533                                  | 134,533                      | 0   |
| COVID - 19 - Elementary and Secondary School<br>Emergency Relief Fund (ESSER II) |                           |                                   |   |  |                              |  |                              |   |
|  | 84.425D                   |                                   |   |  |                              |  |                              |   |
| 213712-2021  |                           | 246,380                           | 0   | 0  | 0                            | 0  | 246,380                      | 246,380   |
| COVID - 19 - Governor's Emergency Education<br>Relief Fund (GEER I)              |                           |                                   |   |  |                              |  |                              |   |
|  | 84.425C                   |                                   |   |  |                              |  |                              |   |
| 201200-2021  |                           | 32,048                            | 0   | 0  | 0                            | 0  | 32,048                       | 32,048  |
| Total Education Stabilization Fund   |                           |                                   |   |  |                              |  |                              |   |
|  |                           |                                   | <u>0</u>                                  | <u>0</u>   | <u>0</u>                     | <u>134,533</u>                           | <u>412,961</u>               | <u>278,428</u>                                    |
| Total U. S. Department of Education  |                           |                                   |   |  |                              |  |                              |   |
|  |                           |                                   | <u>181,648</u>                            | <u>57,309</u>                                    | <u>0</u>                     | <u>319,851</u>                           | <u>592,753</u>               | <u>330,211</u>                                    |

See accompanying notes to the Schedule of Expenditures of Federal Awards

Bay City Academy  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

| Federal<br>CFDA<br>Number  | Approved<br>Grant Award<br>Amount | (Memo Only)<br>Prior Year<br>Expenditures | Accrued<br>(Deferred)<br>Revenue<br>July 1, 2020 | Adjustments<br>and Transfers | Current Year<br>Receipts<br>(Cash Basis) | Current Year<br>Expenditures | Accrued<br>(Deferred)<br>Revenue<br>June 30, 2021 |
|--|-----------------------------------|---|--|------------------------------|--|------------------------------|---|
| <u>U.S. Department of Agriculture</u>  |                                   |   |  |                              |  |                              |   |
| Passed through Michigan Department of Education  |                                   |   |  |                              |  |                              |   |
| National School Food Programs  |                                   |   |  |                              |  |                              |   |
| Lunch  |                                   |   |  |                              |  |                              |   |
| Cash assistance  |                                   |   |  |                              |  |                              |   |
| 10.555   |                                   |   |  |                              |  |                              |   |
| 201960-1920  | \$ 17,682                         | \$ 0                                      | \$ 0   | \$ 0                         | \$ 17,682                                | \$ 17,682                    | \$ 0  |
| 211960-2021  | 143,525                           | 0   | 0  | 0                            | 143,525                                  | 143,525                      | 0   |
|  |                                   | <u>0</u>                                  | <u>0</u>   | <u>0</u>                     | <u>161,207</u>                           | <u>161,207</u>               | <u>0</u>  |
| Non-cash assistance (Commodities)  |                                   |   |  |                              |  |                              |   |
| 10.555   |                                   |   |  |                              |  |                              |   |
| Entitlement  | 8,394                             | 0   | 0  | 0                            | 8,394                                    | 8,394                        | 0   |
| Breakfast  |                                   |   |  |                              |  |                              |   |
| 10.553   |                                   |   |  |                              |  |                              |   |
| 201970-1920  | 7,912                             | 0   | 0  | 0                            | 7,912                                    | 7,912                        |   |
| 211970-2021  | 52,322                            | 0   | 0  | 0                            | 52,322                                   | 52,322                       | 0   |
|  |                                   | <u>0</u>                                  | <u>0</u>   | <u>0</u>                     | <u>60,234</u>                            | <u>60,234</u>                | <u>0</u>  |
| Total Child Nutrition Cluster  |                                   | <u>0</u>                                  | <u>0</u>   | <u>0</u>                     | <u>229,835</u>                           | <u>229,835</u>               | <u>0</u>  |
| Total U.S. Department of Agriculture   |                                   | <u>0</u>                                  | <u>0</u>   | <u>0</u>                     | <u>229,835</u>                           | <u>229,835</u>               | <u>0</u>  |
| <u>U.S. Department of Homeland Security</u>  |                                   |   |  |                              |  |                              |   |
| Passed through Michigan State Police, Emergency<br>Management and Homeland Security Division |                                   |   |  |                              |  |                              |   |
| 97.036   | 6,325                             | 0   | 0  | 0                            | 0  | 6,325                        | 6,325   |
| 97.036   | 18,976                            | 0   | 0  | 0                            | 18,976                                   | 18,976                       | 0   |
| Total U.S. Department of Homeland Security   |                                   | <u>0</u>                                  | <u>0</u>   | <u>0</u>                     | <u>18,976</u>                            | <u>25,301</u>                | <u>6,325</u>                                      |

See accompanying notes to the Schedule of Expenditures of Federal Awards



Bay City Academy  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

| Federal<br>CFDA<br>Number                       | Approved<br>Grant Award<br>Amount | (Memo Only)<br>Prior Year<br>Expenditures | Accrued<br>(Deferred)<br>Revenue<br>July 1, 2020 | Adjustments<br>and Transfers | Current Year<br>Receipts<br>(Cash Basis) | Current Year<br>Expenditures | Accrued<br>(Deferred)<br>Revenue<br>June 30, 2021 |
|---|-----------------------------------|---|--|------------------------------|--|------------------------------|---|
| <u>U.S Department of Treasury</u>               |                                   |   |  |                              |  |                              |   |
| Passed through Michigan Department of Education |                                   |   |  |                              |  |                              |   |
| COVID - 19 Coronavirus Relief Funds             |                                   |   |  |                              |  |                              |   |
| 21.019  | \$ 135,251                        | \$ 0                                      | \$ 0   | \$ 0                         | \$ 135,251                               | \$ 135,251                   | \$ 0  |
|   | Coronavirus Relief Funds - 11(p)  | 0   | 0  | 0                            | 4,761                                    | 4,761                        | 0   |
|   | District Covid Costs - 103(2)     | 0   | 0  | 0                            | 140,012                                  | 140,012                      | 0   |
| <hr/>   |                                   |   |  |                              |  |                              |   |
| Passed through Copper County ISD                |                                   |   |  |                              |  |                              |   |
| COVID - 19 Coronavirus Relief Funds             |                                   |   |  |                              |  |                              |   |
| 21.019  | 32,915                            | 0   | 0  | 0                            | 32,915                                   | 32,915                       | 0   |
|   | MiConnect Connectivity Funding    | 0   | 0  | 0                            | 172,927                                  | 172,927                      | 0   |
| <hr/>   |                                   |   |  |                              |  |                              |   |
| Total U.S Department of Treasury                |                                   | 0   | 0  | 0                            | 172,927                                  | 172,927                      | 0   |
|   |                                   | <u>\$ 181,648</u>                         | <u>\$ 57,309</u>                                 | <u>\$ 0</u>                  | <u>\$ 741,589</u>                        | <u>\$ 1,020,816</u>          | <u>\$ 336,536</u>                                 |

See accompanying notes to the Schedule of Expenditures of Federal Awards

BAY CITY ACADEMY  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

**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, 2021. 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.

**NOTE 2 - OTHER DISCLOSURES**

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

**NOTE 3 - (UNAUDITED) DONATED PERSONAL PROTECTIVE EQUIPMENT**

For the year ended June 30, 2021, the Academy did not receive personal protective equipment donations.



# WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

October 25, 2021

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, 2021. Professional standards require that we provide you with information about our responsibilities under U.S. generally accepted auditing standards, Government Auditing Standards and the Uniform Guidance, 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 July 29, 2021. 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 2021. 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 is based on the estimated useful life of fixed assets. We evaluated the key factors and assumptions used to develop the estimated useful life of fixed assets in determining that depreciation is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of a going concern disclosed in Note 17 to the financial statements discloses the Academy's ability to continue as a going concern and management's plan to address the substantial doubt.

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.

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Board of Directors  
Bay City Academy  
October 25, 2021  
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### *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 25, 2021.

### *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.



# WEINLANDER FITZHUGH

Board of Directors  
Bay City Academy  
October 25, 2021  
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We were engaged to report on combining non-major funds financial statements and the schedule of expenditures of federal awards, 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.

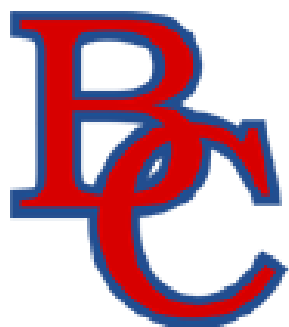
A separate management letter was not issued.

## **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*



301 N. Farragut St.  
Bay City, 48708  
Phone: (989) 414-8254  
Fax: (989) 321-2225

BAY CITY ACADEMY  
CORRECTIVE ACTION PLAN  
June 30, 2021

| Finding Number | Planned Corrective Action   | Anticipated Completion Date | Responsible Contact Person                                  |
|----------------|---|-----------------------------|---|
| 2021-001       | Due to the complexity of GAAP accounting and the ever-changing audit rules and disclosures, we will hire an outside expert. We will evaluate this yearly.                 | June 30, 2022               | Michael Randel, CPA with Mitten Educational Management, LLC |
| 2021-002       | We continue to monitor revenue and expenditures and we will continue to adjust our budget as needed.  | June 30, 2022               | Mike Randel, CPA with Mitten Educational Management, LLC    |
| 2021-003       | An amended action plan has been filed with the state of Michigan. We continue to update the state on a monthly basis.   | June 30, 2022               | Mike Randel, CPA with Mitten Educational Management, LLC    |
| 2021-004       | With the corrective action plan approved by the state of Michigan we plan to be out of deficit by June 30, 2023.  | June 30, 2023               | Mike Randel, CPA with Mitten Educational Management, LLC    |
| 2021 - 005     | A spend down plan will be formulated and submitted to the Michigan Department of Education timely in order for the Academy to be in compliance with laws and regulations. | June 30, 2022               | Mike Randel, CPA with Mitten Educational Management, LLC    |
| 2021-006       | We will implement a tracking system for all federal expenditures.   | June 30, 2022               | Mike Randel, CPA with Mitten Educational Management, LLC    |