BAY-ARENAC ISD
BAY CITY, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2026



WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

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INDEPENDENT AUDITOR'S REPORT

October 29, 2026

Board of Education
Bay-Arenac ISD
Bay City, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Bay-Arenac ISD (School District), as of and for the year ended June 30, 2026 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Bay-Arenac ISD as of June 30, 2026 and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 12 to the financial statements, in 2026, the School District adopted GASB Statement No. 103, *Financial Reporting Model Improvements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards,* we:

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

WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining nonmajor fund financial statements and schedule of bonded indebtedness are presented for additional analysis and are not required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining nonmajor fund financial statements and schedule of bonded indebtedness, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2026, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Weinlander Fitzhugh

BAY-ARENAC ISD
Management's Discussion and Analysis
For the Year Ended June 30, 2026

The purpose of management's discussion and analysis (MD&A) is to help the School District's residents and other readers understand what the financial statements and notes in this financial report say about the School District'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 School District's finances.

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

Business Office
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4228 Two Mile Road
Bay City, MI 48706-9723.

OVERVIEW OF THE FINANCIAL STATEMENTS

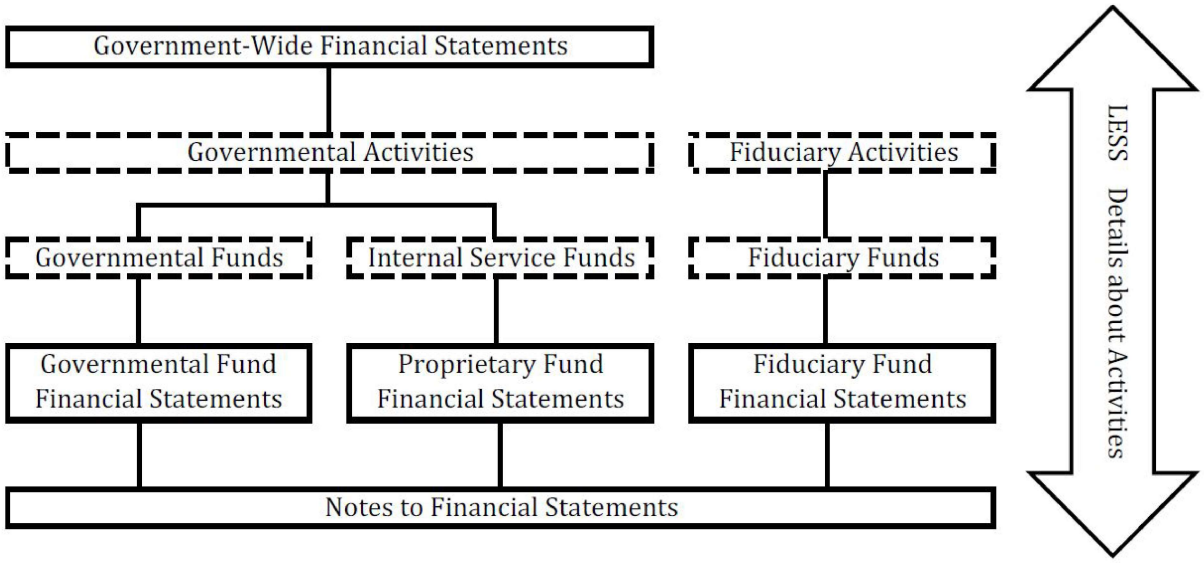
The School District's financial report contains basic financial statements. Those financial statements present the School District's finance at both an overall and a detailed level. The first two - the government-wide financial statements - cover the School District's governmental activities. (See the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

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

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

- Governmental fund financial statements report all of the governmental activities except those that involve providing services to School District's departments. In addition to the School District'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 School District's Basic Financial Statements



The next section of this financial report contains notes to financial statements, which delve deeper into the School District's finances as reported in the financial statements. The information in the notes is as important to understanding the School District's finances as the information in the financial statements. The School District 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 School District'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 School District's controls, from short-term assets like cash and cash equivalents to long-term assets like buildings and transportation equipment.
- Liabilities - amounts the School District owes, from short-term liabilities such as salaries and related items to long-term liabilities such as outstanding debt and pension obligations.
- Deferred outflows of resources and deferred inflows of resources - flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.
- Revenues and expenses - inflows and outflows of economic resources, respectively, related to the current year.

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

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

	Financial Statements	
	Government-wide	Governmental Funds
Types of assets and liabilities	*All assets and liabilities, both financial and nonfinancial, short term and long term	* Only current financial resources, such as cash, receivables, and accounts payable
Types of revenue/additions	*All types of revenues/additions that flow into the School District 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 School District 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 School District during the year that relate to a future year	* Current financial resources that flow into and out of the governmental funds during the year that related to a future year

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

Government-wide Financial Analysis

Table A-1	Governmental Activities			
	2026	2025	Dollar Change	Percentage Change
Assets				
Current and other assets	$ 50,375,470	$ 48,500,270	$ 1,875,200	3.87 %
Net OPEB asset	12,999,234	8,613,326	4,385,908	50.92 %
Capital assets - net of accumulated depreciation	21,332,827	21,009,515	323,312	1.54 %
Total assets	84,707,531	78,123,111	6,584,420	8.43 %
Deferred Outflows of Resources				
Related to pensions and OPEB	14,309,322	16,509,347	(2,200,025)	(13.33)%
Loss on bond refunding	7,928	15,858	(7,930)	(50.01)%
Total deferred outflows of resources	14,317,250	16,525,205	(2,207,955)	(63.34)%
Liabilities				
Current liabilities	12,934,056	15,750,373	(2,816,317)	(17.88)%
Long-term liabilities	41,860,883	49,700,675	(7,839,792)	(15.77)%
Total liabilities	54,794,939	65,451,048	(10,656,109)	(16.28)%
Deferred Inflows of Resources				
Related to pensions and OPEB	27,225,573	27,711,346	(485,773)	(1.75)%
Net Position				
Net investment in capital assets	21,088,111	20,525,084	563,027	2.74 %
Restricted	17,172,392	11,283,429	5,888,963	52.19 %
Restricted for net OPEB asset	12,999,234	8,613,326	4,385,908	50.92 %
Unrestricted	(34,255,468)	(38,935,917)	4,680,449	(12.02)%
Total net position	$ 17,004,269	$ 1,485,922	$ 15,518,347	1,044.36 %

Table A-1 shows that as of June 30, 2026, the School District's net position - assets and deferred outflows minus liabilities and deferred inflows - was $17,004,269 a change of $15,518,347 or 1,044.36% compared with 2025. This increase is primarily due to a $4,680,449 or (12.02)% change in unrestricted net position. All of the increase in net position was the result of financial performance of the government activities. While this improvement reflects positive operating results, a substantial portion of the change is attributable to pension and OPEB-related accounting adjustments required under GASB standards that are largely outside of management's direct control. The following sections of MD&A analyze the finances of the governmental activities.

GOVERNMENTAL ACTIVITIES

Table A-2 shows that revenues continued to exceed expenses in the current year, resulting in a change of $15,518,347 or (36.88)% compared with 2025. Various events contributed to this increase in net position; however, the primary factors affecting the change in net position are as follows:

- Increase in charges for services is attributed to an increase in Medicaid revenues as well as an increase in a service contract with a local district.

Table A-2	Governmental Activities			
	2026	2025	Dollar Change	Percentage Change
Revenues				
Program revenue:				
Charges for services	$ 8,873,952	$ 6,907,254	$ 1,966,698	28.47 %
Grants and categoricals	23,790,314	27,653,929	(3,863,615)	(13.97)%
General revenue:				
Property taxes	21,433,544	20,571,599	861,945	4.19 %
State aid	13,100,618	13,644,421	(543,803)	(3.99)%
Other	2,427,628	12,089,199	(9,661,571)	(79.92)%
Total revenues	69,626,056	80,866,402	(11,240,346)	(13.90)%
Function/Program Expenses				
Instruction	9,752,186	8,431,099	1,321,087	15.67 %
Support	33,235,946	37,167,270	(3,931,324)	(10.58)%
Community services	778,696	693,261	85,435	12.32 %
Improvements	106,308	427,855	(321,547)	(75.15)%
Transfers out to other local districts	8,694,394	8,328,560	365,834	4.39 %
Student activities	234,507	232,194	2,313	1.00 %
Debt - interest	13,022	17,067	(4,045)	(23.70)%
Loss (gain) on disposal of assets	0	0	0	100.00 %
Depreciation (unallocated)	1,292,650	983,644	309,006	31.41 %
Total expenses	54,107,709	56,280,950	(2,173,241)	(3.86)%
Change in Net Position	$ 15,518,347	$ 24,585,452	$ (9,067,105)	(36.88)%

Decline in Grants and Categoricals

There were notable decreases in operating grants and contributions compared to the prior year, which account for 34.3% of overall revenues. The decrease in grant and categorical revenue is attributed to a change in retirement funding of over $2 million and other various grant allocation changes.

Decline in other Revenue

Decrease in other revenue is mostly attributed to a district-wide fiber project that began in 2025. $7.7 million in revenue was received during the 24/25 fiscal year while no related revenues were received in the 25/26 fiscal year.

Decline in Expenses

Total expenses for the District dropped by 3.8% overall. The significant reduction was due to a positive pension and OPEB adjustment. The adjustment was to reduce the pension liability and increase the OPEB asset by approximately $7.6 million and $4.4 million, respectively. The adjustment was a noncash transaction, and a significant portion of the adjustment was in the instruction function. Without the pension and OPEB adjustment, actual expenses would have increased by approximately $9 million. The District has no control over the pension and OPEB plans as they are administered by the state.

The School District's Funds

The School District reports five major funds individually in the governmental fund financial statements. These funds include the general fund, special education fund, vocational education and improvement funds for general fund and special education. 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 District's current financial health are more apparent in the fund financial statements than in the government-wide statements. The changes are shown in Table A-3 and are discussed in more detail below:

Table A-3	General Fund Balance		Other Major Funds	
	2026	2025	2026	2025
Revenues	$ 21,433,112	$ 20,930,508	$ 48,540,129	$ 54,872,221
Expenditures	12,156,415	12,216,416	44,273,149	51,536,558
Excess (deficiency) of revenues over expenditures	9,276,697	8,714,092	4,266,980	3,335,663
Other Financing Sources (Uses)	(10,006,882)	(7,020,763)	256,301	(1,926,006)
Net change in fund balance	(730,185)	1,693,329	4,523,281	1,409,657
Fund balance beginning of year	7,560,440	5,867,111	22,681,610	21,271,953
Fund balance end of year	$ 6,830,255	$ 7,560,440	$ 27,204,891	$ 22,681,610

General Fund

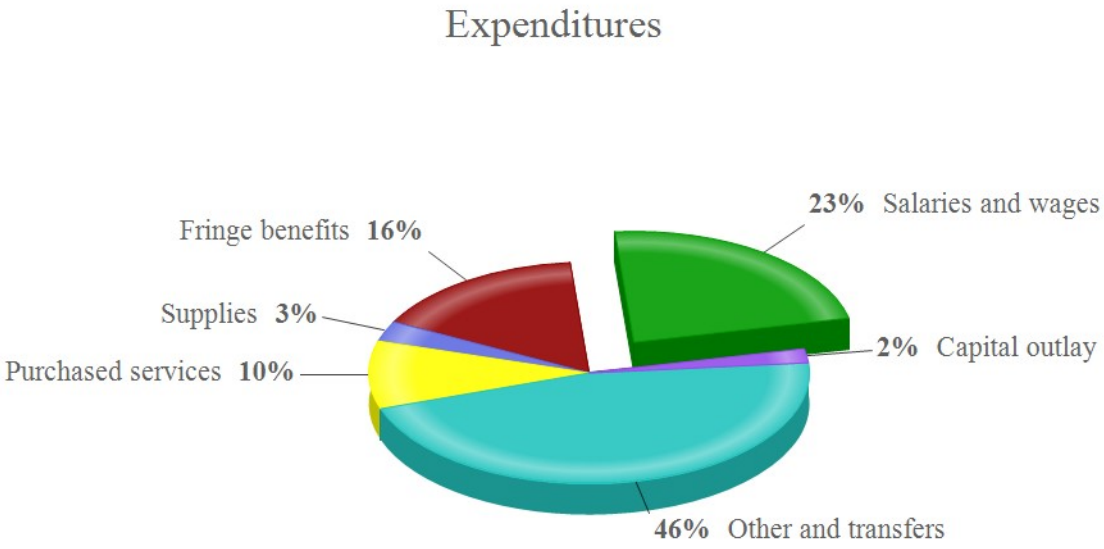
The fund balance of the District’s general fund changed by (9.7)%. The decline in fund balance is attributable to the transfer of $2,100,000 to capital projects to help support future capital project needs.

The overall fund balance at the end of June 30, 2026, represented approximately 30.8% of operating expenditures and transfers. The District aims to have a minimum fund balance of 20% of operating expenditures. Within fund balance, approximately 99% of the balance is considered unassigned. The remaining 1% is considered either restricted, committed, or assigned for other items and is not readily available for use.

Other Major Funds

The fund balance for the other major funds are considered to be 100% restricted. This means that the fund balance can only be used for the restricted purpose of those funds and are not readily available for use. The purpose of those funds are for Special Education and Vocational Educational Programs.

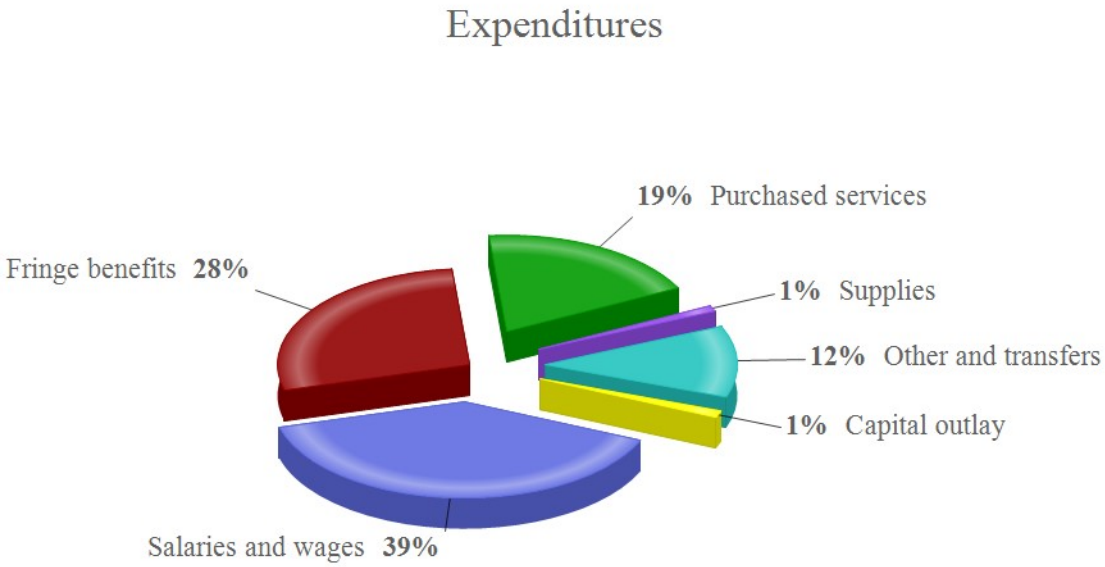
As the graph below illustrates, the largest portion of General Fund expenditures is transfers to local districts. This is almost entirely attributable to the Great Start Readiness Program.



	2026	2025
Expenditures by Object		
Salaries and wages	$ 5,113,557	$ 4,974,833
Fringe benefits	3,571,734	3,521,080
Purchased services	2,124,821	2,363,601
Supplies	650,247	878,823
Capital outlay	532,376	348,865
Other and transfers	10,170,562	7,691,914
Total	$ 22,163,297	$ 19,779,116

General Fund expenditures have increased by $2,384,181 largely due to increases in additional grant opportunities.

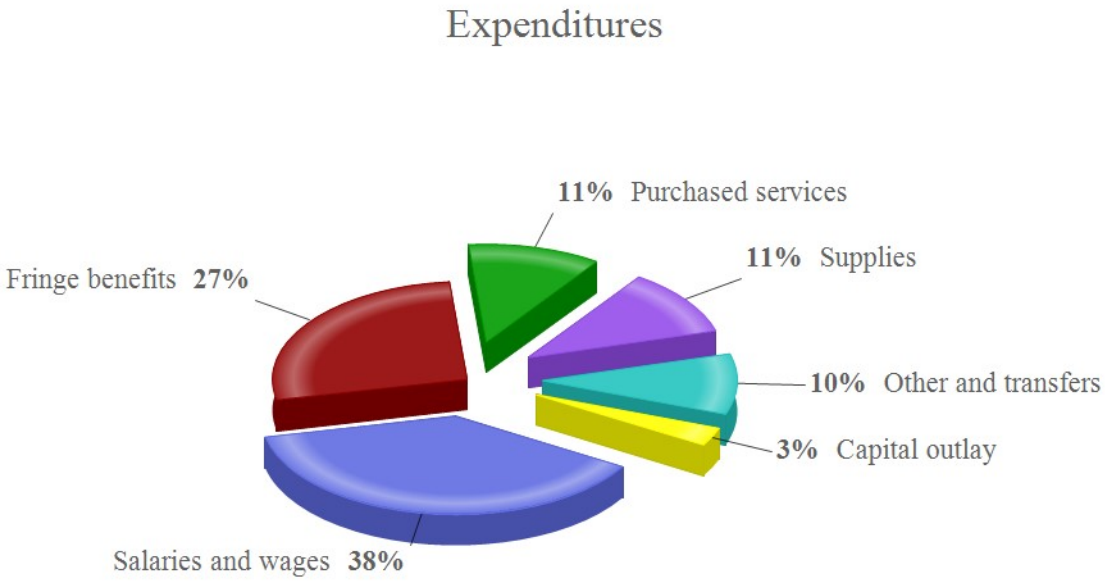
As the graph below illustrates, the largest portion of the Special Education Fund expenditures is for salaries and wages and fringe benefits. The School District by nature is a labor intensive organization.



	2026	2025
Expenditures by Object		
Salaries and wages	$ 14,169,355	$ 13,897,820
Fringe benefits	10,178,638	10,077,785
Purchased services	6,746,019	5,887,064
Supplies	367,244	327,484
Capital outlay	134,725	489,098
Other and transfers	4,498,484	4,643,220
Total	$ 36,094,465	$ 35,322,471

Special Education Fund expenditures have increased by $771,994 largely due to increases in normal operating activities such as wage and benefit increases.

As the graph below illustrates, the largest portions of Vocational Education Fund expenditures are for salaries and wages and fringe benefits. The School District by nature is a labor intensive organization.



	2026	2025
Expenditures by Object		
Salaries and wages	$ 4,821,930	$ 4,616,685
Fringe benefits	3,363,880	3,182,657
Purchased services	1,404,021	1,016,856
Supplies	1,360,577	1,101,791
Capital outlay	431,689	465,931
Other and transfers	1,253,681	1,148,315
Total	$ 12,635,778	$ 11,532,235

Vocational Education Fund expenditures have increased by $1,103,543 largely due to normal operating activities such as wage and benefit increases as well as a $810,000 transfer to Capital Projects to help support future capital project needs.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM OBLIGATIONS

Capital Assets

The discussion thus far has only touched upon certain significant transactions and events during 2026 with respect to capital assets and long-term obligations. Overall, the carrying value of capital assets-original cost minus accumulated depreciation- increased $323,312 over 2025. See Table A-4 for the carrying value of capital assets.

Table A-4
Capital Assets
Governmental Activities

	2026			2025	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value	Percentage Change
Land	$ 40,000	$ 0	$ 40,000	$ 40,000	0.00 %
Construction in progress	0	0	0	10,228,896	(100.00)%
Buildings and improvements	39,992,663	19,649,029	20,343,634	9,958,297	104.29 %
Furniture and equipment	3,504,831	2,555,638	949,193	782,322	21.33 %
Net capital assets	$ 43,537,494	$ 22,204,667	$ 21,332,827	$ 21,009,515	1.54 %

The net capital assets remained stable between years. During 2026, the District completed and placed in service approximately $11.5 million in fiber improvements. The project was started in 2025 and was completed in 2026, hence the transition from construction in progress to buildings and improvements.

Long-term Obligations

At the end of this year, the School District had $240,000 in bonds outstanding versus $475,000 in the previous year - decreased by 15%. This bond will be paid in full during the fiscal year 2027.

Table A-5

	2026	2025	Percentage Change
2016 School Building and Site Bonds	$ 240,000	$ 475,000	(49.47)%
Compensated absences	659,360	583,567	12.99 %
	$ 899,360	$ 1,058,567	(0.15)%

The total amount of principal paid in the current year was approximately $235,000. No new debt was added during the year.

Current Known Facts, Decisions or Conditions

The School District continues to prioritize improvements to its buildings and grounds during the 2026-2027 fiscal year. Planned projects include continued security enhancements, building renovations, technology improvements, and other facility updates. These investments are intended to maintain safe, functional learning environments and support the District's ongoing educational programs and services.

In developing the 2026-2027 fiscal year budget, the Board of Education and administration consider a variety of factors that may affect the District's financial position. The two primary sources of revenue are local property taxes and State of Michigan funding. Approximately 31% of the District's revenue is derived from property taxes. Taxable values have remained relatively stable in recent years, and preliminary taxable values for the 2026-2027 fiscal year indicate an increase. Continued growth in taxable values would provide a positive influence on local revenue and support the District's long-term financial planning.

State sources account for more than 40% of the District's revenue. Consequently, the financial condition of the State of Michigan and its ability to generate sufficient revenue to support school funding appropriations remain important factors in the District's financial stability. In recent years, the District has received various forms of one-time funding. Although these resources have provided valuable support, their temporary and unpredictable nature makes them difficult to incorporate into ongoing operations. Accordingly, the District continues to take a conservative approach to long-term financial forecasting, with an emphasis on sustainable revenues and the responsible management of available resources.

Personnel costs, including wages and employee benefits, represent the District's largest expenditure category. Two significant factors affecting these costs are health insurance premiums and the employer retirement contribution rate required by the Michigan Public School Employees' Retirement System (MPSERS). The District continues to monitor these costs closely as part of its overall financial planning. Under Public Act 152, the District operates within the statutory hard cap on employer contributions toward employee health insurance. While this requirement has provided a framework for managing the District's share of health insurance costs, continued increases in health care expenses remain a financial consideration. Any changes to the statutory contribution limits or the District's applicable requirements could affect future benefit costs and place additional pressure on the operating budget.

Maintaining the District's facilities and investing in capital improvements also remain important priorities. In addition to building maintenance and renovations, the District evaluates capital needs such as classroom equipment, technology, and other resources necessary to support quality educational experiences for students. When financially appropriate, the District allocates resources to its capital projects funds to help address identified facility and equipment needs. This approach supports planned investments, helps prepare for future capital expenditures, and reduces the potential need to fund significant projects entirely from a single year's operating budget.

BAY-ARENAC ISD
Statement of Net Position
June 30, 2026

	Governmental Activities
Assets	
Cash and investments	$ 38,057,203
Receivables - net:	
Taxes receivable	465,654
Accounts receivable	3,896,202
Due from other governmental units	6,791,773
Prepaid expenses	25,810
Inventory	1,138,828
Capital assets less accumulated depreciation $22,204,667	21,332,827
Net OPEB Asset	12,999,234
Total assets	84,707,531
Deferred Outflows of Resources	
Related to pensions	11,994,471
Related to OPEB	2,314,851
Loss on bond refunding	7,928
Total deferred outflows of resources	14,317,250
Liabilities	
Accounts payable	3,696,020
Unearned revenue	4,991,243
Due to other governments	4,366
Accrued payroll and payroll taxes	3,996,815
Accrued interest payable	896
Long-term liabilities:	
Due within one year	244,716
Due in more than one year	659,360
Net pension liability	41,201,523
Total liabilities	54,794,939
Deferred Inflows of Resources	
Related to pensions	16,252,062
Related to OPEB	10,973,511
Total deferred inflows of resources	27,225,573
Net Position	
Net investment in capital assets	21,088,111
Restricted for debt service	5,646
Restricted for capital projects	17,166,746
Restricted for net OPEB asset	12,999,234
Unrestricted	(34,255,468)
Total net position	$ 17,004,269

See accompanying notes to financial statements.

BAY-ARENAC ISD
Statement of Activities
For the Year Ended June 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants/ Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Primary government -				
Governmental activities:				
Instruction	$ 9,752,186	$ 214,432	$ 12,457,759	$ 2,920,005
Support	33,235,946	8,429,357	4,329,713	(20,476,876)
Community services	778,696	0	0	(778,696)
Improvements	106,308	0	0	(106,308)
Transfers out to other local districts	8,694,394	0	7,002,842	(1,691,552)
Student activities	234,507	230,163	0	(4,344)
Debt - interest	13,022	0	0	(13,022)
Depreciation (unallocated)	1,292,650	0	0	(1,292,650)
Total governmental activities	$ 54,107,709	$ 8,873,952	$ 23,790,314	(21,443,443)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				21,433,544
State aid				13,100,618
Investment earnings				995,749
Other				1,431,611
Gain on disposal of assets				268
Total general revenues				36,961,790
Change in net position				15,518,347
Net position - beginning of year				1,485,922
Net position - end of year				$ 17,004,269

See accompanying notes to financial statements.

BAY-ARENAC ISD
Governmental Funds
Balance Sheet
June 30, 2026

	General	Special Education	Vocational Education	General Fund Improvements	Special Education Improvements	Other Nonmajor Governmental Funds	Total
Assets							
Cash and investments	$ 13,613,212	$ 6,713,795	$ 2,419,324	$ 5,742,968	$ 8,531,622	$ 1,036,282	$ 38,057,203
Receivables							
Taxes receivable	17,871	268,630	179,153	0	0	0	465,654
Accounts receivable	146,576	485,759	1,640	3,262,227	0	0	3,896,202
Due from other funds	581,316	0	145,894	800,000	0	441,851	1,969,061
Due from other governmental units	2,373,468	3,981,620	436,685	0	0	0	6,791,773
Prepaid expenditures	20,490	649	4,671	0	0	0	25,810
Inventory	0	0	1,138,828	0	0	0	1,138,828
Total assets	$ 16,752,933	$ 11,450,453	$ 4,326,195	$ 9,805,195	$ 8,531,622	$ 1,478,133	$ 52,344,531
Liabilities, Deferred Inflows of Resources and Fund Balance							
Liabilities							
Accounts payable	$ 3,039,625	$ 420,807	$ 223,400	$ 0	$ 0	$ 12,188	$ 3,696,020
Due to other funds	718,460	603,679	441,851	0	0	205,071	1,969,061
Unearned revenue	4,883,357	76,873	20,038	0	0	10,975	4,991,243
Due to other governments	4,366	0	0	0	0	0	4,366
Accrued payroll and payroll taxes	1,276,870	2,018,033	701,912	0	0	0	3,996,815
Total liabilities	9,922,678	3,119,392	1,387,201	0	0	228,234	14,657,505
Deferred Inflows of Resources							
unavailable revenue - 60 day	0	0	0	2,401,981	0	0	2,401,981
Total deferred inflows of resources	0	0	0	2,401,981	0	0	2,401,981
Fund Balance							
Nonspendable - inventory and prepaids	20,490	649	1,143,499	0	0	0	1,164,638
Restricted for purpose	0	7,825,412	1,795,495	7,403,214	8,531,622	1,238,452	26,794,195
Committed for improvements	0	505,000	0	0	0	0	505,000
Committed for student/school activities	0	0	0	0	0	11,447	11,447
Unassigned	6,809,765	0	0	0	0	0	6,809,765
Total fund balance	6,830,255	8,331,061	2,938,994	7,403,214	8,531,622	1,249,899	35,285,045
Total liabilities, deferred outflows of resources and fund balance	$ 16,752,933	$ 11,450,453	$ 4,326,195	$ 9,805,195	$ 8,531,622	$ 1,478,133	$ 52,344,531

BAY-ARENAC ISD
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2026

Total fund balance - governmental funds	$ 35,285,045
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
Cost of the capital assets	43,537,494
Accumulated depreciation	(22,204,667)
Net OPEB Asset	12,999,234
Deferred outflows used in governmental activities are not financial resources and therefore are not reported in governmental funds:	
Related to pensions	11,994,471
Related to OPEB	2,314,851
Loss on bond refunding	7,928
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(240,000)
Compensated absences	(659,360)
Net pension liability	(41,201,523)
Bond premium	(4,716)
Accrued interest payable is included as a liability in governmental activities	(896)
Unavailable revenue from other governmental units at June 30, 2026 and collected after September 1, 2026	2,401,981
Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in governmental funds:	
Related to pensions	(16,252,062)
Related to OPEB	(10,973,511)
Total net position - governmental activities	$ 17,004,269

BAY-ARENAC ISD
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2026

	General	Special Education	Vocational Education	General Fund Improvements	Special Education Improvements	Other Nonmajor Governmental Funds	Total
Revenues							
Local sources	$ 1,925,196	$ 15,463,611	$ 9,256,949	$ 128,492	$ 230,957	$ 240,528	$ 27,245,733
State sources	15,955,660	13,752,498	2,098,980	0	0	0	31,807,138
Federal sources	627,599	5,033,320	384,842	0	0	0	6,045,761
Interdistrict and other sources	2,924,657	2,004,832	185,648	0	0	0	5,115,137
Total revenues	21,433,112	36,254,261	11,926,419	128,492	230,957	240,528	70,213,769
Expenditures							
Instruction	283,973	6,399,868	5,967,459	0	0	0	12,651,300
Support services	10,691,580	25,437,426	5,344,988	361,432	0	0	41,835,426
Community services	696,256	82,440	0	0	0	0	778,696
Debt service:							
Principal	0	0	0	0	0	235,000	235,000
Interest and other	0	0	0	0	0	10,688	10,688
Support other	0	0	0	0	0	235,082	235,082
Capital outlay	484,606	14,325	140,038	525,173	0	500	1,164,642
Total expenditures	12,156,415	31,934,059	11,452,485	886,605	0	481,270	56,910,834
Excess (deficiency) of revenues over expenditures	9,276,697	4,320,202	473,934	(758,113)	230,957	(240,742)	13,302,935
Other Financing Sources (Uses)							
Transfers in	0	0	0	3,800,000	1,800,000	1,056,187	6,656,187
Transfers out	(2,100,000)	(3,500,000)	(1,056,187)	0	0	0	(6,656,187)
Transfers Out to Other Public Schools	(7,906,882)	(660,406)	(127,106)	0	0	0	(8,694,394)
Total other financing sources (uses)	(10,006,882)	(4,160,406)	(1,183,293)	3,800,000	1,800,000	1,056,187	(8,694,394)
Net change in fund balance	(730,185)	159,796	(709,359)	3,041,887	2,030,957	815,445	4,608,541
Fund balance - beginning of year	7,560,440	8,171,265	3,648,353	4,361,327	6,500,665	434,454	30,676,504
Fund balance - end of year	$ 6,830,255	$ 8,331,061	$ 2,938,994	$ 7,403,214	$ 8,531,622	$ 1,249,899	$ 35,285,045

BAY-ARENAC ISD
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2026

Net change in fund balance - total governmental funds	$ 4,608,541
Amounts reported for governmental activities in the statements of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation expense	(1,292,650)
Capital outlay	1,615,695
Gain on disposal of assets	268
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Other costs related to debt issuance and retirement use governmental fund resources but recognize them as expenses through amortization on the statement of net position.	
Repayment of bonds	235,000
Amortization of bond premium	4,715
Amortization of loss on refunding	(7,930)
Increases in compensated absences are reported as an addition to expenditures when financial resources are used in the governmental fund in accordance with GASB Interpretation No. 6	(75,793)
Accrued interest is reported as a reduction in expenditures on the statement of activities	884
Unavailable revenue from other governmental units at June 30, 2026 and collected after September 1, 2026	2,401,981
Prior year unavailable revenue	(2,310,173)
Some revenue and expenses reported in the statement of activities are not recognized as or require the use of current resources and, therefore, are not reported as revenues or expenditures in the governmental funds	
Pension related items	5,688,506
OPEB related items	4,649,303
Change in net position of governmental activities	$ 15,518,347

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Bay-Arenac ISD (School District) conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide and Fund Financial Statements

The district-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 primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which are utilized to account for the assets of other entities for which the district acts in an agency capacity.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes; (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, intergovernmental units, and other items that are not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include; (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. 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.

Property taxes unrestricted state aid, intergovernment grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The School District reports the following major governmental funds:

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

Special Education Fund - The Special Education Fund accounts for monies received from federal, state and local sources, which are restricted to instruction and services related to special education.

Vocational Education Fund - The Vocational Education Fund accounts for monies received from federal, state and local sources, which are restricted to instruction and services related to providing vocational education.

General Fund Improvements Fund - The General Fund Improvements Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and improvements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Education Improvements Fund - The Special Education Improvements Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and improvements.

Additionally, the School District reports on the following fund types:

Debt Service Funds - The Debt Service Funds account for the accumulation of assets for payment of debt service on general obligation bonds.

Capital Project Funds - The Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and improvements.

Student/School Activities Fund - The Student/School Activities Fund is used to account for financial resources for student/school groups.

Assets, Liabilities, and Net Position or Equity

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Michigan law authorizes the School District to deposit and invest in:

(a) Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.

(b) Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.

(c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

(d) Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.

(e) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

(f) Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories are recorded as expenditures when consumed rather than when purchased.

Payments made to vendors that reflect cost applicable to future fiscal years are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include land, building, equipment and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

Building, equipment and vehicle assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	5-50 years
Furniture and equipment	5-15 years

Salaries Payable and Accrued Employee Benefits - A liability is recorded at June 30 for those amounts owed to teachers and other employees of the School District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year. The liability for accrued retirement and employer share of FICA related to the salaries payable has been recorded as has the liability for employee health insurances for the months of July and August. The School District pays these insurances for this period as a part of the compensation of services rendered in the preceding school year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences - The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide financial statements. The liability for compensated absences includes salary and related benefits, where applicable.

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Where applicable, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

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.

Defined Benefit Plan - For purposes of measuring the net pension and other postemployment benefit liability, 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 School Employees Retirement Systems (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.

Property Taxes - Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1 or December 1 of the following year. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity - The fund balance classifications are reported on the extent to which a government is bound to observe constraints imposed on the use of the resources in governmental funds. The fund balances are classified as nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance represents amounts that are not in a spendable form. The School District's nonspendable fund balance represents inventories and prepaid expenditures. In the fund financial statements, governmental funds report restrictions on fund balances for amounts that are legally restricted by outside parties for a specific purpose. Committed fund balance represents funds formally set aside by the School District for a particular purpose. The use of committed funds would be approved by the Board of Education through the budget process or official board action.

Assigned fund balance would represent tentative management plans that are subject to change which at the present time the School District does not have any assigned fund balance. The School District's intent would be to spend uncommitted/unassigned funds prior to the use of committed funds. When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Detailed information on fund balances of governmental funds are as follows:

	General Fund	Special Education Fund	Vocational Education	Debt School Funds	Capital School Funds	Student/ School Funds	Total
Nonspendable:							
Inventory and prepaids	$ 20,490	$ 649	$1,143,499	$ 0	$ 0	$ 0	$ 1,164,638
Restricted for:							
Special education activities	0	7,825,412	0	0	0	0	7,825,412
Vocational education activities	0	0	1,795,495	0	0	0	1,795,495
2010 building and site bonds	0	0	0	1,389	0	0	1,389
2016 building and site bonds	0	0	0	5,153	0	0	5,153
General fund improvements	0	0	0	0	7,403,214	0	7,403,214
Special education improvements	0	0	0	0	8,531,622	0	8,531,622
Career center improvements	0	0	0	0	1,231,910	0	1,231,910
Total restricted	0	7,825,412	1,795,495	6,542	17,166,746	0	26,794,195
Committed for:							
Improvements	0	505,000	0	0	0	0	505,000
Student/school activities	0	0	0	0	0	11,447	11,447
Total committed	0	505,000	0	0	0	11,447	516,447
Unassigned	6,809,765	0	0	0	0	0	6,809,765
Total fund balances - governmental funds	$6,830,255	$8,331,061	$2,938,994	$ 6,542	$ 17,166,746	$11,447	$ 35,285,045

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources

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 District has three items that qualify for reporting in this category. They are the deferred charge on refunding and pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred loss results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. 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 District has four items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third 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 pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary. The District also reports unavailable revenues from receipts received after 60 days of year end. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available.

Transfers to Local Districts - Transfers to local districts includes the payment of grant, tax and other revenues to local districts and is included under this financial statements caption as required by the Michigan Department of Education chart of accounts and reporting format.

Use of Estimates - The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

State Aid - For the fiscal year ended June 30, 2026, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Amounts receivable from the State of Michigan at June 30, 2026 relating to state aid is $4,767,825.

Events Occurring After Reporting Date

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying Independent Auditor's Report, which is the date the financial statements were available to be issued.

NOTE 2 - BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

Bay-Arenac ISD follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board of Education a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.

2. A public hearing is conducted to obtain taxpayer comments.

3. Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Budgets are adopted to the functional level.

4. Appropriations lapse at year-end and therefore cancels all encumbrances. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund, Special Education Fund and Vocational Education Fund are presented as required supplemental information.

Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the General Fund, Special Education Fund and Vocational Education Fund are noted in the required supplementary information section.

NOTE 3 - CASH AND INVESTMENTS

In accordance with Michigan Compiled Laws, the School District is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.

4. The United States government or federal agency obligations repurchase agreements.

5. Bankers acceptances of United States banks.

6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	Primary Government
Cash and cash equivalents	$ 8,619,220
Investments	29,437,983
	$ 38,057,203

As of June 30, 2026 the School District had deposits and investments subject to the following risk:

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2026, $38,251,376 of the School District's bank balance of $39,001,376 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

The School District 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 School District will do business.

Interest rate risk. In accordance with its investment policy, the School District 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 School District's cash requirements.

Investment type	Fair value	Weighted average maturity (years)
MILAF External Investment Pool - CMC	$ 29,437,983	N/A

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

Foreign currency risk. The School District is not authorized to invest in investments which have this type of risk.

Fair value measurement. The School District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the School District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The School District does not have any investments subject to the fair value hierarchy.

The School District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the School District 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 approximates 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	$ 29,437,983

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

NOTE 4 - CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Balance June 30, 2025	Additions	Disposals and Adjustments	Balance June 30, 2026
Assets not being depreciated:				
Land	$ 40,000	$ 0	$ 0	$ 40,000
Construction in progress	10,228,896	0	(10,228,896)	0
Subtotal	10,268,896	0	(10,228,896)	40,000
Capital assets being depreciated/amortized:				
Buildings and improvements	28,450,974	11,541,689	0	39,992,663
Furniture and equipment	3,248,295	310,102	(53,566)	3,504,831
Subtotal	31,699,269	11,851,791	(53,566)	43,497,494
Accumulated depreciation/amortization:				
Buildings and improvements	18,492,677	1,156,352	0	19,649,029
Furniture and equipment	2,465,973	136,298	(46,633)	2,555,638
Subtotal	20,958,650	1,292,650	(46,633)	22,204,667
Net capital assets being depreciated/amortized	10,740,619	10,559,141	(6,933)	21,292,827
Net capital assets	$ 21,009,515	$ 10,559,141	$ (10,235,829)	$ 21,332,827

Depreciation/amortization expense for fiscal year ended June 30, 2026 was $1,292,650. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

Included in capital assets are buildings and improvements that are capital assets held for sale. The building and improvements are reported in governmental activities. They have a historical cost of $1,479,062 and accumulated depreciation of $801,019. The District listed their Arenac LLC building for sale during the June 30, 2026 fiscal year. The building had a sales price of $280,000 and the sale was completed on August 24, 2026.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund receivable and payable balances at June 30, 2026 are as follows:

		Payables				
		General	Special Education	Vocational Education	Student Activity	Total
Receivables	General	$ 0	$ 376,245	$ 0	$ 205,071	$ 581,316
	Vocational Education	118,460	27,434	0	0	145,894
	Career Center Improvements	0	0	310,000	0	310,000
	General Fund Improvements	600,000	200,000	0	0	800,000
	Student Activities	0	0	131,851	0	131,851
		$ 718,460	$ 603,679	$ 441,851	$ 205,071	$1,969,061

A summary of interfund transfers made during the year ended June 30, 2026 are as follows:

		Transfers Out			
		General Fund	Special Educaiton	Vocational Education	Total
Transfers In	General Fund Improvemement	$ 2,100,000	$ 1,700,000	$ 0	$ 3,800,000
	Special Education Improvements	0	1,800,000	0	1,800,000
	Career Center Improvements	0	0	810,000	810,000
	2016 Debt Service	0	0	246,187	246,187
		$ 2,100,000	$ 3,500,000	$ 1,056,187	$ 6,656,187

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

These interfund receivable and payable balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur; (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers are used to; (1) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (2) transfers from the Special Education Fund and Vocational Education Fund to the General Fund resulted from indirect cost reimbursements related to administration and resources, and (3) transfers from the General Fund, Special Education Fund and Vocational Education Fund to Capital Project Funds are for planned projects.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2026 consist of taxes, accounts (fees), intergovernmental grants and interest.

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

State aid	$ 4,767,825
Federal grants	1,802,609
Other	221,339
	$ 6,791,773

NOTE 7 - UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also reflect unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, grant and categorical aid payments received prior to meeting all eligibility requirements amounted to $4,991,243.

NOTE 8 - LONG-TERM OBLIGATIONS

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

	Balance June 30, 2025	Additions	Retirements and Payments	Balance June 30, 2026	Amount Due Within One Year
General obligation bonds	$ 484,431	$ 0	$ 239,715	$ 244,716	$ 244,716
Compensated absences*	583,567	75,793	0	659,360	0
	$ 1,067,998	$ 75,793	$ 239,715	$ 904,076	$ 244,716

*Compensated absences are reproted as a net change.

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

General obligation bonds:

2016 Refunding of School Building and Site General Obligation Bonds, $2,195,000 issued, due in annual installments of $190,000 to $240,000 plus interest at 2.0% to 2.25% through 2027.	$ 240,000
Bond premium	4,716
Total bonded debt	$ 244,716

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

	General Obligation Bonds		
Year Ended June 30	Principal	Interest	Total
2027	$ 240,000	$ 5,400	$ 245,400

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - RISK MANAGEMENT (CONTINUED)

The SET-SEG shared-risk pool program in which the School District participates, operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The School District has self-insured dental claims with maximum annual benefits of $1,000 ($1,500 lifetime maximum for orthodontic services) per employee. The School District recognizes the cost of the benefits as claims are presented. Unused benefits are forfeited at the end of the year. The School District retains the services of independent agency to administer its dental cases. No estimate of claims incurred, but not reported, under the plan is available, but School District management expects the amount, if any, to be immaterial to the basic financial statements as of June 30, 2025.

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND 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 Comprehensive Annual Financial Report that can be obtained at www.michigan.gov/orsschools.

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 pension 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

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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.

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.

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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.

Employees who first worked on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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 contribution 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.

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 10 - DEFINED BENEFIT PENSION PLAN AND 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 60th birthday and has credited service in each of the last 5 years. 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.

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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.

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 benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2022, are amortized over a 14-year period beginning October 1, 2024 and ending September 30, 2038.

The School District's 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 School District's pension contributions for the year ended June 30, 2026 were equal to the required contribution total. Total pension contributions were approximately $9,287,000. Of the total pension contributions approximately $8,877,000 was contributed to fund the Defined Benefit Plan and approximately $410,000 was contributed to fund the Defined Contribution Plan.

The School District's OPEB contributions for the year ended June 30, 2026 were equal to the required contribution total. Total OPEB contributions were approximately $686,000. Of the total OPEB contributions approximately $509,000 was contributed to fund the Defined Benefit Plan and approximately $177,000 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB benefits, 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).

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Pension Liabilities

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 School District'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		0.20567 %		0.19961 %
Net Pension liability for the School District	$	41,201,523	$	48,867,677

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

For the year ended June 30, 2026, the School District recognized pension expense of approximately $533,000.

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

At June 30, 2026, the School District 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
Differences between expected and actual experience	$ 1,595,853	$ (366,979)
Net difference between projected and actual earnings on pension plan investments	0	(9,846,282)
Changes in assumptions	1,478,841	(2,177,600)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,627,444	(488,701)
Unearned revenue related to pension portion of section 147 c	0	(3,372,500)
School District's contributions subsequent to the measurement date	7,292,333	0
Total	$ 11,994,471	$ (16,252,062)

$7,292,333, reported as deferred outflows of resources related to pensions resulting from School District 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	$ (220,941)
2028	(4,080,162)
2029	(3,018,871)
2030	(857,450)
	$ (8,177,424)

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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

OPEB (Asset) Liabilities

The net OPEB (asset) liability was measured as of September 30, 2025, and the total OPEB liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation date of September 30, 2025 and rolled-forward using generally accepted actuarial procedures. The School District's proportion of the net OPEB (asset) liability 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 (Asset) Liability	$	(6,079,117,973)	$	(4,304,397,666)
Proportionate share		0.21383 %		0.19838 %
Net OPEB (Asset) Liability for the School District	$	(12,999,234)	$	(8,613,326)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2026, the School District recognized OPEB expense of approximately $(4,446,000).

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

At June 30, 2026, the School District 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
Difference between expected and actual experience	$ 0	$ (8,899,892)
Net difference between projected and actual plan investments	0	(1,826,676)
Changes in assumption	1,734,887	(137,868)
Changes in proportion and differences between employer contributions and proportionate share of contributions	88,148	(109,075)
School District's contributions subsequent to the measurement date	491,816	0
Total	$ 2,314,851	$ (10,973,511)

$491,816, reported as deferred outflows of resources related to OPEB resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB (asset) liability in the subsequent fiscal year.

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	$ (2,432,325)
2028	(2,398,551)
2029	(2,217,146)
2030	(1,443,980)
2031	(504,414)
Thereafter	(154,060)
	$ (9,150,476)

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 groups.

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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 - The annual actuarial valuation report of the System used for these statements is dated September 30, 2025. 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.

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 was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan and OPEB 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, 7.75% for year one and graded to 3.5% for 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.

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Coverage Election at Retirement - 75% of male and 60% of female future retirees 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%
Total	**100.0%**	**100.0%**	

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

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 amount 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 long-term rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts 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.

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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 discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts 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 School District's proportionate share of the net pension liability calculated using a single discount rate of 6.00%, as well as what the School District'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
School District's proportionate share of the net pension liability	$65,018,276	$41,201,523	$21,365,217

Sensitivity of the net OPEB (asset) liability to changes in the discount rate - The following presents the School District's proportionate share of the net OPEB (asset) liability calculated using the discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net OPEB (asset) 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:

	Other postemployment benefit		
	1% Decrease	Discount Rate	1% Increase
School District's proportionate share of the net OPEB (asset) liability	$(11,199,662)	$(12,999,234)	$(14,574,249)

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity to the net OPEB (asset) liability to changes in the healthcare cost trend rates - The following presents the School District's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate, as well as what the School District's proportionate share of the net other postemployment benefit (asset) liability 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	Current Healthcare cost trend rates	1% Increase
School District's proportionate share of the net OPEB (asset) liability	$(14,559,877)	$(12,999,234)	$(11,360,610)

Pension and OPEB Plan Fiduciary Net Position - Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System Annual Comprehensive Financial Report.

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

NOTE 11 - GRANTS

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the School District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District administration believes such disallowance, if any, would be immaterial.

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2026, the School District 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 13 - TAX ABATEMENTS

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly.

There are no significant abatements made by the School District.

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 School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2026-2027 fiscal year.

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

	Original Budget	Final Amended Budget	Variance with Original and Final Budget	Actual	Variances with Final Budget and Actual
Revenues					
Local sources	$ 1,488,743	$ 1,907,779	$ 419,036	$ 1,925,196	$ 17,417
State sources	20,351,196	20,579,850	228,654	15,955,660	(4,624,190)
Federal sources	424,824	811,473	386,649	627,599	(183,874)
Interdistrict and other sources	2,785,277	2,962,112	176,835	2,924,657	(37,455)
Total revenues	25,050,040	26,261,214	1,211,174	21,433,112	(4,828,102)
Expenditures					
Instruction:					
Basic programs	123,559	132,625	9,066	117,231	15,394
Added needs	19,981	36,161	16,180	18,654	17,507
Adult/continuing education	523,703	363,307	(160,396)	148,088	215,219
Support services:					
Pupil	3,844,041	5,003,016	1,158,975	3,585,226	1,417,790
Instructional staff	4,843,957	6,382,588	1,538,631	4,840,477	1,542,111
General administrative	196,522	219,224	22,702	197,837	21,387
School administrative	145,951	107,255	(38,696)	98,922	8,333
Business services	686,133	674,056	(12,077)	622,332	51,724
Operations and maintenance	567,478	438,909	(128,569)	412,409	26,500
Transportation	7,490	15,677	8,187	7,516	8,161
Information services	1,197,233	1,343,869	146,636	926,861	417,008
Support other	20	20	0	0	20
Community services	822,183	1,349,296	527,113	696,256	653,040
Capital outlay	145,000	487,624	342,624	484,606	3,018
Total expenditures	13,123,251	16,553,627	3,430,376	12,156,415	4,397,212
Excess (deficiency) of revenues over expenditures	11,926,789	9,707,587	(2,219,202)	9,276,697	(430,890)
Other Financing Sources (Uses)					
Operating transfers in	400,000	8,398	(391,602)	0	(8,398)
Operating transfers out	(2,073,879)	(1,491,602)	582,277	(2,100,000)	(608,398)
Transfers out to other local districts	(9,433,106)	(9,071,606)	361,500	(7,906,882)	1,164,724
Total other financing sources (uses)	(11,106,985)	(10,554,810)	552,175	(10,006,882)	547,928
Net change in fund balance	819,804	(847,223)	(1,667,027)	(730,185)	117,038
Fund balance - beginning of year	7,560,440	7,560,440	0	7,560,440	0
Fund balance - end of year	$ 8,380,244	$ 6,713,217	$ (1,667,027)	$ 6,830,255	$ 117,038

BAY-ARENAC ISD
Required Supplemental Information
Budgetary Comparison Schedule - Special Education Fund
For the Year Ended June 30, 2026

	Original Budget	Final Amended Budget	Variance with Original and Final Budget	Actual	Variances with Final Budget and Actual
Revenues					
Local sources	$ 14,052,903	$ 15,308,550	$ 1,255,647	$ 15,463,611	$ 155,061
State sources	12,880,250	13,837,256	957,006	13,752,498	(84,758)
Federal sources	5,609,178	5,711,605	102,427	5,033,320	(678,285)
Interdistrict and other sources	2,798,108	2,079,516	(718,592)	2,004,832	(74,684)
Total revenues	35,340,439	36,936,927	1,596,488	36,254,261	(682,666)
Expenditures					
Instruction:					
Added needs	6,634,872	6,477,976	(156,896)	6,399,868	78,108
Support services:					
Pupil	15,554,615	16,445,374	890,759	16,062,657	382,717
Instructional staff	3,591,586	3,747,261	155,675	3,223,736	523,525
General administrative	170,915	507,816	336,901	519,928	(12,112)
School administrative	2,000	2,500	500	1,229	1,271
Business services	533,965	538,615	4,650	541,520	(2,905)
Operations and maintenance	688,682	766,808	78,126	690,340	76,468
Transportation	2,715,070	3,024,939	309,869	3,002,558	22,381
Information services	1,288,074	1,423,943	135,869	1,388,782	35,161
Support other	5,890	8,612	2,722	6,676	1,936
Community services	0	102,974	102,974	82,440	20,534
Capital outlay	103,502	15,000	(88,502)	14,325	675
Total expenditures	31,289,171	33,061,818	1,772,647	31,934,059	1,127,759
Excess (deficiency) of revenues over expenditures	4,051,268	3,875,109	(176,159)	4,320,202	445,093
Other Financing Sources (Uses)					
Operating transfers out	(3,400,000)	(3,300,000)	100,000	(3,500,000)	(200,000)
Transfers out to other local districts	(921,276)	(660,407)	260,869	(660,406)	1
Total other financing sources (uses)	(4,321,276)	(3,960,407)	360,869	(4,160,406)	(199,999)
Net change in fund balance	(270,008)	(85,298)	184,710	159,796	245,094
Fund balance - beginning of year	8,171,265	8,171,265	0	8,171,265	0
Fund balance - end of year	$ 7,901,257	$ 8,085,967	$ 184,710	$ 8,331,061	$ 245,094

BAY-ARENAC ISD
Required Supplemental Information
Budgetary Comparison Schedule - Vocational Education Fund
For the Year Ended June 30, 2026

	Original Budget	Final Amended Budget	Variance with Original and Final Budget	Actual	Variances with Final Budget and Actual
Revenues					
Local sources	$ 8,466,980	$ 9,179,285	$ 712,305	$ 9,256,949	$ 77,664
State sources	1,790,742	2,104,049	313,307	2,098,980	(5,069)
Federal sources	390,822	390,246	(576)	384,842	(5,404)
Interdistrict other sources	180,000	185,648	5,648	185,648	0
Total revenues	10,828,544	11,859,228	1,030,684	11,926,419	67,191
Expenditures					
Instruction:					
Added needs	6,044,410	6,037,972	(6,438)	5,903,504	134,468
Adult/continuing education	110,108	75,010	(35,098)	63,955	11,055
Support services:					
Pupil	906,225	950,367	44,142	939,737	10,630
Instructional staff	155,219	448,961	293,742	458,879	(9,918)
General administrative	80,983	201,691	120,708	195,507	6,184
School administrative	922,906	1,108,674	185,768	1,043,315	65,359
Business services	231,628	239,891	8,263	226,249	13,642
Operations and maintenance	1,287,330	2,037,719	750,389	2,011,674	26,045
Transportation	32,847	38,734	5,887	25,222	13,512
Information services	232,297	313,917	81,620	285,214	28,703
Support other	126,000	198,340	72,340	159,191	39,149
Capital outlay	10,000	163,694	153,694	140,038	23,656
Total expenditures	10,139,953	11,814,970	1,675,017	11,452,485	362,485
Excess (deficiency) of revenues over expenditures	688,591	44,258	(644,333)	473,934	429,676
Other Financing Sources (Uses)					
Operating transfers out	(898,479)	(746,187)	152,292	(1,056,187)	(310,000)
Transfers out to other local districts	(152,732)	(132,510)	20,222	(127,106)	5,404
Total other financing sources (uses)	(1,051,211)	(878,697)	172,514	(1,183,293)	(304,596)
Net change in fund balance	(362,620)	(834,439)	(471,819)	(709,359)	125,080
Fund balance - beginning of year	3,648,353	3,648,353	0	3,648,353	0
Fund balance - end of year	$ 3,285,733	$ 2,813,914	$ (471,819)	$ 2,938,994	$ 125,080

BAY-ARENAC ISD
Required Supplemental Information
Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Reporting unit's proportion of net pension liability (%)	0.20567 %	0.19961 %	0.19805 %	0.19870 %	0.19675 %	0.19589 %	0.19437 %	0.19396 %	0.19325 %	0.19573 %
Reporting unit's proportionate share of net pension liability	$41,201,523	$48,867,677	$64,100,004	$74,730,221	$46,581,211	$67,288,670	$64,370,293	$58,306,380	$50,078,622	$48,832,891
Reporting unit's covered-employee payroll*	$22,833,150	$21,065,995	$19,776,928	$19,181,918	$17,790,363	$17,458,949	$16,998,106	$16,539,989	$16,214,825	$16,201,398
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	180.44608 %	247.09435 %	324.11507 %	389.58680 %	261.83395 %	385.41077 %	378.69097 %	352.51765 %	308.84467 %	301.41159 %
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	79.44000 %	74.44000 %	65.91000 %	60.77000 %	72.60000 %	59.72000 %	60.31000 %	62.36000 %	64.21000 %	63.27000 %

* The employer's covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73,* as payroll on which contributions to a pension plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

BAY-ARENAC ISD
Required Supplemental Information
Schedule of the Reporting Unit's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Statutorily required contributions	$ 8,877,325	$11,295,842	$ 9,606,886	$ 9,216,226	$ 6,587,258	$ 5,913,317	$ 5,319,693	$ 5,168,695	$ 5,342,249	$ 4,501,127
Contributions in relation to statutorily required contributions*	8,877,325	11,295,842	9,606,886	9,216,226	6,587,258	5,913,317	5,319,693	5,168,695	5,342,249	4,501,127
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Reporting unit's covered-employee payroll**	$23,755,127	$22,236,189	$20,683,860	$19,545,422	$18,185,341	$17,656,592	$17,425,134	$16,856,320	$16,445,514	$16,725,316
Contributions as a percentage of covered-employee payroll	37.37 %	50.80 %	46.45 %	47.15 %	36.22 %	33.49 %	30.53 %	30.66 %	32.48 %	26.91 %

* Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

** The employer's covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73,* as payroll on which contributions to a pension plan are based. For non-university employers, covered payroll for both pensions and OPEB represents payroll on which contributions to both plans are based.

BAY-ARENAC ISD
Required Supplemental Information
Schedule of the Reporting Unit's Proportionate Share of the Net OPEB (Asset) Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Reporting unit's proportion of net OPEB (asset) liability (%)	0.21383 %	0.20011 %	0.19838 %	0.19783 %	0.19713 %	0.19721 %	0.19463 %	0.19448 %	0.19315 %
Reporting unit's proportionate share of net OPEB (asset) liability	$ (12,999,234)	$ (8,613,326)	$ (1,122,217)	$ 4,190,095	$ 3,009,024	$10,565,277	$13,970,192	$15,458,877	$17,104,015
Reporting unit's covered-employee payroll*	$ 22,833,150	$21,065,995	$19,776,928	$19,181,918	$17,790,363	$17,458,949	$16,998,106	$16,539,989	$16,214,825
Reporting unit's proportionate share of net OPEB (asset) liability as a percentage of its covered-employee payroll	(56.93141)%	(40.88734)%	(5.67437)%	21.84398 %	16.91379 %	60.51497 %	82.18676 %	93.46365 %	105.48381 %
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	164.94000 %	143.08000 %	105.04000 %	83.09000 %	87.33000 %	59.44000 %	48.46000 %	42.95000 %	36.39000 %

* The employer's covered payroll is defined by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 75 in 2018, the 10 year history will be provided prospectively until a full 10 year history is shown.

BAY-ARENAC ISD
Required Supplemental Information
Schedule of the Reporting Unit's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions	$ 509,058	$ 330,612	$ 1,659,357	$ 1,585,306	$ 1,443,919	$ 1,462,608	$ 1,371,234	$ 1,332,900	$ 1,283,616
Contributions in relation to statutorily required contributions*	509,058	330,612	1,659,357	1,585,306	1,443,919	1,462,608	1,371,234	1,332,900	1,283,616
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Reporting unit's covered-employee payroll**	$23,755,127	$22,236,189	$20,683,860	$19,545,422	$18,185,341	$17,656,592	$17,425,134	$16,856,320	$16,445,514
Contributions as a percentage of covered-employee payroll	2.14 %	1.49 %	8.02 %	8.11 %	7.94 %	8.28 %	7.87 %	7.91 %	7.81 %

* Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

** The employer's covered payroll is defined by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 75 in 2018, the 10 year history will be provided prospectively until a full 10 year history is shown.

BAY-ARENAC ISD
Notes to Required Supplementary Information
For the Year Ended June 30, 2026

NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

b. Public hearings are conducted to obtain taxpayer comments.

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

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

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

NOTE 2 - BUDGETARY COMPARISON

Significant variances between original and final budget:

	Variance	Explanation
General Fund		
Revenues		
Local sources	419,036	Increased interest income, additional grant revenue, increased donations
Federal sources	386,649	Increase in grant revenues carried over from previous year
Expenditures		
Pupil	1,158,975	Increase in grant expenditures to match full allocations
Instructional staff	1,538,631	Increase in firewall, increase in grant expenditures to match full allocations

NOTE 2 - BUDGETARY COMPARISION (CONTINUED)

Community services	527,113	Increase in grant expenditures to match full allocations
Other Financing Sources (Uses)		
Operating transfers in	(391,602)	Change in accounting practice
Operating transfers out	582,277	Increase in transfer to Capital Projects for future capital outlay
Special Education Fund		
Revenues		
Local sources	1,255,647	Increased Medicaid funding and property tax revenue
State sources	957,006	Increase in categorical funding
Interdistrict and other sources	(718,592)	Change in accounting practice
Expenditures		
Pupil	890,759	Increase in LEA contract for services
Vocational Education Fund		
Revenues		
Local sources	712,305	Sale of Building Trades House and increase in property taxes
State sources	313,307	Increase in categorical funding
Expenditures		
Instructional staff	293,742	Increase in EMC budget and other various accounts
Operations and maintenance	750,389	Increase in furniture & equipment and repairs and maintenance

Significant variances between final budget and actual:

	Variance	Explanation
General Fund		
Revenues		
State Sources	(4,624,190)	Unspent grant funds that will be carried to the next year
Expenditures		
Pupil	1,417,790	Unspent grant funds that will be carried to the next year
Instructional staff	1,542,111	Unspent grant funds that will be carried to the next year
Information services	417,008	Unspent grant funds that will be carried to the next year
Community services	653,040	Unspent grant funds that will be carried to the next year
Other Financing Sources (Uses)		
Operating transfers out	(608,398)	Increased transfer to Capital Projects for future capital outlay

NOTE 2 - BUDGETARY COMPARISION (CONTINUED)

Transfers out to other local districts	1,164,724	Unspent grant funds that will be carried to the next year
Special Education Fund		
Revenues		
Federal sources	(678,285)	Unspent federal funds to spend in 4th quarter
Vocational Education Fund		
Other Financing Sources (Uses)		
Operating transfers out	(310,000)	Increased transfer to Capital Projects for future capital outlay

NOTE 3 - PENSION INFORMATION

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

Changes of 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 .80 percentage points.
- **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

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

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

NOTE 4 - OPEB INFORMATION (CONTINUED)

- **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 healthcare 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 point 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, 2022 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.

- **2020** - The health care 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.

BAY-ARENAC ISD
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2026

	Special Revenue Fund	Debt Service Funds		Capital Projects Fund	
	Student Activities	2016 Debt Service Fund	2010 Debt Service Fund	Career Center Improvements	Total
Assets					
Cash and investments	$ 107,830	$ 5,153	$ 1,389	$ 921,910	$ 1,036,282
Receivables					
Due from other funds	131,851	0	0	310,000	441,851
Total assets	$ 239,681	$ 5,153	$ 1,389	$ 1,231,910	$ 1,478,133
Liabilities and Fund Balance					
Liabilities					
Accounts payable	$ 12,188	$ 0	$ 0	$ 0	$ 12,188
Due to other funds	205,071	0	0	0	205,071
Unearned revenue	10,975	0	0	0	10,975
Total liabilities	228,234	0	0	0	228,234
Fund Balance					
Restricted for purpose	0	5,153	1,389	1,231,910	1,238,452
Committed for student/school activities	11,447	0	0	0	11,447
Total fund balance	11,447	5,153	1,389	1,231,910	1,249,899
Total liabilities and fund balance	$ 239,681	$ 5,153	$ 1,389	$ 1,231,910	$ 1,478,133

BAY-ARENAC ISD
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2026

	Special Revenue Fund	Debt Service Funds		Capital Projects Fund	
	Student Activities	2016 Building and Site Bonds	2010 Building and Site Bonds	Career Center Improvements	Total
Revenues					
Local sources	$ 235,292	$ 81	$ 0	$ 5,155	$ 240,528
Total revenues	235,292	81	0	5,155	240,528
Expenditures					
Debt service:					
Principal	0	235,000	0	0	235,000
Interest and other	0	10,688	0	0	10,688
Support other	235,082	0	0	0	235,082
Capital outlay	0	500	0	0	500
Total expenditures	235,082	246,188	0	0	481,270
Excess (deficiency) of revenues over expenditures	210	(246,107)	0	5,155	(240,742)
Other Financing Sources (Uses)					
Transfers in	0	246,187	0	810,000	1,056,187
Net change in fund balance	210	80	0	815,155	815,445
Fund balance - beginning of year	11,237	5,073	1,389	416,755	434,454
Fund balance - end of year	$ 11,447	$ 5,153	$ 1,389	$ 1,231,910	$ 1,249,899

BAY-ARENAC ISD
Other Supplemental Information
Schedule of Bonded Indebtedness - 2016 School Buildings & Site Bonds
For the Year Ended June 30, 2026

DATE OF ISSUE	April 18, 2016		
AMOUNT OF ISSUE			$ 2,195,000
AMOUNT OF REDEEMED			
	During prior years	$ 1,720,000	
	During current year	235,000	1,955,000
BALANCE OUTSTANDING - June 30, 2026			$ 240,000

		Requirements		
Fiscal Year	Interest Rate	Principal	Interest	Total
2027	2.00%	$ 240,000	$ 5,400	$ 245,400

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

October 29, 2026

Board of Education
Bay-Arenac ISD
Bay City, Michigan

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Bay-Arenac ISD (School District), as of and for the year ended June 30, 2026 and the related notes to the financial statements, which collectively comprise Bay-Arenac ISD'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 Bay-Arenac ISD's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Bay-Arenac ISD's internal control. Accordingly, we do not express an opinion on the effectiveness of Bay-Arenac ISD'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 School District'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.

WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bay-Arenac ISD'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 School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weinlander Fitzhugh

BAY-ARENAC ISD
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2026

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