MADISON ACADEMY

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

YEAR ENDED JUNE 30, 2026

Maner Costerisan

TABLE OF CONTENTS

Page

INDEPENDENT AUDITOR'S REPORT 1-3

MANAGEMENT'S DISCUSSION AND ANALYSIS 4-11

BASIC FINANCIAL STATEMENTS 12

Government-wide Financial Statements
Statement of Net Position 13
Statement of Activities 14

Fund Financial Statements
Balance Sheet - Governmental Funds 15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds 17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 18

Notes to Financial Statements 19-42

REQUIRED SUPPLEMENTARY INFORMATION 43

Budgetary Comparison Schedule - General Fund 44

Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability 45
Schedule of the Reporting Unit's Pension Contributions 46

Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability (Asset) 47
Schedule of the Reporting Unit's OPEB Contributions 48

Notes to Required Supplementary Information 49-53

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* 54-55

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Madison Academy

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison Academy, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Madison Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Madison Academy, as of June 30, 2026, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Madison Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Madison Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Madison Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2026 on our consideration of Madison 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 Madison 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 Madison Academy's internal control over financial reporting and compliance.

Maner Costerisan PC

Lansing, Michigan
October 29, 2026

MADISON ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

If you have any questions about this report or need any additional information, please contact the Academy's management company, the Romine Group, at 7877 Stead Street, Suite 100, Utica, Michigan 48317. Phone: (586) 731-5300.

OVERVIEW OF THE FINANCIAL STATEMENTS

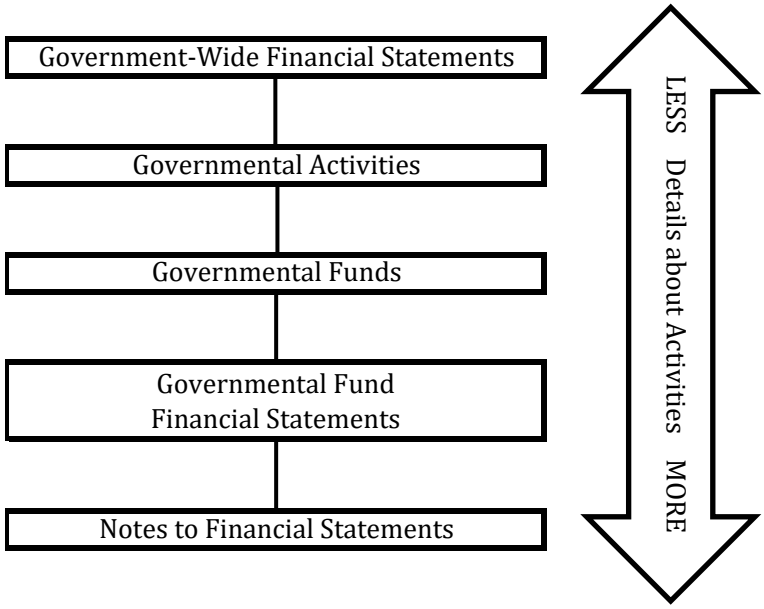
The Academy's financial report contains basic financial statements. Those financial statements present the Academy's finances at both an overall and a detailed level. The first two - the *government-wide financial statements* - cover the Academy's governmental activities. (See the diagram in Figure A-1.)

- *Governmental Activities* comprise the Academy's most basic functions, such as instruction, support services, and food services. Governmental activities primarily are financed by state aid foundation and federal grants. These statements provide both short-term and long-term information.

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

- *Governmental Fund Financial Statements* report all of the governmental activities. In addition to the Academy's main operating fund - the general fund - those financial statements report a special revenue fund that tracks the use of restricted funding sources and a debt service fund to record the repayment of outstanding bonds.

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



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

TYPES OF INFORMATION IN THE FINANCIAL STATEMENTS

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

- *Assets* - resources the Academy controls, from short-term assets like cash and cash equivalents to long-term assets like buildings and transportation equipment.

- *Liabilities* - amounts the Academy owes, from short-term liabilities such as salaries and related items to long-term liabilities such as outstanding debt and pension obligations.

- *Deferred Outflows of Resources and Deferred Inflows of Resources* - flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.

- *Revenues and Expenses* - inflows and outflows of economic resources, respectively, related to the current year.

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

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

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

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

ANALYSIS OF THE ACADEMY'S FINANCES

Table A-1
Madison Academy's Net Position

	2026	2025*	Dollar Change	Total Percentage Change
Assets				
Current assets	$ 5,413,190	$ 4,627,931	$ 785,259	17.0%
Capital assets	9,609,119	9,446,314	162,805	1.7%
Total assets	15,022,309	14,074,245	948,064	6.7%
Deferred outflows of resources	53,293	123,664	(70,371)	-56.9%
Liabilities				
Current liabilities	4,003,500	3,124,038	879,462	28.2%
Noncurrent liabilities	9,397,620	9,576,996	(179,376)	-1.9%
Total liabilities	13,401,120	12,701,034	700,086	5.5%
Deferred inflows of resources	170,000	239,012	(69,012)	-28.9%
Net position				
Net investment in capital assets	211,499	(130,682)	342,181	261.8%
Restricted for food service	22,372	161,331	(138,959)	-86.1%
Unrestricted	1,270,611	1,227,214	43,397	3.5%
Total net position	$ 1,504,482	$ 1,257,863	$ 246,619	19.6%

*Certain amounts in the prior year figures have been reclassified.

Table A-1 shows that as of June 30, 2026, the Academy's total net position - assets and deferred outflows minus liabilities and deferred inflows - was $1,504,482, an increase of $246,619 or 19.6% as compared with 2025. This increase is primarily due to a $342,181 or 261.8% increase in the net investment in capital assets. The following sections of MD&A analyze the finances of the governmental activities.

GOVERNMENTAL ACTIVITIES

Table A-2 shows that revenues continued to exceed expenses in the current year, resulting in an increase in net position as mentioned above. Various events contributed to this increase in net position; however, the primary factors affecting the change in net position are as follows:

1. Increases in grant revenues, particularly related to categorical state funding.
2. Increase in state sources revenue due to increases in student enrollment.
3. Increase in expenses for certain programs and functions.

Table A-2
Changes in Madison Academy's Net Position

	2026	2025*	Dollar Change	Total Percentage Change
Revenues				
Program revenues				
Charges for services	$ 9,897	$ 11,204	$ (1,307)	-11.7%
Operating grants and contributions	3,258,631	2,684,528	574,103	21.4%
General revenues				
Investment earnings	35,738	54,161	(18,423)	-34.0%
State sources - unrestricted	10,876,727	9,903,614	973,113	9.8%
Intermediate sources	133,050	135,572	(2,522)	-1.9%
Other	62,987	77,537	(14,550)	-18.8%
Total revenues	14,377,030	12,866,616	1,510,414	11.7%
Expenses				
Instruction	6,927,929	6,539,632	388,297	5.9%
Support services	5,117,375	4,539,324	578,051	12.7%
Community services	35,474	5,592	29,882	534.4%
Food service	751,374	628,084	123,290	19.6%
Interest and fees	441,862	436,303	5,559	1.3%
Unallocated depreciation/amortization	856,397	711,129	145,268	20.4%
Total expenses	14,130,411	12,860,064	1,270,347	9.9%
Change in net position	246,619	6,552	$ 240,067	3664.0%
Net position - beginning of year	1,257,863	1,251,311		0.5%
Net position - end of year	$ 1,504,482	$ 1,257,863		19.6%

*Certain amounts in the prior year figures have been reclassified.

Increase in Operating Grants and Contributions

There were notable increases in operating grants and contributions compared to the prior year, which account for approximately 22.7% of overall revenues. Much of the increase is attributable to various state grants including 31a At-Risk funding and Great Start Readiness Program funding.

Increase in State Sources

State sources increased in the current year compared to the prior year, which accounts for 75.7% of overall revenues. State sources is a product of student counts multiplied by the foundation allowance. The foundation allowance increased by $442 per pupil in 2026 along with a student enrollment increase of approximately 92 students. The increase in the student count combined with the increase in the foundation allowance led to the increase in state sources.

Increase in Expenses

Total expenses for the Academy increased by 9.9% overall. The increase was mainly due to increased staffing costs and supplies purchases due to increased enrollment and increased allocation of state categorical funding.

GOVERNMENTAL FUNDS

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

Table A-3
Revenues, Expenditures, and Changes in Fund Balances

	General Fund		Debt Service Fund	
	2026	2025	2026	2025
REVENUES	$ 13,740,839	$ 12,203,076	$ 23,776	$ 29,188
EXPENDITURES	13,641,624	12,324,489	691,107	697,144
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	99,215	(121,413)	$ (667,331)	$ (667,956)
OTHER FINANCING SOURCES (USES)				
Proceeds from lease	610,313	489,831	-	-
Transfers in	-	-	667,331	667,956
Transfers out	(667,331)	(667,956)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(57,018)	(178,125)	667,331	667,956
NET CHANGE IN FUND BALANCE	42,197	(299,538)	-	-
Fund balance - beginning of year	1,377,125	1,676,663	-	-
Fund balance - end of year	$ 1,419,322	$ 1,377,125	$ -	$ -

Fund balance represents the financial standing of a governmental fund at the end of the fiscal year from a short-term perspective.

General Fund

The fund balance of the Academy's general fund increased by approximately 3.1%. The increase in fund balance is attributable to (1) increases in grant revenues, as previously discussed, and (2) an overall increase in expenditures to a lesser extent than revenues, particularly in the instruction and support functions.

The overall fund balance at the end of June 30, 2026, represented 10.4% of operating expenditures. The Academy aims to have a minimum fund balance of 10% of operating expenditures. Within fund balance, approximately 96.4% of the balance is considered unassigned. The remaining approximately 3.6% is considered nonspendable and is not readily available for use.

Debt Service Fund

The Academy's debt service fund maintained a zero fund balance in both the current and prior years, as transfers from the general fund are made as needed to fund debt service payments rather than to accumulate resources within the fund.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

The discussion thus far has only touched upon certain significant transactions and events during 2026 with respect to capital assets and long-term obligations. Overall, the carrying value of capital assets - original cost minus accumulated depreciation/amortization - increased 1.7% compared to 2025. See Table A-4 for the carrying value of capital assets.

Table A-4
Madison Academy's Capital Assets

	2026			2025*	
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value	Total Percentage Change
Land	$ 30,000	$ -	$ 30,000	$ 30,000	0.0%
Building and improvements	13,438,851	4,586,023	8,852,828	8,868,173	-0.2%
Furniture and equipment	1,245,103	1,178,323	66,780	90,570	-26.3%
Technology	138,940	76,969	61,971	91,435	-32.2%
Right-to-use - subscription-based IT	212,976	59,161	153,815	-	100.0%
Right-to-use - vehicles	774,175	338,109	436,066	349,633	24.7%
Right-to-use - equipment	44,222	36,563	7,659	16,503	-53.6%
Total	$ 15,884,267	$ 6,275,148	$ 9,609,119	$ 9,446,314	1.7%

*Certain amounts in the prior year figures have been reclassified.

During 2026, the Academy placed in service $358,897 in building and improvements, $610,313 in right-to-use - vehicles, and $212,976 in right-to-use - subscription-based IT. In addition, the Academy had disposals of $438,179 for right-to-use - vehicles and disposals of $289,856 for right-to-use - subscription-based IT. The capital asset additions outpaced depreciation/amortization during the year, resulting in a net increase in capital assets.

Long-term Obligations

Overall, the carrying value of the Academy's long-term obligations decreased by 1.9% from the prior year. See Table A-5 for the carrying value of the Academy's long-term obligations.

Table A-5
Madison Academy's
Outstanding Long-Term Obligations

	2026	2025	Total Percentage Change
General obligation bonds	$ 8,942,949	$ 9,204,096	-2.8%
Notes from direct borrowings and direct placements	454,671	372,900	21.9%
	$ 9,397,620	$ 9,576,996	-1.9%

During 2026, the Academy continued to make scheduled principal payments on existing long-term obligations. The overall decrease in long-term obligations is due to the Academy continuing to pay down long-term obligations related to the Academy's general obligation bonds and notes from direct borrowings and direct placements. The total amount of principal paid in the current year was $616,412. Additionally, a new lease for buses was entered into, resulting in additional borrowings of $610,313 after termination of the prior lease agreement for buses of $167,130.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

There are several factors that could significantly affect the financial health of the Academy in the future.

- The Academy will receive a $250 increase in per-pupil state aid for the 2026-27 school year. This additional funding will help strengthen the Academy's financial stability and support the educational experience for students and staff retention.

- The Academy adopted a general fund budget for the 2026-27 school year in which revenues and other financing sources are expected to exceed expenditures and other financing uses by $109,912.

- The Academy focuses on maintaining staffing levels and expenditures in accordance with changes in student count.

- The Academy prioritizes effective use of available federal sources and state sources funding.

BASIC FINANCIAL STATEMENTS

MADISON ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2026

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 1,620,588
Intergovernmental receivable	2,803,909
Prepaids	50,611
Restricted cash and cash equivalents - debt service	938,082
Capital assets, net of accumulated depreciation/amortization	9,609,119
TOTAL ASSETS	15,022,309
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension	22,000
Related to other postemployment benefit	31,293
TOTAL DEFERRED OUTFLOWS OF RESOURCES	53,293
LIABILITIES	
Accounts payable	1,899,935
Accrued interest	32,004
Intergovernmental payable	672,500
Accrued purchased services - payroll and related	285,453
Accrued expenses	176,008
Unearned revenues	937,600
Noncurrent liabilities	
Due within one year	638,961
Due in more than one year	8,758,659
TOTAL LIABILITIES	13,401,120
DEFERRED INFLOWS OF RESOURCES	
Related to pension	133,561
Related to other postemployment benefit	36,439
TOTAL DEFERRED INFLOWS OF RESOURCES	170,000
NET POSITION	
Net investment in capital assets	211,499
Restricted for food service	22,372
Unrestricted	1,270,611
TOTAL NET POSITION	$ 1,504,482

See accompanying notes to financial statements.

MADISON ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 6,927,929	$ -	$ 1,450,373	$ (5,477,556)
Support services	5,117,375	9,897	1,074,952	(4,032,526)
Community services	35,474	-	120,891	85,417
Food service	751,374	-	612,415	(138,959)
Interest and fees	441,862	-	-	(441,862)
Unallocated depreciation/amortization	856,397	-	-	(856,397)
Total governmental activities	$ 14,130,411	$ 9,897	$ 3,258,631	(10,861,883)
General revenues				
Investment earnings				35,738
State sources - unrestricted				10,876,727
Intermediate sources				133,050
Other				62,987
Total general revenues				11,108,502
CHANGE IN NET POSITION				246,619
NET POSITION, beginning of year				1,257,863
NET POSITION, end of year				$ 1,504,482

See accompanying notes to financial statements.

MADISON ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2026

	General Fund	Debt Service Fund	Nonmajor Governmental (Special Revenue) Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,620,588	$ -	$ -	$ 1,620,588
Intergovernmental receivable	2,803,909	-	-	2,803,909
Due from other funds	-	-	22,372	22,372
Prepaids	50,611	-	-	50,611
Restricted cash and cash equivalents	265,582	672,500	-	938,082
TOTAL ASSETS	$ 4,740,690	$ 672,500	$ 22,372	$ 5,435,562
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 1,899,935	$ -	$ -	$ 1,899,935
Intergovernmental payable	-	672,500	-	672,500
Accrued purchased services - payroll and related	285,453	-	-	285,453
Accrued expenditures	176,008	-	-	176,008
Unearned revenues	937,600	-	-	937,600
Due to other funds	22,372	-	-	22,372
TOTAL LIABILITIES	3,321,368	672,500	-	3,993,868
FUND BALANCES				
Nonspendable				
Prepaids	50,611	-	-	50,611
Restricted				
Food Service	-	-	22,372	22,372
Unassigned	1,368,711	-	-	1,368,711
TOTAL FUND BALANCES	1,419,322	-	22,372	1,441,694
TOTAL LIABILITIES AND FUND BALANCE	$ 4,740,690	$ 672,500	$ 22,372	$ 5,435,562

See accompanying notes to financial statements.

MADISON ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2026

Total governmental fund balance		$ 1,441,694
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources - related to pensions		22,000
Deferred inflows of resources - related to pensions		(133,561)
Deferred outflows of resources - related to other postemployment benefits		31,293
Deferred inflows of resources - related to other postemployment benefits		(36,439)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	$ 15,884,267	
Accumulated depreciation/amortization is	(6,275,148)	
		9,609,119
Long-term obligations are not due and payable in the current period and are not reported in the funds:		
General obligation bonds		(8,942,949)
Notes from direct borrowings and direct placements		(454,671)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid		
Accrued interest		(32,004)
Net position of governmental activities		$ 1,504,482

See accompanying notes to financial statements.

MADISON ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2026

	General Fund	Debt Service Fund	Nonmajor Governmental (Special Revenue) Fund	Total Governmental Funds
REVENUES				
Local sources	$ 84,846	$ 23,776	$ -	$ 108,622
State sources	12,987,133	-	3,629	12,990,762
Federal sources	535,810	-	608,786	1,144,596
Intermediate sources and other	133,050	-	-	133,050
TOTAL REVENUES	13,740,839	23,776	612,415	14,377,030
EXPENDITURES				
Current				
Instruction				
Basic programs	6,035,519	-	-	6,035,519
Added needs	1,104,027	-	-	1,104,027
Total instruction	7,139,546	-	-	7,139,546
Support services				
Pupil	212,221	-	-	212,221
Instructional staff	299,523	-	-	299,523
General administration	1,523,683	-	-	1,523,683
School administration	880,773	-	-	880,773
Business services	14,176	26,776	-	40,952
Operations and maintenance	1,373,573	-	-	1,373,573
Transportation	660,123	-	-	660,123
Other support services	418,340	-	-	418,340
Total support services	5,382,412	26,776	-	5,409,188
Community services	35,474	-	-	35,474
Food service	-	-	751,374	751,374
Capital outlay	687,690	-	-	687,690
Debt service				
Principal repayment	361,412	255,000	-	616,412
Interest	35,090	409,331	-	444,421
Total debt service	396,502	664,331	-	1,060,833
TOTAL EXPENDITURES	13,641,624	691,107	751,374	15,084,105
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	99,215	(667,331)	(138,959)	(707,075)
OTHER FINANCING SOURCES (USES)				
Proceeds from lease	610,313	-	-	610,313
Transfers in	-	667,331	-	667,331
Transfers out	(667,331)	-	-	(667,331)
TOTAL OTHER FINANCING SOURCES (USES)	(57,018)	667,331	-	610,313
NET CHANGE IN FUND BALANCES	42,197	-	(138,959)	(96,762)
FUND BALANCES				
Beginning of year	1,377,125	-	161,331	1,538,456
End of year	$ 1,419,322	$ -	$ 22,372	$ 1,441,694

See accompanying notes to financial statements.

MADISON ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026

Net change in fund balances total governmental funds	$	(96,762)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation/amortization:

Depreciation/amortization expense	(856,397)
Capital outlay	1,182,186
Net book value of capital assets disposed	(162,984)

Accrued interest on bonds is recorded on the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	34,563
Accrued interest payable, end of the year	(32,004)

Proceeds and repayments of principal on long-term obligations are other financing sources and expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities). Also, governmental funds report the effects of premiums, discounts, and similar items when obligations are first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term obligations and related items and are as follows:

Proceeds from lease	(610,313)
Principal repayment	616,412
Termination of lease agreement	167,130
Amortization of bond premium	6,147

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Pension related items	3,541
Other postemployment benefit related items	(4,900)

Change in net position of governmental activities	$	246,619

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Academy. The Academy currently does not have fiduciary activities. *Governmental activities* normally are supported by intergovernmental revenues.

Reporting Entity

Madison Academy (the "Academy") is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Bay Mills Community College is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school through June 2032. Board members are approved by the authorizing governing body and have decision making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The Academy receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the Academy is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. In addition, the Academy's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds.

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

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the Academy's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Academy reports the following *Major Governmental Funds*:

The *General Fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on certificates of participation.

The Academy reports the following *Nonmajor Governmental Fund*:

The *Special Revenue Fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The Academy accounts for its food service activity in the special revenue fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

During the course of operations, the Academy has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources.* The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. 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.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are generally 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 claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

State and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amounts are received during the period or within the availability period for this revenue source (typically within 60 days of year-end).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide 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 public school academies based on information supplied by the academies.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

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 governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the Academy.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand and demand deposit accounts.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, as summarized below, are reported in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than $5,000 and a useful life in excess of one year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Capital Assets (continued)

Land and construction in progress, if any, are not depreciated. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. The other capital assets of the Academy are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Years
Building and improvements	7 - 40
Furniture and fixtures	5 - 7
Computers	3 - 5
Equipment	3 - 10
Right-to-use - subscription-based IT	3
Right-to-use - vehicles	2
Right-to-use - equipment	5

Defined Benefit Plans

For purposes of measuring the net pension liability and net other postemployment benefits asset, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows

In addition to assets, the statement of net 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 assets 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 two items that qualify for reporting in this category. They are the pension and other postemployment benefit related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows

In addition to liabilities, the statement of net 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 assets 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 two items that qualify for reporting in this category. The first and second items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the net pension liability and net other postemployment benefits asset and the actual results. The amounts are amortized over a period determined by the actuary.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Net Position Flow Assumption

Sometimes the Academy will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund Balance Flow Assumptions

Sometimes the Academy will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Academy itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Academy's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the Academy that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Academy for specific purposes but do not meet the criteria to be classified as committed. Intent can be expressed by the Board of Directors or by an official or body to which the board of directors delegates authority. The Board of Directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Leases

The Academy is a lessee for a noncancelable lease of equipment and vehicles. The Academy recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements.

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

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

- The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

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

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

Subscription-based IT Arrangements (SBITA)

The Academy is a subscriber for noncancelable subscriptions of IT arrangements. The Academy recognizes a SBITA liability and an intangible right-to-use SBITA asset in the government-wide financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Subscription-based IT Arrangements (SBITA) (continued)

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

- The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for SBITA.

- The SBITA term includes the noncancelable period of the subscription. SBITA payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

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

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

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenses in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 2 - DEPOSITS

As of June 30, 2026, the Academy held deposits subject to the following risks:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2026, the Academy's cash and cash equivalents contain total deposits of $1,632,568, of which $1,382,568 was exposed to custodial credit risk because it was uninsured and uncollateralized. Restricted cash and cash equivalents - debt service contain total deposits of $938,082 at June 30, 2026, which was fully exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was $2,558,670. The following summarizes the categorization of these amounts as of June 30, 2026:

	Primary Government
Cash and cash equivalents	$ 1,620,588
Restricted cash and cash equivalents - debt service	938,082
	$ 2,558,670

Certain money market funds are restricted under the terms of the Series 2021 revenue bond agreement primarily for debt service, operating reserves, and maintenance and repair of the related facilities.

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2026 consist of the following:

	Government-wide
State sources	$ 2,446,229
Federal sources	259,372
Intermediate sources	98,308
	$ 2,803,909

Because of the Academy's favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 4 - CAPITAL ASSETS

A summary of changes in the Academy's capital assets are as follows:

	Balance July 1, 2025	Additions	Deletions	Balance June 30, 2026
Governmental activities				
Capital assets, not being depreciated/amortized				
Land	$ 30,000	$ -	$ -	$ 30,000
Capital assets, being depreciated/amortized				
Building and improvements	13,079,954	358,897	-	13,438,851
Furniture and equipment	1,245,103	-	-	1,245,103
Technology	138,940	-	-	138,940
Right-to-use - subscription-based IT	289,856	212,976	289,856	212,976
Right-to-use - vehicles	602,041	610,313	438,179	774,175
Right-to-use - equipment	44,222	-	-	44,222
Depreciable/amortizable capital assets	15,400,116	1,182,186	728,035	15,854,267
Accumulated depreciation/amortization				
Building and improvements	4,211,781	374,242	-	4,586,023
Furniture and equipment	1,154,533	23,790	-	1,178,323
Technology	47,505	29,464	-	76,969
Right-to-use - subscription-based IT	289,856	59,161	289,856	59,161
Right-to-use - vehicles	252,408	360,896	275,195	338,109
Right-to-use - equipment	27,719	8,844	-	36,563
Total accumulated depreciation/amortization	5,983,802	856,397	565,051	6,275,148
Net depreciable/amortizable capital assets	9,416,314	325,789	162,984	9,579,119
Net governmental capital assets	$ 9,446,314	$ 325,789	$ 162,984	$ 9,609,119

Depreciation/amortization expense for the fiscal year ended June 30, 2026 amounted to $856,397. The Academy determined that it was impractical to allocate depreciation/amortization to the various governmental activities as the assets serve multiple functions.

NOTE 5 - LONG-TERM OBLIGATIONS

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

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Total
Balance, July 1, 2025	$ 9,204,096	$ 372,900	$ 9,576,996
Additions	-	610,313	610,313
Deletions	(261,147)	(528,542)	(789,689)
Balance, June 30, 2026	8,942,949	454,671	9,397,620
Due within one year	265,000	373,961	638,961
Due in more than one year	$ 8,677,949	$ 80,710	$ 8,758,659

Long-term obligations currently outstanding at June 30, 2026 are as follows:

Notes from Direct Borrowings and Direct Placements	
Copier lease agreements due in monthly installments of $228 and $594, including imputed interest rates of 3.00% and 5.00%, respectively. The agreements are set to mature in December of 2026 and June of 2027, respectively.	$ 8,297
Bus lease agreements due in monthly installments of $7,328 and $27,320, including imputed interest rates of 7.50% and 4.00%, respectively. The agreements are set to mature in February of 2027 and September of 2028, respectively.	446,374
Total notes from direct borrowings and direct placements	454,671
General Obligation Bonds	
Series 2021 revenue refunding bonds due in annual installments of $265,000 to $640,000 through December 1, 2046, with interest rates ranging from 4.25% to 5.00%.	8,820,000
Premium on bonds	122,949
Total general obligation bonds	8,942,949
Total long-term obligations	$ 9,397,620

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The Academy's outstanding Series 2021 Bonds are collateralized by substantially all assets of the Academy including mortgage on the real property and subordination of management fees. The bonds are subject to financial covenants measured annually beginning with the fiscal year ending June 30, 2021. As of June 30, 2026, the Academy is in accordance with all debt covenants.

The Academy's outstanding notes from direct borrowings and direct placements related to governmental activities of $454,671 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The annual requirements to amortize the long-term obligations outstanding as of June 30, 2026, including interest of $5,062,506 are as follows:

Year Ending June 30,	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		
	Principal	Interest	Principal	Interest	Total
2027	$ 265,000	$ 398,281	$ 373,961	$ 19,923	$ 1,057,165
2028	275,000	386,806	80,710	977	743,493
2029	290,000	374,800	-	-	664,800
2030	300,000	362,262	-	-	662,262
2031	315,000	349,194	-	-	664,194
2032-2036	1,780,000	1,529,325	-	-	3,309,325
2037-2041	2,195,000	1,106,688	-	-	3,301,688
2042-2046	2,760,000	518,250	-	-	3,278,250
2047	640,000	16,000	-	-	656,000
	8,820,000	5,041,606	454,671	20,900	14,337,177
Premium on bonds	122,949	-	-	-	122,949
	$ 8,942,949	$ 5,041,606	$ 454,671	$ 20,900	$ 14,460,126

Interest expense (all funds) for the year ended June 30, 2026 was $444,421.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.michigan.gov/orsschools.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Plan Description (continued)

The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees. In addition, the System's health plan provides all retirees with option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State of Michigan Investment Board serves as the investment fiduciary and custodian for the System.

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by MPSERS is as follows:

Plan Name	Plan Type	Plan Status
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010, and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic Plan Members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus Members: a flat 7% contribution

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 - Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k)-account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

Employees who first work on or after September 4, 2012, and before February 1, 2018, choose between two retirement plans: The Pension Plus Plan and a Defined Contribution Plan that provides a 50% employer match (up to 3% of salary) on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus Plan to newly hired employees as of February 1, 2018, and created a new, optional Pension Plus 2 Plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 Plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 Plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

New employees hired between February 1, 2018 and June 30, 2024, are automatically enrolled as members in the Pension Plus 2 Plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus 2 Plan and become a qualified participant to the DC Plan; if no election is made they will default to the DC Plan. If they elect to opt out of the Pension Plus 2 Plan, their participation in the DC Plan will be retroactive to their date of hire.

Pension Reform of 2023

On November 29, 2023, the Governor signed Public Act 250 of 2023 into law. New employees hired after June 30, 2024, are automatically enrolled as members in the Pension Plus 2 Plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus 2 Plan and become a qualified participant in the DC Plan; if no election is made they will remain in the Pension Plus 2 Plan. If they elect to opt out of the Pension Plus 2 Plan, their participation in the DC Plan will be retroactive to their date of hire.

Benefits Provided - Other Postemployment Benefit (OPEB)

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Retiree Healthcare Reform of 2012

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees' Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through their 60th birthday and has credited service in each of the last 5 school fiscal years immediately preceding the retirement effective date. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the Defined Contribution Plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and OPEB. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

Pension and OPEB contributions made in the fiscal year ending September 30, 2025, were determined as of the September 30, 2022, actuarial valuations. The pension and OPEB unfunded (overfunded) actuarial accrued liabilities (UAAL) as of September 30, 2022, are amortized over a 14-year period beginning October 1, 2024, and ending September 30, 2038.

School academies' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	Other Postemployment Benefit
October 1, 2025 - September 30, 2026	15.21% - 26.08%	0.00% - 3.83%
October 1, 2024 - September 30, 2025	20.96% - 30.11%	0.00% - 1.25%

The Academy's pension contributions for the year ended June 30, 2026, were equal to the required contribution total. Total pension contributions were $0.

The Academy's OPEB contributions for the year ended June 30, 2026, were equal to the required contribution total. Total OPEB contributions were $0.

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of September 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2024, and rolled-forward using generally accepted actuarial procedures.

The Academy's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university Employers	September 30, 2025	September 30, 2024
Total pension liability	$ 97,436,103,863	$ 95,765,499,515
Plan fiduciary net position	$ (77,403,114,236)	$ (71,283,482,728)
Net pension liability	$ 20,032,989,627	$ 24,482,016,787
Proportionate share	0.00000%	0.00000%
Net pension liability for the Academy	$ -	$ -

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2026, the Academy recognized pension benefit of $3,541.

At June 30, 2026, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ -
Net difference between projected and actual plan investment earnings	-	-
Differences between expected and actual experience	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	22,000	133,561
Reporting Unit's contributions subsequent to the measurement date	-	-
	$ 22,000	$ 133,561

$0, reported as deferred outflows of resources related to pensions resulting from Academy employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2027	$ (37,223)
2028	(52,035)
2029	(22,303)
	$ (111,561)

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Liabilities (Asset), OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of September 30, 2025, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30, 2024, and rolled-forward using generally accepted actuarial procedures.

The Academy's proportion of the net OPEB liability (asset) was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university Employers	September 30, 2025	September 30, 2024
Total OPEB liability	$ 9,360,649,860	$ 9,991,545,923
Plan fiduciary net position	$ (15,439,767,833)	$ (14,295,943,589)
Net OPEB liability (asset)	$ (6,079,117,973)	$ (4,304,397,666)
Proportionate share	0.00000%	0.00000%
Net OPEB asset for the Academy	$ -	$ -

For the year ended June 30, 2026, the Academy recognized OPEB expense of $4,900.

At June 30, 2026, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ -
Net difference between projected and actual plan investment earnings	-	-
Differences between expected and actual experience	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	31,293	36,439
Reporting Unit's contributions subsequent to the measurement date	-	-
	$ 31,293	$ 36,439

$0, reported as deferred outflows of resources related to OPEB resulting from Academy employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability (asset) in the subsequent fiscal year.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Liabilities (Asset), OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB (continued)

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2027	$ 4,900
2028	2,723
2029	(7,488)
2030	(5,281)
	$ (5,146)

Actuarial Assumptions

Investment Rate of Return for Pension - 6.00% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, Pension Plus, and Pension Plus 2 Plan groups.

Investment Rate of Return for OPEB - 6.00% a year, compounded annually net of investment and administrative expenses.

Salary Increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 2.75%.

Inflation - 3.0%.

Mortality Assumptions -

Retirees: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and MP-2021 adjusted for mortality improvements using projection scale from 2010.

Disabled Retirees: PubNS-2010 Male and Female Disabled Retiree Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Experience Study - Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2023, valuation.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

The Long-term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan, and Pension Plus 2 Plan), and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Cost of Living Pension Adjustments - 3.0% annual non-compounded for MIP members.

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.25% for year one and graded to 3.5% in year fifteen. Post 65, 6.50% for year one and graded to 3.5% in year fifteen.

Additional Assumptions for Other Postemployment Benefit Only - Applies to Individuals Hired Before September 4, 2012:

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008, and 30% of those hired after June 30, 2008, are assumed to opt out of the retiree health plan.

Survivor Coverage - 80% of male retirees and 67% of female retirees electing two-person coverage are assumed to have coverage continuing after the retiree's death.

Coverage Election at Retirement - 75% of male and 60% of female future retirees who elected coverage are assumed to elect coverage for 1 or more dependents.

The target asset allocation at September 30, 2025, and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Target Allocation		
Investment Category	Pension	OPEB	Long-term Expected Real Rate of Return*
Domestic Equity Pools	21.0%	16.0%	5.8%
International Equity Pools	14.0%	11.0%	5.6%
Private Equity Pools	16.0%	16.0%	9.3%
Real Estate and Infrastructure Pools	8.0%	5.0%	7.0%
Fixed Income Pools	15.0%	26.0%	2.5%
Absolute Return Pools	13.0%	15.0%	4.4%
Real Return/Opportunistic Pools	9.0%	7.0%	7.0%
Short Term Investment Pools	4.0%	4.0%	1.3%
	100.0%	100.0%	

*Long term rate of return are net of administrative expenses and 2.4% inflation.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Rate of Return - For fiscal year ended September 30, 2025, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 9.81% and 9.24%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate - A single discount rate of 6.00% was used to measure the total pension liability. This discount rate was based on the expected rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate was based on the assumption that in the future, plan member contributions will be made at the current contribution rate and that contributions from school academies will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB Discount Rate - A single discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this single discount rate was based on the assumption that in the future, plan member contributions will be made at the current contribution rate and that school academies contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	$ -	$ -	$ -

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability (asset) calculated using a single discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability (asset)	$ -	$ -	$ -

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability (asset) calculated using the healthcare cost trend rate, as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability (asset)	$ -	$ -	$ -

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System 2025 Annual Comprehensive Financial Report.

Payable to the Pension and OPEB Plan - At year end the Academy is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2026 are as follows:

Receivable Fund		Payable Fund	
Nonmajor governmental fund	$ 22,372	General fund	$ 22,372

The outstanding balances between funds results mainly 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, (3) payments between funds are made.

NOTE 8 - TRANSFERS

Transfers between the governmental funds were as follows for the year ended June 30, 2026:

Transfers Out		Transfers In	
General fund	$ 667,331	Debt service fund	$ 667,331

The transfer from the general fund to the debt service fund was to pay the annual principal and interest on the outstanding long-term obligations.

NOTE 9 - OVERSIGHT FEES

The Academy pays an administrative oversight fee of 3% of its state school aid to Bay Mills Community College as set forth by contract, to reimburse the College Board for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy's compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2026, the Academy incurred expenses of approximately $391,000 for oversight fees.

NOTE 10 - MANAGEMENT AGREEMENT

The Academy maintains a management agreement with The Romine Group for operation of the Academy through June 30, 2032. Under the terms of the management agreement, The Romine Group's compensation for operating the Academy was approximately $1,087,000 for the fiscal year 2026.

NOTE 11 - PURCHASED SERVICES

The Academy leases all employee services from The Romine Group. Salaries, retirement, social security, health insurance, and unemployment taxes are the responsibility of The Romine Group.

NOTE 12 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. To minimize the risk, the Academy carries commercial insurance.

NOTE 13 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Academy expects such amounts, if any, to be immaterial.

NOTE 14 - CHANGES IN ACCOUNTING PRINCIPLES

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

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

a. Management's discussion and analysis (MD&A);
b. Unusual or infrequent items;
c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements should be presented after the fund financial statements;
e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

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

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENT

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

REQUIRED SUPPLEMENTARY INFORMATION

MADISON ACADEMY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2026

	Budgeted Amounts		Variance with		Variance with
	Original Budget	Final Budget	Original and Final Budget	Actual	Final Budget and Actual
REVENUES					
Local sources	$ 88,946	$ 92,410	$ 3,464	$ 84,846	$ (7,564)
State sources	12,058,000	13,856,415	1,798,415	12,987,133	(869,282)
Federal sources	570,500	802,105	231,605	535,810	(266,295)
Intermediate sources	113,705	138,013	24,308	133,050	(4,963)
TOTAL REVENUES	12,831,151	14,888,943	2,057,792	13,740,839	(1,148,104)
EXPENDITURES					
Current					
Instruction					
Basic programs	5,920,887	6,266,585	(345,698)	6,035,519	231,066
Added needs	1,332,166	1,399,437	(67,271)	1,104,027	295,410
Total instruction	7,253,053	7,666,022	(412,969)	7,139,546	526,476
Support services					
Pupil	161,018	212,385	(51,367)	212,221	164
Instructional staff	81,000	326,236	(245,236)	299,523	26,713
General administration	1,210,000	1,696,340	(486,340)	1,523,683	172,657
School administration	720,629	918,415	(197,786)	880,773	37,642
Business services	35,500	16,780	18,720	14,176	2,604
Operations and maintenance	1,293,859	1,847,678	(553,819)	1,373,573	474,105
Transportation	580,710	754,537	(173,827)	660,123	94,414
Other support services	559,440	455,661	103,779	418,340	37,321
Total support services	4,642,156	6,228,032	(1,585,876)	5,382,412	845,620
Community services	5,691	44,991	(39,300)	35,474	9,517
Capital outlay	489,831	687,690	(197,859)	687,690	-
Debt service					
Principal repayment	226,344	361,412	(135,068)	361,412	-
Interest	-	35,090	(35,090)	35,090	-
Total debt service	226,344	396,502	(170,158)	396,502	-
TOTAL EXPENDITURES	12,617,075	15,023,237	(2,406,162)	13,641,624	1,381,613
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	214,076	(134,294)	(348,370)	99,215	233,509
OTHER FINANCING SOURCES (USES)					
Proceeds from lease	489,831	610,313	120,482	610,313	-
Transfers out	(690,000)	(670,500)	19,500	(667,331)	3,169
TOTAL OTHER FINANCING SOURCES (USES)	(200,169)	(60,187)	139,982	(57,018)	3,169
NET CHANGE IN FUND BALANCE	13,907	(194,481)	(208,388)	42,197	236,678
FUND BALANCE					
Beginning of year	1,377,125	1,377,125	-	1,377,125	-
End of year	$ 1,391,032	$ 1,182,644	$ (208,388)	$ 1,419,322	$ 236,678

MADISON ACADEMY
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2025	2024	2023	2022	2021
Reporting Unit's proportion of net pension liability (%)	0.00000%	0.00000%	0.00071%	0.00086%	0.00012%
Reporting Unit's proportionate share of net pension liability	$ -	$ -	$ 232,120	$ 323,465	$ 28,934
Reporting Unit's covered-employee payroll	$ -	$ -	$ -	$ 145,351	$ 18,552
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	222.54%	155.96%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	79.44%	74.44%	65.91%	60.77%	72.60%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the Academy presents information for those years for which information is available.

MADISON ACADEMY
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)

	2026	2025	2024	2023	2022	2021
Statutorily required contributions	$ -	$ -	$ -	$ 11,759	$ 28,739	$ 7,525
Contributions in relation to statutorily required contributions	-	-	-	47,359	28,739	19,817
Contribution deficiency (excess)	$ -	$ -	$ -	$ (35,600)	$ -	$ (12,292)
Reporting Unit's covered-employee payroll	$ -	$ -	$ -	$ 20,875	$ 143,027	$ 57,584
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	226.87%	20.09%	34.41%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the Academy presents information for those years for which information is available.

MADISON ACADEMY
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY (ASSET)
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2025	2024	2023	2022	2021
Reporting Unit's proportion of net other postemployment benefit liability/asset (%)	0.00000%	0.00000%	0.00000%	0.00154%	0.00021%
Reporting Unit's proportionate share of net other postemployment benefit liability (asset)	$ -	$ -	$ -	$ 32,697	$ 3,216
Reporting Unit's covered-employee payroll	$ -	$ -	$ -	$ 145,351	$ 18,552
Reporting Unit's proportionate share of net other postemployment benefit liability/asset as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	22.50%	17.34%
Plan fiduciary net position as a percentage of total other postemployment benefit liability (Non-university employers)	164.94%	143.08%	105.04%	83.09%	87.33%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the Academy presents information for those years for which information is available.

MADISON ACADEMY
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)

	2026	2025	2024	2023	2022	2021
Statutorily required other postemployment benefit contributions	$ -	$ -	$ -	$ 1,689	$ 11,634	$ 4,254
Other postemployment benefit contributions in relation to statutorily required contributions	-	-	-	1,689	11,634	4,730
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ (476)
Reporting Unit's covered-employee payroll (OPEB)	$ -	$ -	$ -	$ 20,875	$ 143,027	$ 57,584
Other postemployment benefit contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	8.09%	8.13%	8.21%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the Academy presents information for those years for which information is available.

MADISON ACADEMY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2026

NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund.

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

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

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

b. Prior to July 1, the budget is legally adopted by Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the budgetary comparison schedule.

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

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

NOTE 2 - BUDGETARY COMPARISON

Significant Variances Between Original and Final Budget

	Variance	Explanation
REVENUES		
State sources	$ 1,798,415	Original budget included reductions in certain categorical funding allocations due to uncertainty with the State education budget. Final budget was prepared knowing the state categorical funding allocations.
Federal sources	231,605	Original budget included reductions in various federal grant allocations due to uncertainty with the Federal education budget. Final budget was prepared knowing the grant award allocations.

NOTE 2 - BUDGETARY COMPARISON (continued)

Significant Variances Between Original and Final Budget (continued)

	Variance	Explanation
EXPENDITURES		
Instruction - Basic	$ (345,698)	The final budget was prepared knowing the increased allocation of state categorical funding to be recognized in this category leading to the increase from original budget.
Support services - Instructional staff	(245,236)	The final budget was prepared knowing the increased allocation of state categorical funding to be recognized in this category leading to the increase from original budget.
Support services - General administration	(486,340)	The final budget was prepared knowing the increased allocation of state categorical funding to be recognized in this category leading to the increase from original budget.
Support services - School administration	(197,786)	The final budget was prepared knowing the increased allocation of state categorical funding to be recognized in this category leading to the increase from original budget.
Support services - Operations and maintenance	(553,819)	The final budget was prepared knowing the increased allocation of state categorical funding to be recognized in this category leading to the increase from original budget. Additionally, various capital additions not included in the original budget were included here at the time of final budget adoption.
Support services - Transportation	(173,827)	The final budget was prepared knowing the increased allocation of state categorical funding to be recognized in this category leading to the increase from original budget. Additionally, increased transportation routes and costs associated with the routes were budgeted for.
Capital outlay	(197,859)	The Academy entered into an additional lease agreement in the current year for buses, with the final amounts estimated in the original budget. Capital outlay updated to reflect final lease amounts.
Debt service - Principal repayment	(135,068)	The Academy entered into an additional lease agreement in the current year for buses, with the final amounts estimated in the original budget. Principal repayments amended to reflect the additional lease obligation.
OTHER FINANCING SOURCES		
Proceeds from lease	120,482	The Academy entered into an additional lease agreement in the current year for buses, with the final amounts estimated in the original budget. Proceeds from leases updated to reflect final lease amounts.

NOTE 2 - BUDGETARY COMPARISON (continued)

Significant Variances Between Final Budget and Actual

	Variance	Explanation
REVENUES		
State sources	$ (869,282)	Actual spending of state categorical funding was less than expected as not all planned projects were completed prior to year-end leading to unearned revenue items.
Federal sources	(266,295)	Actual spending of federal funding was less than expected as not all planned projects were completed prior to year-end.
EXPENDITURES		
Instruction - Basic	231,066	Actual spending of state categorical funding was less than expected leading to unearned revenue items and a delay in recognition of budgeted items until the next fiscal year.
Instruction - Added needs	295,410	Actual spending of state categorical funding was less than expected leading to unearned revenue items and a delay in recognition of budgeted items until the next fiscal year.
Support services - General administration	172,657	Actual spending of state categorical funding was less than expected leading to unearned revenue items and a delay in recognition of budgeted items until the next fiscal year.
Support services - Operations and maintenance	474,105	Not all budgeted maintenance and improvement projects in the final budget were able to be scheduled or completed prior to year-end.

NOTE 3 - PENSION INFORMATION

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of benefit assumptions for each of the reported plan years ended September 30 except for the following:

- 2023 - The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2021, actuarial valuation decreased by 0.80 percentage points.

NOTE 3 - PENSION INFORMATION (continued)

Changes in Assumptions (continued)

- 2019 - The discount rate used in the September 30, 2018, actuarial valuation decreased by 0.25 percentage points.

- 2018 - The discount rate used in the September 30, 2017, actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.

- 2017 - The discount rate used in the September 30, 2016, actuarial valuation decreased by 0.50 percentage points.

NOTE 4 - OPEB INFORMATION

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of benefit assumptions for each of the reported plan years ended September 30 except for the following:

- 2025 - The health care cost trend rate used in the September 30, 2024, actuarial valuation increased by 0.50 percentage points for members under 65. This increased the plan's total OPEB liability by $267 million in 2025.

- 2024 - The health care cost trend rate used in the September 30, 2023, actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 0.25 percentage points for members over 65.

- 2023 - The health care cost trend rate used in the September 30, 2022, actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 1.00 percentage point for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022.

- 2022 - The discount rate and investment rate of return used in the September 30, 2021, actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional $1.1 billion in 2022.

- 2021 - The health care cost trend rate used in the September 30, 2020, actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by $1.3 billion in 2021.

NOTE 4 - OPEB INFORMATION (continued)

Changes in Assumptions (continued)

- 2020 - The health care cost trend rate used in the September 30, 2019, actuarial valuation decreased by 0.50 percentage points and actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by $1.8 billion in 2020.

- 2019 - The discount rate used in the September 30, 2018, actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional $1.4 billion in 2019.

- 2018 - The discount rate used in the September 30, 2017, actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by $1.4 billion in 2018.

Maner Costerisan

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Madison Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison Academy, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Madison Academy's basic financial statements, and have issued our report thereon dated October 29, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Maner Costerisan PC

Lansing, Michigan
October 29, 2026

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October 29, 2026

To the Board of Directors
Madison Academy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison Academy for the year ended June 30, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards,* as well as certain information related to the planned scope and timing of our audit. We have communicated such information orally during our discussion on October 23, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Madison Academy are described in Note 1 to the financial statements. As described in Note 14 to the financial statements, the Academy adopted Governmental Accounting Standards Board (GASB) Statements No. 103, *Financial Reporting Model Improvements* and No. 104, *Disclosure of Certain Capital Assets* during the year ended June 30, 2026. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by Madison 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 estimates affecting the financial statements were:

Management's calculation of the depreciation expense is based on the estimated useful lives of the capital assets.

Management's estimate of the discount rate used for leases, the lease term, and lease payments/receipts is based on the Madison Academy incremental borrowing rate and consideration of the noncancelable period of the lease and reasonably certain lease options.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No misstatements were detected as a result of audit procedures.

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 29, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Madison 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 Madison 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 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.

Restriction on Use

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

Very truly yours,

Maner Costerisan PC

Lansing, Michigan