TIPTON ACADEMY

REPORT ON FINANCIAL STATEMENTS
(with required and additional supplementary information)

YEAR ENDED JUNE 30, 2026

Maner Costerisan

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Maner Costerisan

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

2851 Charlevoix Dr SE #300,
Grand Rapids, MI 49546

517.323.7500

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Tipton Academy

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Tipton Academy, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Tipton 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, the major fund, and the aggregate remaining fund information of Tipton 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 Tipton 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 Tipton 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 Tipton 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 Tipton 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tipton Academy's basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2026 on our consideration of Tipton 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 Tipton 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 Tipton Academy's internal control over financial reporting and compliance.

Maner Costerisan PC

Lansing, Michigan
October 28, 2026

TIPTON ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of management's discussion and analysis (MD&A) is to help Tipton 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, Utica, Michigan 48317. Phone: (586) 731-5300.

OVERVIEW OF THE FINANCIAL STATEMENTS

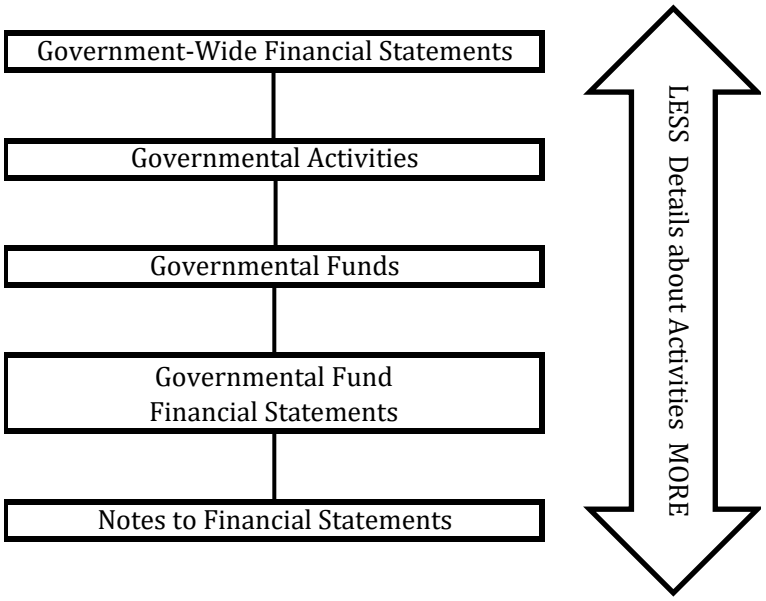
The Academy's financial report contains basic financial statements. Those financial statements present the Academy's finances at both an overall and a detailed level. The first two - the *government-wide financial statements* - cover the Academy's governmental activities. (See the diagram in Figure A-1.)

- *Governmental Activities* comprise of 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 special revenue funds that track the use of restricted or committed funding sources, debt service funds to record the repayment of outstanding bonds, and capital projects funds to account for resources used to acquire or construct long-lived assets.

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



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

TYPES OF INFORMATION IN THE FINANCIAL STATEMENTS

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

- *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
Tipton Academy's Net Position

	2026	2025*	Dollar Change	Total Percentage Change
Assets				
Current and other assets	$ 6,203,145	$ 6,245,933	$ (42,788)	-0.7%
Capital assets	6,374,501	6,409,539	(35,038)	-0.5%
Total assets	12,577,646	12,655,472	(77,826)	-0.6%
Liabilities				
Current liabilities	1,701,364	2,308,279	(606,915)	-26.3%
Noncurrent liabilities	5,971,829	6,112,020	(140,191)	-2.3%
Total liabilities	7,673,193	8,420,299	(747,106)	-8.9%
Net position				
Net investment in capital assets	402,672	297,519	105,153	35.3%
Restricted for debt service	449,190	482,364	(33,174)	-6.9%
Restricted for food service	114,167	107,137	7,030	6.6%
Unrestricted	3,938,424	3,348,153	590,271	17.6%
Total net position	$ 4,904,453	$ 4,235,173	$ 669,280	15.8%

*Certain prior year numbers have been reclassified to be in conformity with the current year presentation.

Table A-1 shows that as of June 30, 2026, the Academy's total net position - assets minus liabilities - was $4,904,453, an increase of $669,280 or 15.8% compared with 2025. This increase is primarily due to a $590,271 or 17.6% increase in unrestricted net position. All of the increase in net position was the result of the financial performance of the governmental activities. The following sections of MD&A analyze the finances of the governmental activities.

GOVERNMENTAL ACTIVITIES

Table A-2 shows that revenues continued to exceed expenses in the current year, resulting in an increase in net position. 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, related to multiple grant changes from both the state and federal government.
2. Increase in expenses for certain programs and functions.

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

	2026	2025*	Dollar Change	Total Percentage Change
Revenues				
Program revenues				
Charges for services	$ -	$ 19,134	$ (19,134)	-100.0%
Operating grants and contributions	3,301,682	2,639,270	662,412	25.1%
General revenues				
State sources - unrestricted	5,472,403	5,496,382	(23,979)	-0.4%
Investment earnings	127,597	73,143	54,454	74.4%
Intermediate sources	394,938	340,864	54,074	15.9%
Other	53,986	62,772	(8,786)	-14.0%
Total revenues	9,350,606	8,631,565	719,041	8.3%
Expenses				
Instruction	4,260,929	3,851,134	409,795	10.6%
Support services	3,380,256	3,096,194	284,062	9.2%
Community services	32,778	30,399	2,379	7.8%
Food service	406,226	423,159	(16,933)	-4.0%
Interest and fees	245,675	249,274	(3,599)	-1.4%
Unallocated depreciation/amortization	355,462	243,706	111,756	45.9%
Total expenses	8,681,326	7,893,866	787,460	10.0%
Change in net position	669,280	737,699	$ (68,419)	-9.3%
Net position - beginning of year	4,235,173	3,497,474		21.1%
Net position - end of year	$ 4,904,453	$ 4,235,173		15.8%

*Certain prior year numbers have been reclassified to be in conformity with the current year presentation.

Increase in Operating Grants and Contributions

There were notable increases in operating grants and contributions compared to the prior year, which accounts for 35.3% of overall revenues. Most of the increase is attributed to increased allocations for the Great Start Readiness Program grant, 31a grant, Title I grant, and IDEA grant. Additionally, the Academy received multiple new grant allocations in the current year, including 27l, 35m, and Filter First, totaling roughly $192,000.

Increase in Expenses

Total expenses for the Academy increased by 10.0% overall. The significant increase was primarily due to increases in depreciation expense due to large additions in the current year, staff raises for all returning staff, and curriculum and technology purchases in the current year.

GOVERNMENTAL FUNDS

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

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

	General Fund	
	2026	2025
REVENUES	$ 8,914,635	$ 8,190,818
EXPENDITURES	7,893,815	7,123,650
EXCESS OF REVENUES OVER EXPENDITURES	1,020,820	1,067,168
OTHER FINANCING (USES)		
Transfers out	(877,943)	(746,426)
NET CHANGE IN FUND BALANCE	142,877	320,742
Fund balance - beginning of year	3,153,529	2,832,787
Fund balance - end of year	$ 3,296,406	$ 3,153,529

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

General Fund

The fund balance of the Academy's general fund increased by 4.5%. The increase in fund balance is attributable to revenues exceeding expenditures during 2026. Revenues and expenses remained fairly consistent from 2025 to 2026.

The overall fund balance at the end of June 30, 2026, represented approximately 41.8% of operating expenditures. Within fund balance, approximately 99.6% of the balance is considered unassigned. The remaining 0.4% is considered either restricted, committed, or assigned for other items and is not readily available for use.

SIGNIFICANT 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 - decreased 0.5% compared to 2025. See Table A-4 for the carrying value of capital assets.

Table A-4
Tipton Academy's Capital Assets

	2026			2025	
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value	Total Percentage Change
Land	$ 900,000	$ -	$ 900,000	$ 900,000	0.0%
Building	5,100,000	664,742	4,435,258	4,566,027	-2.9%
Building improvements	1,041,290	400,381	640,909	689,076	-7.0%
Furniture and equipment	384,146	281,492	102,654	109,220	-6.0%
Technology	554,997	485,724	69,273	73,710	-6.0%
Right of use - subscription-based IT	441,779	215,372	226,407	66,613	239.9%
Right of use - leased equipment	26,638	26,638	-	4,893	-100.0%
Total	$ 8,448,850	$ 2,074,349	$ 6,374,501	$ 6,409,539	-0.5%

The primary cause of the decrease in the net capital assets related to the additions and depreciation categories. During 2026, the Academy entered into a subscription-based IT arrangement worth approximately $275,000. The depreciation/amortization of capital assets outpaced the additions of capital assets during the year, resulting in a net decrease in capital assets.

Long-term Obligations

Overall, the carrying value of the Academy's long-term obligations decreased by 2.3% from the prior year. See Table A-5 for the carrying value of the Academy's long-term obligations.

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

	2026	2025	Total Percentage Change
General obligation bonds	$ 5,970,000	$ 6,105,000	-2.2%
Notes from direct borrowings and direct placements	1,829	7,020	-73.9%
	$ 5,971,829	$ 6,112,020	-2.3%

The Academy continued to pay down its debt, retiring roughly $140,000 of outstanding debt and direct borrowings.

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 revenue and other financing sources are expected to exceed expenses and other financing uses by $29,063.

- 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

TIPTON ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2026

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 3,606,621
Intergovernmental receivable	1,953,422
Deposits	10,000
Prepaids	13,091
Restricted cash	620,011
Capital assets not being depreciated	900,000
Capital assets, net of accumulated depreciation/amortization	5,474,501
TOTAL ASSETS	12,577,646
LIABILITIES	
Accounts payable	534,673
Unearned revenue	524,335
Accrued interest	20,350
Accrued purchased services - payroll and related	470,136
Accrued expenses	151,870
Noncurrent liabilities	
Due within one year	146,829
Due in more than one year	5,825,000
TOTAL LIABILITIES	7,673,193
NET POSITION	
Net investment in capital assets	402,672
Restricted for debt service	449,190
Restricted for food service	114,167
Unrestricted	3,938,424
TOTAL NET POSITION	$ 4,904,453

See accompanying notes to financial statements.

TIPTON 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	$ 4,260,929	$ -	$ 2,261,907	$ (1,999,022)
Support services	3,380,256	-	593,741	(2,786,515)
Community services	32,778	-	32,778	-
Food services	406,226	-	413,256	7,030
Interest and fees	245,675	-	-	(245,675)
Unallocated depreciation/amortization	355,462	-	-	(355,462)
Total governmental activities	$ 8,681,326	$ -	$ 3,301,682	(5,379,644)
General revenues				
State sources - unrestricted				5,472,403
ISD sources				394,938
Investment earnings				127,597
Other				53,986
Total general revenues				6,048,924
CHANGE IN NET POSITION				669,280
NET POSITION, beginning of year				4,235,173
NET POSITION, end of year				$ 4,904,453

See accompanying notes to financial statements.

TIPTON ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2026

	General Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 3,606,621	$ -	$ 3,606,621
Deposits	10,000	-	10,000
Intergovernmental receivable	1,953,422	-	1,953,422
Prepaids	13,091	-	13,091
Due from other funds	-	605,714	605,714
Restricted cash	-	620,011	620,011
TOTAL ASSETS	$ 5,583,134	$ 1,225,725	$ 6,808,859
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 534,673	$ -	$ 534,673
Unearned revenue	524,335	-	524,335
Accrued purchased services - payroll and related	470,136	-	470,136
Accrued expenditures	151,870	-	151,870
Due to other funds	605,714	-	605,714
TOTAL LIABILITIES	2,286,728	-	2,286,728
FUND BALANCES			
Nonspendable			
Prepaids	13,091	-	13,091
Restricted			
Food service	-	114,167	114,167
Debt service	-	469,540	469,540
Assigned for capital projects	-	642,018	642,018
Unassigned	3,283,315	-	3,283,315
TOTAL FUND BALANCES	3,296,406	1,225,725	4,522,131
TOTAL LIABILITIES AND FUND BALANCES	$ 5,583,134	$ 1,225,725	$ 6,808,859

See accompanying notes to financial statements.

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

Total governmental fund balances		$ 4,522,131
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	$ 8,448,850	
Accumulated depreciation/amortization is	(2,074,349)	
		6,374,501
Long-term obligations are not due and payable in the current period and are not reported in the funds:		
Direct borrowings and direct placements		(5,971,829)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid		(20,350)
Net position of governmental activities		$ 4,904,453

See accompanying notes to financial statements.

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

	General Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES			
Local sources	$ 145,040	$ -	$ 145,040
State sources	7,737,341	-	7,737,341
Federal sources	623,488	413,256	1,036,744
Intermediate sources	394,938	-	394,938
Investment income	-	22,715	22,715
Other	13,828	-	13,828
TOTAL REVENUES	8,914,635	435,971	9,350,606
EXPENDITURES			
Instruction			
Basic programs	3,028,963	-	3,028,963
Added needs	1,231,966	-	1,231,966
Total instruction	4,260,929	-	4,260,929
Support services			
Pupil	437,160	-	437,160
Instructional staff	349,884	-	349,884
General administration	893,504	-	893,504
School administration	638,975	-	638,975
Business services	13,725	-	13,725
Operation and maintenance	821,925	-	821,925
Pupil transportation	3,798	-	3,798
Central support services	42,639	-	42,639
Other support services	107,632	-	107,632
Total support services	3,309,242	-	3,309,242
Community service	32,778	-	32,778
Capital outlay	285,137	103,926	389,063
Food service	-	406,226	406,226
Debt service			
Principal repayment	5,191	135,000	140,191
Interest	538	244,200	244,738
Other	-	2,375	2,375
Total debt service	5,729	381,575	387,304
TOTAL EXPENDITURES	7,893,815	891,727	8,785,542
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,020,820	(455,756)	565,064
OTHER FINANCING SOURCES (USES)			
Transfers in	-	905,443	905,443
Transfers out	(877,943)	(27,500)	(905,443)
TOTAL OTHER FINANCING SOURCES (USES)	(877,943)	877,943	-
NET CHANGE IN FUND BALANCES	142,877	422,187	565,064
FUND BALANCES			
Beginning of year	3,153,529	803,538	3,957,067
End of year	$ 3,296,406	$ 1,225,725	$ 4,522,131

See accompanying notes to financial statements.

TIPTON 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	$	565,064
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		(355,462)
Capital outlay		320,424
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The effect of this difference is the treatment of long-term debt and is as follows:		
Principal repayment		140,191
Accrued interest on long-term debt is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:		
Accrued interest payable, beginning of year		19,413
Accrued interest payable, end of year		(20,350)
Change in Net Position of Governmental Activities	$	669,280

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

Tipton Academy (the "Academy") is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Lake Superior State University is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school through June 2030. 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 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 Fund*:

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 Academy reports the following *Nonmajor Governmental Funds*:

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term obligations of governmental funds.

The *Capital Projects Fund* accounts for the acquisition of capital assets or construction of major capital projects.

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 a 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 compensated absences, and 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 obligations 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 (within 60 days of year-end).

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity.

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress, if any, are not depreciated/amortized. 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/amortized using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Years
Building	39
Building improvements	5 - 39
Furniture and equipment	5 - 15
Technology	3 - 10
Right of use - subscription-based IT	5
Right of use - leased equipment	3 - 6

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 that time. The Academy has no items that qualify for reporting on this category.

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 no items that qualify for reporting in this category.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

Leases/SBITAs

The Academy is a lessee for a noncancelable lease/subscription of equipment and an IT arrangement. 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/SBITA liability at the present value of payments expected to be made during the lease/SBITA term. Subsequently, the lease/SBITA liability is reduced by the principal portion of lease/SBITA payments made. The lease/SBITA asset is initially measured as the initial amount of the lease/SBITA liability, adjusted for lease/SBITA payments made at or before the lease/SBITA commencement date, plus certain initial direct costs. Subsequently, the lease/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)

Leases/SBITAs (continued)

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

- The lease term includes the noncancelable period of the lease/SBITA. Lease/SBITA payments included in the measurement of the lease/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 lease/SBITA and will remeasure the lease/SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the lease/SBITA liability.

Lease assets are reported with other capital assets and lease/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 obligations 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 expenditures 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 AND INVESTMENTS

As of June 30, 2026 the Academy had deposits and investments 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 $1,443,834, of which $1,193,834 was exposed to custodial credit risk because it was uninsured and uncollateralized. Restricted cash and cash equivalents contain total deposits of $620,011 at June 30, 2026, of which $370,011 was 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 $1,919,918. The following summarizes the categorization of these amounts as of June 30, 2026:

	Primary Government
Cash and cash equivalents	$ 3,606,621
Restricted cash and cash equivalents	620,011
	$ 4,226,632

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.

Custodial Credit Risk - Investments

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

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

Interest Rate Risk

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

Investment Type	Fair Value	Weighted Average Maturity (Years)
MILAF External Investment Pool - CMC	$ 2,306,714	N/A

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

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

Investment Type	Fair Value	Rating	Rating Agency
MILAF External Investment Pool - CMC	$ 2,306,714	AAAm	Standard & Poor's

Foreign Currency Risk

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

Fair Value Measurement

The Academy voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the Academy is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	Amortized Cost
MILAF External Investment Pool - CMC	$ 2,306,714

NOTE 3 - CAPITAL ASSETS

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

	Balance July 1, 2025	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2026
Governmental activities				
Capital assets, not being depreciated/amortized				
Land	$ 900,000	$ -	$ -	$ 900,000
Capital assets, being depreciated/amortized				
Building	5,100,000	-	-	5,100,000
Building improvements	1,041,290	-	-	1,041,290
Furniture and equipment	366,762	17,384	-	384,146
Technology	527,202	27,795	-	554,997
Right of use - subscription-based IT	166,534	275,245	-	441,779
Right of use - leased equipment	26,638	-	-	26,638
Total capital assets, being depreciated/amortized	7,228,426	320,424	-	7,548,850
Accumulated depreciation/amortization				
Building	533,973	130,769	-	664,742
Building improvements	352,214	48,167	-	400,381
Furniture and equipment	257,542	23,950	-	281,492
Technology	453,492	32,232	-	485,724
Right of use - subscription-based IT	99,921	115,451	-	215,372
Right of use - leased equipment	21,745	4,893	-	26,638
Total accumulated depreciation/amortization	1,718,887	355,462	-	2,074,349
Net capital assets being depreciated/amortized	5,509,539	(35,038)	-	5,474,501
Net governmental capital assets	$ 6,409,539	$ (35,038)	$ -	$ 6,374,501

Depreciation/amortization expense for the fiscal year ended June 30, 2026 amounted to $355,462. The Academy determined that it was impractical to allocate depreciation/amortization to the various governmental activities as the assets serve multiple functions.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

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

	Government-wide
State sources	$ 1,219,352
Federal sources	609,940
Intermediate sources	124,130
	$ 1,953,422

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES (continued)

Amounts due from governmental units include amounts due from federal, state, and local sources for various projects and programs.

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

NOTE 5 - LONG-TERM OBLIGATIONS

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

General Obligation Bonds	
$6,480,000 2021 Building and Site bonds due in annual installments of $120,000 to $365,000 through June 2051, with an interest rate of 4%.	$ 5,970,000
Notes from Direct Borrowings and Direct Placements	
Copier lease due in monthly installments of $460 through September 2026, with an interest rate of 3%.	1,829
Total long-term obligations	$ 5,971,829

The Academy's outstanding notes from direct borrowings and direct placements related to governmental activities of $1,829 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 following is a summary of long-term obligation transactions of the Academy for the year ended June 30, 2026:

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Total
Balance, July 1, 2025	$ 6,105,000	$ 7,020	$ 6,112,020
Additions	-	-	-
Deletions	135,000	5,191	140,191
Balance, June 30, 2026	5,970,000	1,829	5,971,829
Due within one year	145,000	1,829	146,829
Due in more than one year	$ 5,825,000	$ -	$ 5,825,000

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The above notes are collateralized by substantially all assets of the Academy including mortgage on the real property and subordination of management fees. The notes are subject to financial covenants measured annually beginning with the fiscal year ending June 30, 2022. As of June 30, 2026, the Academy is in accordance with all debt covenants. Early repayment of principal is subject to prepayment premiums based on the terms of the notes.

The annual requirements to amortize the permanent loan notes payable outstanding as of June 30, 2026, including interest of $3,494,611, are as follows:

	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		
Year Ending June 30,	Principal	Interest	Principal	Interest	Total
2027	$ 145,000	$ 241,500	$ 1,829	$ 11	$ 388,340
2028	150,000	235,900	-	-	385,900
2029	155,000	230,000	-	-	385,000
2030	160,000	223,900	-	-	383,900
2031	165,000	217,600	-	-	382,600
2032-2036	945,000	773,400	-	-	1,718,400
2037-2041	1,150,000	784,100	-	-	1,934,100
2042-2046	1,400,000	539,000	-	-	1,939,000
2047-2051	1,700,000	249,200	-	-	1,949,200
	$ 5,970,000	$ 3,494,600	$ 1,829	$ 11	$ 9,466,440

Interest expense for the fiscal year ended June 30, 2026 totaled $244,334.

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

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

Receivable Fund		Payable Fund	
Nonmajor funds	$ 605,714	General fund	$ 605,714

The outstanding balances between funds result 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 systems, and (3) payments between funds are made.

NOTE 7 - TRANSFERS

Transfers between the governmental funds were as follows:

Transfers Out		Transfers In	
General fund	$ 877,943	Nonmajor funds	$ 905,443
Nonmajor funds	27,500		
	$ 905,443		

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

NOTE 8 - OVERSIGHT FEES

The Academy pays an administrative oversight fee of 3% of its state school aid discretionary and Proposal A obligation payments to the Lake Superior State University Board of Trustees, as set forth by contract, to reimburse the University 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 expense of approximately $207,000 for oversight fees.

NOTE 9 - MANAGEMENT AGREEMENT

The Academy currently has a management agreement with The Romine Group, Inc. (TRG) for operations of the Academy through June 2030. Under the terms of the management agreement, TRG's compensation for operating the Academy was approximately $632,000 for the fiscal year 2026.

NOTE 10 - 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 11 - RISK MANAGEMENT

The Academy is exposed to various risks 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 12 - 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 13 - 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 14 - 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

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

	Budgeted Amounts		Variance with Original and Final Budget	Actual	Variance with Final Budget and Actual
	Original	Final			
REVENUES					
Local sources	$ 189,500	$ 351,415	$ 161,915	$ 158,868	$ (192,547)
State sources	7,439,850	7,927,732	487,882	7,737,341	(190,391)
Federal sources	515,214	725,742	210,528	623,488	(102,254)
Other local sources	320,000	399,193	79,193	394,938	(4,255)
TOTAL REVENUES	8,464,564	9,404,082	939,518	8,914,635	(489,447)
EXPENDITURES					
Instruction					
Basic programs	3,217,026	3,367,742	(150,716)	3,028,963	338,779
Added needs	1,282,151	1,269,911	12,240	1,231,966	37,945
Total instruction	4,499,177	4,637,653	(138,476)	4,260,929	376,724
Support services					
Pupil	454,650	476,026	(21,376)	437,160	38,866
Instructional staff	232,593	388,228	(155,635)	349,884	38,344
General administration	938,435	912,440	25,995	893,504	18,936
School administration	657,511	655,850	1,661	638,975	16,875
Business services	17,250	40,250	(23,000)	13,725	26,525
Operation and maintenance	936,500	983,554	(47,054)	821,925	161,629
Pupil transportation	3,100	6,100	(3,000)	3,798	2,302
Central support services	23,900	54,314	(30,414)	42,639	11,675
Athletics	133,627	138,475	(4,848)	107,632	30,843
Total support services	3,397,566	3,655,237	(257,671)	3,309,242	345,995
Community service	38,229	41,728	(3,499)	32,778	8,950
Capital outlay	-	294,315	(294,315)	285,137	9,178
Debt service					
Principal repayment	10,700	11,458	(758)	5,191	6,267
Interest	-	-	-	538	(538)
Total debt service	10,700	11,458	(758)	5,729	5,729
TOTAL EXPENDITURES	7,945,672	8,640,391	(694,719)	7,893,815	746,576
EXCESS OF REVENUES OVER EXPENDITURES	518,892	763,691	244,799	1,020,820	257,129
OTHER FINANCING (USES)					
Transfers out	(501,550)	(905,550)	(404,000)	(877,943)	27,607
NET CHANGE IN FUND BALANCE	17,342	(141,859)	(159,201)	142,877	284,736
FUND BALANCE					
Beginning of year	3,153,529	3,153,529	-	3,153,529	-
End of year	$ 3,170,871	$ 3,011,670	$ (159,201)	$ 3,296,406	$ 284,736

TIPTON 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.

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

NOTE 2 - BUDGETARY COMPARISON

Significant Variances Between Original and Final Budget

	Variance	Explanation
REVENUES		
Local sources	$ 161,915	The original adopted budget did not include grant revenues for a new grant received later in the fiscal year.
State sources	487,882	When the original budget was adopted, the State had not yet finalized their 2025-26 budget. Therefore, the Academy did not know how much they would receive from the State and chose to budget conservatively.
Federal sources	210,528	When the original budget was adopted, the Federal government had not yet finalized their 2025-26 budget. Therefore, the Academy did not know how much they would receive from the Federal government and chose to budget conservatively.
EXPENDITURES		
Instruction - Basic	(150,716)	When the original budget was adopted, the state and federal governments had not yet finalized their 2025-26 budgets. Therefore, the Academy did not know how much they would receive from the state and federal governments and chose to budget conservatively. Once the Academy knew how much they were going to receive during FY26, they had to allocate the additional revenues to the different expense categories.
Support services - Instructional staff	(155,635)	When the original budget was adopted, the state and federal governments had not yet finalized their 2025-26 budgets. Therefore, the Academy did not know how much they would receive from the state and federal governments and chose to budget conservatively. Once the Academy knew how much they were going to receive during FY26, they had to allocate the additional revenues to the different expense categories.
OTHER FINANCING (USES)		
Transfers out	(404,000)	The increase in the budgeted amount was due to the Board designating additional funds to the Capital Projects fund.

NOTE 2 - BUDGETARY COMPARISON (continued)

Significant Variances Between Final Budget and Actual

	Variance	Explanation
REVENUES		
Local sources	$ (192,547)	Amounts received from local sources were deferred by the Academy as they were unable to spend all the funds before fiscal year end. The deferral was not anticipated when the final budget was approved.
State sources	(190,391)	Amounts received from the State were deferred by the Academy as they were unable to spend all the funds before fiscal year end. The deferral was not anticipated when the final budget was approved.
Federal sources	(102,254)	Amounts received from the federal government were deferred by the Academy as they were unable to spend all the funds before fiscal year end. The deferral was not anticipated when the final budget was approved.
EXPENDITURES		
Instruction - Basic	338,779	Amounts received from local, state, and federal sources were deferred by the Academy as they were unable to spend all the funds before fiscal year end. The final approved budget included sufficient expenditures to spend down all local, state, and federal grants, which did not occur before fiscal year end.
Support services - Operation and maintenance	161,629	The projects budgeted for within the final budget were not completed by fiscal year end.

ADDITIONAL SUPPLEMENTARY INFORMATION

TIPTON ACADEMY
COMBINING BALANCE SHEET
JUNE 30, 2026

	Special Revenue (Food Service)	Debt Service Fund	Capital Projects Fund	Total Nonmajor Funds
ASSETS				
Restricted cash	$ -	$ 469,540	$ 150,471	$ 620,011
Due from other funds	114,167	-	491,547	605,714
TOTAL ASSETS	$ 114,167	$ 469,540	$ 642,018	$ 1,225,725
FUND BALANCES				
Restricted for food service	$ 114,167	$ -	$ -	$ 114,167
Restricted for debt service	-	469,540	-	469,540
Assigned for capital projects	-	-	642,018	642,018
TOTAL FUND BALANCES	$ 114,167	$ 469,540	$ 642,018	$ 1,225,725

TIPTON ACADEMY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2026

	Special Revenue (Food Service)	Debt Service Fund	Capital Projects Fund	Total Nonmajor Funds
REVENUES				
Federal aid	$ 413,256	$ -	$ -	$ 413,256
Investment income	-	18,308	4,407	22,715
TOTAL REVENUES	413,256	18,308	4,407	435,971
EXPENDITURES				
Food service	406,226	-	-	406,226
Capital outlay	-	-	103,926	103,926
Debt service				
Principal repayment	-	135,000	-	135,000
Interest	-	244,200	-	244,200
Other	-	2,375	-	2,375
TOTAL EXPENDITURES	406,226	381,575	103,926	891,727
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7,030	(363,267)	(99,519)	(455,756)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	377,943	527,500	905,443
Transfers out	-	(27,500)	-	(27,500)
TOTAL OTHER FINANCING SOURCES (USES)	-	350,443	527,500	877,943
NET CHANGE IN FUND BALANCES	7,030	(12,824)	427,981	422,187
FUND BALANCES				
Beginning of year	107,137	482,364	214,037	803,538
End of year	$ 114,167	$ 469,540	$ 642,018	$ 1,225,725

Maner Costerisan

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

2851 Charlevoix Dr SE #300,
Grand Rapids, MI 49546

517.323.7500

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 of
Tipton 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, the major fund, and the aggregate remaining fund information of Tipton Academy, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Tipton Academy's basic financial statements, and have issued our report thereon dated October 28, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tipton 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 Tipton Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Tipton 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 Tipton 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 28, 2026

Maner Costerisan

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

2851 Charlevoix Dr SE #300,
Grand Rapids, MI 49546

517.323.7500

October 28, 2026

To the Board of Directors of
Tipton Academy

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Tipton 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 21, 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 Tipton Academy are described in Note 1 to the financial statements. As described in Note 13 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 Tipton 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 Tipton 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 28, 2026.

Management Consultations with Other Independent Accountants

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

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

Restriction on Use

This information is intended solely for the use of the management and members of the Board of Directors of Tipton 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