

BAY-ARENAC ISD
BAY CITY, MICHIGAN
FINANCIAL STATEMENTS
JUNE 30, 2025



WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

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INDEPENDENT AUDITOR'S REPORT

October 28, 2025

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, 2025 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, 2025 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, in 2025, the School District adopted new Accounting guidance, GASBS No. 101, *Compensated Absences*. 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.



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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.



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Required Supplementary Information

U.S. generally accepted accounting principles requires that the management's discussion and analysis and budgetary comparison information 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 schedules of bonded indebtedness are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining nonmajor fund financial statements, 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 28, 2025, 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, 2025

Our discussion and analysis of Bay-Arenac ISD's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2025.

Financial Highlights

The School District's net position increased by \$24,585,452. Program revenues were \$36,871,356 or 46% of total revenues, and general revenues were \$43,995,046 or 54%.

The General Fund reported a positive fund balance of \$7,560,440. The Special Education Fund reported a positive fund balance of \$8,171,265. The Vocational Education Fund reported a positive fund balance of \$3,648,353. The General Fund Improvements Capital Projects Fund reported a positive fund balance of \$4,361,327. The Special Education Improvements Fund reported a positive fund balance of \$6,500,665.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund, Special Education Fund, Vocational Education Fund, General Fund Improvements Capital Projects Fund, and the Special Education Improvements Fund with all other funds presented in one column as nonmajor funds. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General, Special Education and Vocational Education Funds
(Required Supplemental Information)

Pension Schedules (Required Supplemental Information)

OPEB Schedules (Required Supplemental Information)

Other Supplemental Information

BAY-ARENAC ISD
Management's Discussion and Analysis
For the Year Ended June 30, 2025

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions asked about the School District's finances is: "Is the School District better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net position as a way to measure the School District's financial position. The change in net position provides the reader a tool to assist in determining whether the School District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, student enrollment growth and facility conditions in arriving at their conclusion regarding the overall health of the School District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other sources of revenue.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

BAY-ARENAC ISD
Management's Discussion and Analysis
For the Year Ended June 30, 2025

Government-wide Financial Analysis

The statement of net position provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net position as of June 30, 2025 and 2024:

Exhibit A

	Governmental Activities	
	2025	2024
Assets		
Current and other assets	\$ 48,500,270	\$ 39,109,542
Net OPEB asset	8,613,326	1,122,217
Capital assets - net of accumulated depreciation	21,009,515	11,213,631
Total assets	78,123,111	51,445,390
Deferred Outflows of Resources		
Related to pensions and OPEB	16,509,347	23,679,493
Loss on bond refunding	15,858	23,788
Total deferred outflows of resources	16,525,205	23,703,281
Liabilities		
Current liabilities	15,750,373	12,171,273
Long-term liabilities	49,700,675	64,818,739
Total liabilities	65,451,048	76,990,012
Deferred Inflows of Resources		
Related to pensions and OPEB	27,711,346	20,981,681
Net Position		
Net investment in capital assets	20,525,084	10,489,485
Restricted	11,283,429	9,332,325
Restricted for net OPEB asset	8,613,326	1,122,217
Unrestricted	(38,935,917)	(43,767,049)
Total net position	\$ 1,485,922	\$ (22,823,022)

The analysis above focuses on net position (see Exhibit A). The School District's net position was \$1,485,922 at June 30, 2025. Investment in property and equipment net of related debt totaling \$20,525,084, compares the original costs less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets, if any. Restricted net position is reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use net position for day-to-day operations.

The \$(38,935,917) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the major funds will have a significant impact on the change in unrestricted net position from year to year.

BAY-ARENAC ISD
Management's Discussion and Analysis
For the Year Ended June 30, 2025

The School District implemented GASB Statement No. 68 in 2015. The effect of this Statement required the School District to report in the summary of net position, a liability of \$48,867,677 for 2025 and \$64,100,004 for 2024.

The School District implemented GASB Statement No. 75 in 2018. The effect of this Statement required the School District to report in the summary of net position, an (asset) liability of \$(8,613,326) for 2025 and \$(1,122,217) for 2024.

The results of this year's operations for the School District as a whole are reported in the statement of activities. Exhibit B provides a summary of the changes in net position for the years ended June 30, 2025 and 2024.

Exhibit B

	Governmental Activities	
	2025	2024
Revenues		
Program revenue:		
Charges for services	\$ 6,907,254	\$ 7,919,017
Grants and categoricals	29,964,102	23,644,585
General revenue:		
Property taxes	20,571,599	19,270,636
State aid	13,644,421	11,981,065
Other	9,779,026	1,821,016
Total revenues	80,866,402	64,636,319
Function/Program Expenses		
Instruction	8,431,099	10,923,048
Support	37,167,270	32,746,067
Community services	693,261	512,323
Improvements	427,855	27,515
Transfers out to other local districts	8,328,560	7,458,316
Student activities	232,194	241,052
Debt - interest	17,067	23,109
Loss (gain) on disposal of assets	0	5,859
Depreciation (unallocated)	983,644	1,059,944
Total expenses	56,280,950	52,997,233
Change in Net Position	\$ 24,585,452	\$ 11,639,086

As reported in the statement of activities, the cost of all of our governmental activities this year was \$56,280,950. Certain activities were partially funded from those who benefited from the programs, \$6,907,254, or by the other governments and organizations that subsidized certain programs with grants and categoricals of \$29,964,102. We paid for the remaining "public benefit" portion of our governmental activities with \$20,571,599 in taxes, \$13,644,421 in State aid and with our other revenues, such as interest and entitlements.

The School District had an increase in net position of \$24,585,452.

BAY-ARENAC ISD
Management's Discussion and Analysis
For the Year Ended June 30, 2025

The School District's Funds

The School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

The School District's governmental funds reported a combined fund balance of \$30,676,504, which is above last year's total of \$27,176,586. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2025 and 2024.

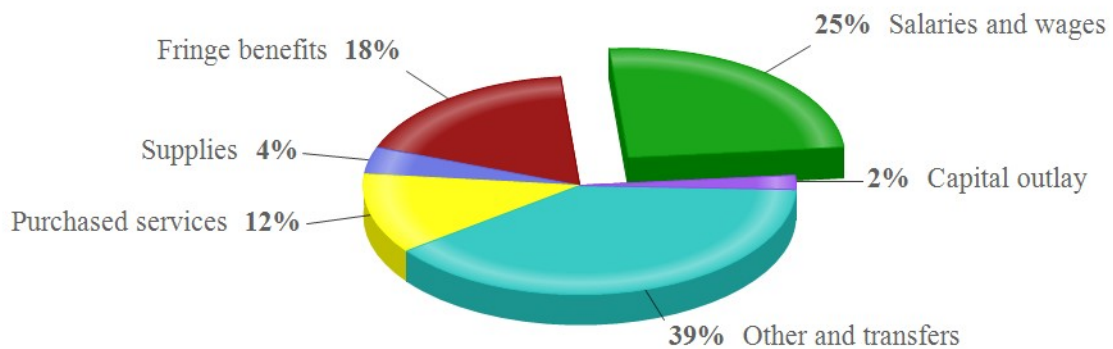
	Fund Balance <u>6/30/2025</u>	Fund Balance <u>6/30/2024</u>	Increase (Decrease)
General	\$ 7,560,440	\$ 5,867,111	\$ 1,693,329
Special Education	8,171,265	8,219,195	(47,930)
Vocational Education	3,648,353	3,738,033	(89,680)
General Fund Improvements	4,361,327	5,109,857	(748,530)
Special Education Improvements	6,500,665	4,204,868	2,295,797
Student/School Activities	11,237	16,605	(5,368)
Debt Service	6,462	4,517	1,945
Capital Projects	416,755	16,400	400,355
	<u>\$ 30,676,504</u>	<u>\$ 27,176,586</u>	<u>\$ 3,499,918</u>

- The General Fund has seen an increase for the past couple of years. Once again it has seen an increase due to the increased funding in local, state and federal sources that have outweighed spending.
- The Special Education Fund remained relatively flat, with a slight decrease resulting from transfers to the Special Education Improvements Fund to support future capital outlay needs.
- The Vocational Education Fund remained relatively flat, with a slight decrease resulting from transfers to the Career Center Improvements Fund to support future capital outlay needs.
- The General Fund Improvements Capital Projects Fund decreased due to a new fiber grant that had unearned revenues at year-end. These funds will be recorded in the new fiscal year once received.
- Special Education Improvements Capital Projects Fund increased due to a transfer from the Special Education Fund to ensure the School District has funds available for future capital needs.
- The Student/School Activities Fund decreased due to spending outweighing revenue sources.
- The Debt Service Fund is close to break-even because the Career Center transfers funds to cover the payment of debt and interest for the year.
- The non-major Capital Projects Funds increased due to interest earnings as well as a transfer from spending outweighing revenue sources.

BAY-ARENAC ISD
Management's Discussion and Analysis
For the Year Ended June 30, 2025

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.

Expenditures



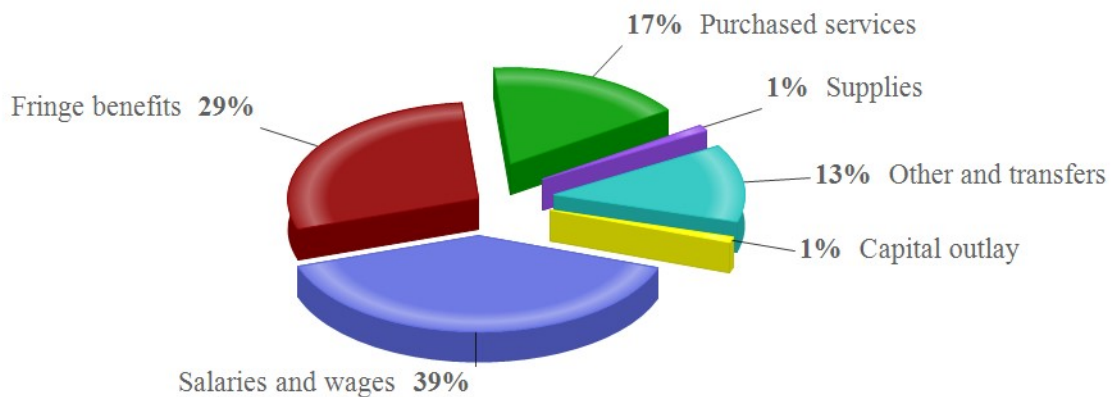
<u>Expenditures by Object</u>	<u>2025</u>	<u>2024</u>
Salaries and wages	\$ 4,974,833	\$ 4,411,975
Fringe benefits	3,521,080	3,226,058
Purchased services	2,363,601	1,870,016
Supplies	878,823	637,327
Capital outlay	348,865	19,924
Other and transfers	7,691,914	8,538,784
Total	<u>\$ 19,779,116</u>	<u>\$ 18,704,084</u>

Expenditures have increased by \$1,075,032 largely due to increases in additional grant opportunities.

BAY-ARENAC ISD
Management's Discussion and Analysis
For the Year Ended June 30, 2025

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.

Expenditures



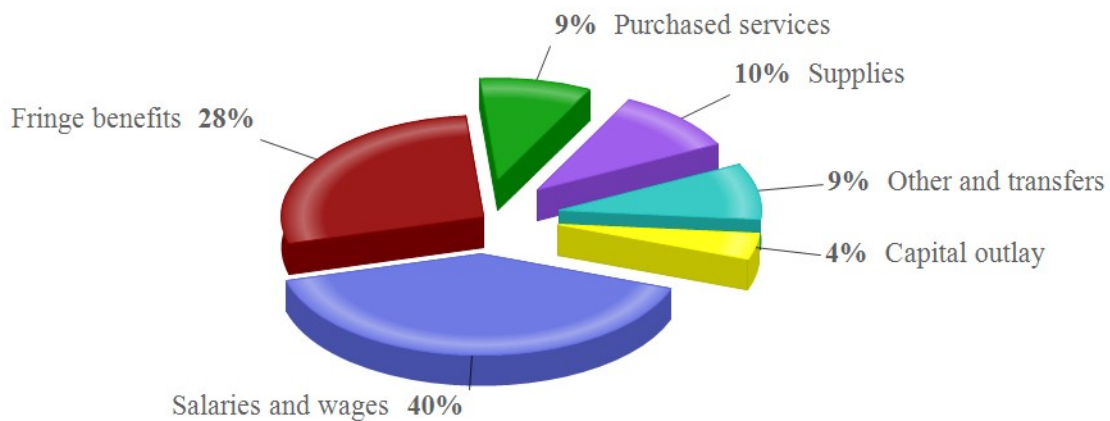
	2025	2024
<u>Expenditures by Object</u>		
Salaries and wages	\$ 13,897,820	\$ 12,713,295
Fringe benefits	10,077,785	10,210,786
Purchased services	5,887,064	5,380,391
Supplies	327,484	320,328
Capital outlay	489,098	688,301
Other and transfers	4,643,220	5,051,460
Total	<u>\$ 35,322,471</u>	<u>\$ 34,364,561</u>

Expenditures have increased by \$957,910 largely due to increases in normal operating activities such as wage and benefit increases.

BAY-ARENAC ISD
Management's Discussion and Analysis
For the Year Ended June 30, 2025

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.

Expenditures



	2025	2024
<u>Expenditures by Object</u>		
Salaries and wages	\$ 4,616,685	\$ 4,376,409
Fringe benefits	3,182,657	3,321,322
Purchased services	1,016,856	840,404
Supplies	1,101,791	864,974
Capital outlay	465,931	262,392
Other and transfers	1,148,315	670,972
Total	<u>\$ 11,532,235</u>	<u>\$ 10,336,473</u>

Expenditures have increased by \$1,195,762 largely due to normal operating activities such as wage and benefit increases as well as a \$400,000 transfer to capital projects to help support future capital project needs.

BAY-ARENAC ISD
Management's Discussion and Analysis
For the Year Ended June 30, 2025

Major Fund Budgetary Highlights

Over the course of the year, the School District revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. The original budget is developed in January of the preceding fiscal year. For the general and special education funds this causes a large variance in budgeting because the grant amounts are not established in advance. There is also a great chance that new grants will be added during the course of the year. Added to the normal change and updating of programs, this activity has a notable impact on the annual budget variance. Actual expenditures were less than anticipated due to continued efforts by administration to control costs.

Changes to the General Fund original budget were as follows:

- Budgeted revenues were increased during the fiscal year by \$20,423,788 due to increased grant opportunities including a \$12 million dollar fiber grant, a \$1.4 million dollar MiFamily Engagement grant, and significant increases in GSRP grant dollars..
- Budgeted expenditures were also increased during the fiscal year by \$16,071,998 due to these increased grant opportunities.
- Actual revenues were \$19,974,741 under budgeted revenues due to the carryover of unspent grants to next fiscal year and the movement of the \$12 million dollar fiber grant to the capital projects fund.
- Actual expenditures were \$15,626,523 under budgeted expenditures due to the carryover of unspent grants to the next fiscal year and the movement of the \$12 million dollar fiber grant to the capital projects fund.

Changes to Special Education Fund original budget were as follows:

- Budgeted revenues were increased during the fiscal year by \$3,468,695, due to increased grant opportunities.
- Budgeted expenditures were also increased during the fiscal year by \$1,471,731 due to increased grant opportunities.
- Actual revenues were \$642,747 less than budgeted revenues due to normal operational variances.
- Actual expenditures were \$348,395 under budgeted expenditures due to normal operational variances.

BAY-ARENAC ISD
Management's Discussion and Analysis
For the Year Ended June 30, 2025

Changes to Vocational Education Fund original budget were as follows:

- Budgeted revenues were decreased during the fiscal year by \$332,969 due to the removal of one-time receipt of retirement state funds in FY23-24.
- Budgeted expenditures were increased during the fiscal year by \$218,952 due to various normal operating adjustments.
- Actual revenues were \$53,840 over budgeted revenues due to normal operational variances such as unspent grant funds that will be moved to the new fiscal year..
- Actual expenditures were \$373,551 under budgeted expenditures due to normal operational variances.

Capital Assets

At June 30, 2025, the School District had \$21,009,515 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net increase (including additions and disposals) of 87% from last year.

	<u>2025</u>	<u>2024</u>
Land	\$ 40,000	\$ 40,000
Construction in progress	10,228,896	379,385
Buildings and improvements	28,450,974	27,882,821
Furniture and equipment	<u>3,248,295</u>	<u>2,886,432</u>
Total capital assets	41,968,165	31,188,638
Less accumulated depreciation	<u>20,958,650</u>	<u>19,975,007</u>
Net capital assets	<u>\$ 21,009,515</u>	<u>\$ 11,213,631</u>

This year's additions of \$10,779,528 consists such as unspent grant funds that will be moved to the new fiscal year.

The construction in progress consists of a security system update that is expected to be completed during the upcoming fiscal year.

We anticipate capital additions will be fairly consistent for the next 1-3 years, continuing to focus resources on security, technology improvements, and other enhancements that are needed at various buildings in the district.

We present more detailed information about our capital assets in the notes to the financial statements.

BAY-ARENAC ISD
Management's Discussion and Analysis
For the Year Ended June 30, 2025

Debt

At the end of this year, the School District had \$475,000 in bonds outstanding versus \$710,000 in the previous year - a decrease of 33%.

	<u>2025</u>	<u>2024</u>
2016 School Building and Site Bonds	<u>\$ 475,000</u>	<u>\$ 710,000</u>

We present more detailed information on debt in the notes to the financial statements.

BAY-ARENAC ISD
Management's Discussion and Analysis
For the Year Ended June 30, 2025

Factors Expected to have an Effect on Future Operations

We continue to focus on the improvement of buildings and grounds into the 25/26 school year. Projects include the continuation of security enhancements which will include some building renovation, technology improvements, and other building updates.

Our elected Board and administration consider many factors when setting the School District's 2025-2026 fiscal year budget. When looking at revenues, the two most important factors are local property taxes and State Aid. Approximately 37% of the School District's income is in the form of property taxes. Taxable values have been relatively stable as of late. Preliminary taxable values for the district for the 2025-26 fiscal year show an increase in taxable values. We hope this trend continues going forward into the future.

State sources of revenue also account for over 40% of the School District's revenue. As a result, the financial health of the State of Michigan and its ability to collect revenues to fund its appropriation to school districts is an important factor in the financial stability of the School District. We have received a variety of one time funding for the past few years. While these funding sources are welcome, they create unpredictable funding. The uncertainty of these revenue sources going forward, causes us to continue to be conservative in our long term budget forecasting.

On the expenditure side of the budget, the largest expenditures are staff wages and benefits. The two areas that have consistently had the largest impact on the School District's finances have been in the areas of health insurance costs and the retirement rate paid by the school district to the Michigan Public Schools Employees Retirement System. On the healthcare side, the district operates under the hard cap on employer contributions under PA 152. While the hard cap has provided some stability in the district's health care costs, continued increases in this area are anticipated going forward due to the continuing increases in costs in health care in general. If changes in the hard cap take place, the impact could be substantial to the costs of the district. One time funding for retirement has been provided under different state categoricals the past couple of years. We are expected to have some of these funds removed for 2025-2026. These factors were considered in preparing the District's budgets for the 2025-26 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Business Office
Bay-Arenac Intermediate School District
4228 Two Mile Road
Bay City, MI 48706-9723

BAY-ARENAC ISD
Statement of Net Position
June 30, 2025

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments	\$ 36,735,901
Receivables - net:	
Taxes receivable	31,628
Accounts receivable	3,255,770
Due from other governmental units	7,273,245
Prepaid expenses	41,684
Inventory	1,162,042
Capital assets less accumulated depreciation \$20,958,650	21,009,515
Net OPEB Asset	<u>8,613,326</u>
Total assets	<u>78,123,111</u>
<u>Deferred Outflows of Resources</u>	
Related to pensions	14,349,857
Related to OPEB	2,159,490
Loss on bond refunding	<u>15,858</u>
Total deferred outflows of resources	<u>16,525,205</u>
<u>Liabilities</u>	
Accounts payable	5,104,830
Unearned revenue	6,525,581
Due to other governments	52,726
Accrued payroll and payroll taxes	3,830,456
Accrued interest payable	1,780
Long-term liabilities:	
Due within one year	235,000
Due in more than one year	832,998
Net pension liability	<u>48,867,677</u>
Total liabilities	<u>65,451,048</u>
<u>Deferred Inflows of Resources</u>	
Related to pensions	16,629,801
Related to OPEB	<u>11,081,545</u>
Total deferred inflows of resources	<u>27,711,346</u>
<u>Net Position</u>	
Net investment in capital assets	20,525,084
Restricted for debt service	4,682
Restricted for capital projects	11,278,747
Restricted for net OPEB asset	8,613,326
Unrestricted	<u>(38,935,917)</u>
Total net position	<u>\$ 1,485,922</u>

See accompanying notes to financial statements.

BAY-ARENAC ISD
Statement of Activities
For the Year Ended June 30, 2025

		<u>Program Revenues</u>		<u>Governmental</u>
				<u>Activities</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Net (Expense)</u>
<u>Functions/Programs</u>		<u>Services</u>	<u>Grants/</u>	<u>Revenue and</u>
			<u>Contributions</u>	<u>Changes in Net</u>
				<u>Position</u>
Primary government -				
Governmental activities:				
Instruction	\$ 8,431,099	\$ 187,345	\$ 16,971,299	\$ 8,727,545
Support	37,167,270	6,494,654	6,639,287	(24,033,329)
Community services	693,261	0	0	(693,261)
Improvements	427,855	0	0	(427,855)
Transfers out to other local				
districts	8,328,560	0	6,353,516	(1,975,044)
Student activities	232,194	225,255	0	(6,939)
Debt - interest	17,067	0	0	(17,067)
Depreciation (unallocated)	983,644	0	0	(983,644)
Total governmental activities	<u>\$ 56,280,950</u>	<u>\$ 6,907,254</u>	<u>\$ 29,964,102</u>	<u>(19,409,594)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				20,571,599
State aid				13,644,421
Investment earnings				1,084,794
Other				8,694,232
Total general revenues				<u>43,995,046</u>
Change in net position				24,585,452
Net position - beginning of year, as previously stated				(22,823,022)
Change in accounting principle				<u>(276,508)</u>
Net position - beginning of year, restated				<u>(23,099,530)</u>
Net position - end of year				<u>\$ 1,485,922</u>

See accompanying notes to financial statements.

BAY-ARENAC ISD
Governmental Funds
Balance Sheet
June 30, 2025

	General	Special Education	Vocational Education	General Fund Improvements	Special Education Improvements	Other Nonmajor Governmental Funds	Total
<u>Assets</u>							
Cash and investments	\$ 13,227,524	\$ 9,069,247	\$ 3,356,614	\$ 6,649,797	\$ 4,400,665	\$ 32,054	\$ 36,735,901
Receivables							
Taxes receivable	1,214	18,246	12,168	0	0	0	31,628
Accounts receivable	81,008	7,364	18,683	3,148,715	0	0	3,255,770
Due from other funds	2,924,294	345,280	27,533	0	2,100,000	416,467	5,813,574
Due from other governmental units	3,149,863	3,751,419	371,963	0	0	0	7,273,245
Prepaid expenditures	29,507	2,678	9,499	0	0	0	41,684
Inventory	0	0	1,162,042	0	0	0	1,162,042
Total assets	<u>\$ 19,413,410</u>	<u>\$ 13,194,234</u>	<u>\$ 4,958,502</u>	<u>\$ 9,798,512</u>	<u>\$ 6,500,665</u>	<u>\$ 448,521</u>	<u>\$ 54,313,844</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>							
<u>Liabilities</u>							
Accounts payable	\$ 3,842,655	\$ 852,877	\$ 170,810	\$ 224,421	\$ 0	\$ 14,067	\$ 5,104,830
Due to other funds	371,131	2,101,682	416,467	2,924,294	0	0	5,813,574
Unearned revenue	6,455,478	14,673	55,430	0	0	0	6,525,581
Due to other governments	52,367	359	0	0	0	0	52,726
Accrued payroll and payroll taxes	1,109,636	2,053,378	667,442	0	0	0	3,830,456
Total liabilities	<u>11,831,267</u>	<u>5,022,969</u>	<u>1,310,149</u>	<u>3,148,715</u>	<u>0</u>	<u>14,067</u>	<u>21,327,167</u>
<u>Deferred Inflows of Resources</u>							
unavailable revenue - 60 day	21,703	0	0	2,288,470	0	0	2,310,173
Total deferred inflows of resources	<u>21,703</u>	<u>0</u>	<u>0</u>	<u>2,288,470</u>	<u>0</u>	<u>0</u>	<u>2,310,173</u>
<u>Fund Balance</u>							
Nonspendable - inventory and prepaids	29,507	2,678	1,171,541	0	0	0	1,203,726
Restricted for purpose	0	7,663,587	2,476,812	4,361,327	6,500,665	423,217	21,425,608
Committed for improvements	0	505,000	0	0	0	0	505,000
Committed for student/school activities	0	0	0	0	0	11,237	11,237
Unassigned	7,530,933	0	0	0	0	0	7,530,933
Total fund balance	<u>7,560,440</u>	<u>8,171,265</u>	<u>3,648,353</u>	<u>4,361,327</u>	<u>6,500,665</u>	<u>434,454</u>	<u>30,676,504</u>
Total liabilities, deferred outflows of resources and fund balance	<u>\$ 19,413,410</u>	<u>\$ 13,194,234</u>	<u>\$ 4,958,502</u>	<u>\$ 9,798,512</u>	<u>\$ 6,500,665</u>	<u>\$ 448,521</u>	<u>\$ 54,313,844</u>

BAY-ARENAC ISD
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2025

Total fund balance - governmental funds	\$ 30,676,504
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	41,968,165
Accumulated depreciation	(20,958,650)
Net OPEB Asset	8,613,326
Deferred outflows used in governmental activities are not financial resources and therefore are not reported in governmental funds:	
Related to pensions	14,349,857
Related to OPEB	2,159,490
Loss on bond refunding	15,858
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(475,000)
Compensated absences	(583,567)
Net pension liability	(48,867,677)
Bond premium	(9,431)
Accrued interest payable is included as a liability in governmental activities	(1,780)
Unavailable revenue from other governmental units at June 30, 2025 and collected after September 1, 2025	2,310,173
Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in governmental funds:	
Related to pensions	(16,629,801)
Related to OPEB	(11,081,545)
Total net position - governmental activities	<u>\$ 1,485,922</u>

BAY-ARENAC ISD
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2025

	General	Special Education	Vocational Education	General Fund Improvements	Special Education Improvements	Other Nonmajor Governmental Funds	Total
<u>Revenues</u>							
Local sources	\$ 1,852,680	\$ 14,046,845	\$ 8,787,843	\$ 7,959,328	\$ 195,797	\$ 229,127	\$ 33,071,620
State sources	15,403,316	14,854,291	2,136,639	0	0	0	32,394,246
Federal sources	979,657	5,315,503	316,547	0	0	0	6,611,707
Interdistrict and other sources	2,694,855	1,057,902	201,526	0	0	0	3,954,283
Total revenues	20,930,508	35,274,541	11,442,555	7,959,328	195,797	229,127	76,031,856
<u>Expenditures</u>							
Instruction	400,302	6,588,349	5,839,815	0	0	0	12,828,466
Support services	10,943,592	24,138,951	4,366,933	10,007,858	0	0	49,457,334
Community services	651,982	41,279	0	0	0	0	693,261
Debt service:							
Principal	0	0	0	0	0	235,000	235,000
Interest and other	0	0	0	0	0	15,388	15,388
Support other	0	0	0	0	0	232,194	232,194
Capital outlay	220,540	218,106	335,267	0	0	500	774,413
Total expenditures	12,216,416	30,986,685	10,542,015	10,007,858	0	483,082	64,236,056
Excess (deficiency) of revenues over expenditures	8,714,092	4,287,856	900,540	(2,048,530)	195,797	(253,955)	11,795,800
<u>Other Financing Sources (Uses)</u>							
Transfers in	541,937	0	0	1,300,000	2,100,000	650,887	4,592,824
Transfers out	0	(3,689,213)	(903,611)	0	0	0	(4,592,824)
Transfers Out to Other Public Schools	(7,562,700)	(646,573)	(86,609)	0	0	0	(8,295,882)
Total other financing sources (uses)	(7,020,763)	(4,335,786)	(990,220)	1,300,000	2,100,000	650,887	(8,295,882)
Net change in fund balance	1,693,329	(47,930)	(89,680)	(748,530)	2,295,797	396,932	3,499,918
Fund balance - beginning of year, as previously stated	5,867,111	8,219,195	3,738,033	5,109,857	0	4,242,390	27,176,586
Adjustments to beginning fund balance	0	0	0	0	4,204,868	(4,204,868)	0
Fund balance - beginning of year, restated	5,867,111	8,219,195	3,738,033	5,109,857	4,204,868	37,522	27,176,586
Fund balance - end of year	\$ 7,560,440	\$ 8,171,265	\$ 3,648,353	\$ 4,361,327	\$ 6,500,665	\$ 434,454	\$ 30,676,504

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, 2025

Net change in fund balance - total governmental funds	\$ 3,499,918
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	(983,644)
Capital outlay	10,779,528
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	(77,470)
Accrued interest is reported as a reduction in expenditures on the statement of activities	1,537
Unavailable revenue from other governmental units at June 30, 2025 and collected after September 1, 2025	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	5,243,977
OPEB related items	<u>3,579,648</u>
Change in net position of governmental activities	<u>\$ 24,585,452</u>

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

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.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

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

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

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.

Amounts reported as program revenues 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 revenues rather than as program revenues. Likewise, general revenues include all taxes, unrestricted grants and interest income.

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.

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.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (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.

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.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. 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.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

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.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

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	\$ 29,507	\$ 2,678	\$1,171,541	\$ 0	\$ 0	\$ 0	\$ 1,203,726
Restricted for:							
Special education							
activities	0	7,217,221	0	0	0	0	7,217,221
Estate contributions	0	446,366	0	0	0	0	446,366
Vocational education							
activities	0	0	2,476,812	0	0	0	2,476,812
2010 building and site							
bonds	0	0	0	1,389	0	0	1,389
2016 building and site							
bonds	0	0	0	5,073	0	0	5,073
General fund							
improvements	0	0	0	0	4,361,327	0	4,361,327
Special education							
improvements	0	0	0	0	6,500,665	0	6,500,665
Career center							
improvements	0	0	0	0	416,755	0	416,755
Total restricted	0	7,663,587	2,476,812	6,462	11,278,747	0	21,425,608
Committed for:							
Improvements	0	505,000	0	0	0	0	505,000
Student/school							
activities	0	0	0	0	0	11,237	11,237
Total Committed	0	505,000	0	0	0	11,237	516,237
Unassigned	7,530,932	0	0	0	0	0	7,530,932
Total fund balances - government al funds	<u>\$7,560,439</u>	<u>\$8,171,265</u>	<u>\$3,648,353</u>	<u>\$ 6,462</u>	<u>\$ 11,278,747</u>	<u>\$11,237</u>	<u>\$30,676,503</u>

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

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 position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. They are the deferred charge on refunding and pension and other postemployment benefits contributions reported in the government-wide statement of net position. A deferred charge on refunding 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. For district-wide financial statements, the School District reports deferred outflows of resources related to pensions and other postemployment benefits. Changes in assumptions relating to the net pension and other postemployment benefits liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension and other postemployment benefits contributions made after the measurement date. This amount will reduce the net pension and other postemployment benefits liability in the following year. Deferred outflows are also present for the result of a difference between what the plan expected to experience and what was actually experienced. This amount will be amortized over the next four years and included in pension and other postemployment benefits expense. There is also a deferred outflow for changes in proportion and differences between employer contributions and proportionate share of contributions. This amount will be amortized over the next four years and included in pension and other postemployment benefits expense.

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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue arises only under a modified accrual basis of accounting. Accordingly, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from receipts that are received after 60 days of year end. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available. For district-wide financial statements, the School District reports deferred inflows of resources related to pensions and other postemployment benefits. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and other postemployment benefits expense. The amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and other postemployment benefits expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to Section 147c state aid deferred to offset the deferred outflows related to Section 147c pension contributions subsequent to the measurement period. There is also a deferred inflow for changes in proportion and differences between employer contributions and proportionate share of contributions. This amount will be amortized over the next six years and included in pension and other postemployment benefits expense.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2025, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan.

The 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, 2025 relating to state aid is \$6,217,185.

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
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 2 - BUDGETS (CONTINUED)

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.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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:

	<u>Primary Government</u>
Cash and cash equivalents	\$ 15,073,837
Investments	21,662,064
	<u>\$ 36,735,901</u>

As of June 30, 2025 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, 2025, \$30,384,308 of the School District's bank balance of \$31,134,308 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the 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.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

<u>Investment type</u>	<u>Fair value</u>	<u>Weighted average maturity (years)</u>
MILAF External Investment Pool - CMC	\$ 21,662,064	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:

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.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

	Amortized Cost
MILAF External Investment pool - CMC	<u>\$ 21,662,064</u>

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, 2024	Additions	Disposals and Adjustments	Balance June 30, 2025
Assets not being depreciated:				
Land	\$ 40,000	\$ 0	\$ 0	\$ 40,000
Construction in progress	379,385	10,228,896	(379,385)	10,228,896
Subtotal	419,385	10,228,896	(379,385)	10,268,896
Capital assets being depreciated:				
Buildings and improvements	27,882,820	568,154	0	28,450,974
Furniture and equipment	2,886,432	361,863	0	3,248,295
Subtotal	30,769,252	930,017	0	31,699,269
Accumulated depreciation:				
Buildings and improvements	17,628,733	863,944	0	18,492,677
Furniture and equipment	2,346,273	119,700	0	2,465,973
Subtotal	19,975,006	983,644	0	20,958,650
Net capital assets being depreciated	10,794,246	1,913,661	0	10,740,619
Net capital assets	<u>\$ 11,213,631</u>	<u>\$ 12,142,557</u>	<u>\$ (379,385)</u>	<u>\$ 21,009,515</u>

Depreciation expense for fiscal year ended June 30, 2025 was \$983,644. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund receivable and payable balances at June 30, 2025 are as follows:

		<u>Payables</u>				
		<u>General</u>	<u>Special Education</u>	<u>Vocational Education</u>	<u>Capital Projects Funds</u>	<u>Total</u>
Receivables	General	\$ 0	\$ 0	\$ 0	\$924,294	\$2,924,294
	Special Education	345,280	0	0	0	345,280
	Vocational Education	25,851	1,682	0	0	27,533
	Career Center Improvements	0	0	400,000	0	400,000
	Special Education Improvements	0	2,100,000	0	0	2,100,000
	Student Activities	0	0	16,647	0	16,647
		<u>\$ 371,131</u>	<u>\$2,101,682</u>	<u>\$ 416,647</u>	<u>\$924,294</u>	<u>\$5,813,754</u>

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

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

A summary of interfund transfers made during the year ended June 30, 2025 are as follows:

		<u>Transfers Out</u>		
		<u>Special Education</u>	<u>Vocational Education</u>	<u>Total</u>
Transfers In	General	\$ 289,213	\$ 252,724	\$ 541,937
	Vocational			
	Education	0	0	0
	2016 Building and			
	Site Bonds	0	250,887	250,887
	Special Education			
	Improvements	2,100,000	0	2,100,000
	General Fund			
	Improvements	1,300,000	0	1,300,000
	Career Center			
	Improvements	0	400,000	400,000
		<u>\$ 3,689,213</u>	<u>\$ 903,611</u>	<u>\$ 4,592,824</u>

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

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, 2025 consist of taxes, accounts (fees), intergovernmental grants and interest.

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

State aid	\$ 6,217,185
Federal grants	939,761
Other	116,299
	<u>\$ 7,273,245</u>

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

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 \$6,525,581.

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, 2025:

	Balance June 30, 2024	Additions	Retirements and Payments	Balance June 30, 2025	Amount Due Within One Year
General obligation bonds	\$ 724,146	\$ 0	\$ 239,715	\$ 484,431	\$ 235,000
Compensated absences	506,097	77,470	0	583,567	0
	<u>\$ 1,230,243</u>	<u>\$ 77,470</u>	<u>\$ 239,715</u>	<u>\$ 1,067,998</u>	<u>\$ 235,000</u>

Long-term obligations at June 30, 2025 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.	\$ 475,000
Bond premium	9,431
Total bonded debt	<u>\$ 484,431</u>

The annual debt service requirements on long-term debt as of June 30, 2025, including interest payments are as follows:

<u>Year Ended June 30</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 235,000	\$ 10,687	\$ 245,687
2027	240,000	5,400	245,400
	<u>\$ 475,000</u>	<u>\$ 16,087</u>	<u>\$ 491,087</u>

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

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.

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, 2024.

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) (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. MPERS 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.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

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

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:

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

Benefits Provided - Pension

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

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

Pension Reform 2010

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

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

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

Pension Reform 2012

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

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

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

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

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

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

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

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

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

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.

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.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

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

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.

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.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

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

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

Member Contributions

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

Employer Contributions

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2024 were determined as of the September 30, 2021 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2021, are amortized over a 15-year period beginning October 1, 2023 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:

	<u>Pension</u>	<u>Other Postemployment Benefit</u>
October 1, 2024 - September 30, 2025	20.96% - 30.11%	0.00% - 1.25%
October 1, 2023 - September 30, 2024	13.09% - 23.03%	7.06% - 8.31%

The School District's pension contributions for the year ended June 30, 2025 were equal to the required contribution total. Total pension contributions were approximately \$9,486,000. Of the total pension contributions approximately \$8,771,000 was contributed to fund the Defined Benefit Plan and approximately \$715,000 was contributed to fund the Defined Contribution Plan.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

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

The School District's OPEB contributions for the year ended June 30, 2025 were equal to the required contribution total. Total OPEB contributions were approximately \$486,000. Of the total OPEB contributions approximately \$330,000 was contributed to fund the Defined Benefit Plan and approximately \$156,000 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).

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, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2023 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, 2024	September 30, 2023
Total Pension Liability	\$ 95,765,499,515	\$ 94,947,828,557
Plan Fiduciary Net Position	\$ 71,283,482,728	\$ 62,581,762,238
Net Pension Liability	\$ 24,482,016,787	\$ 32,366,066,319
Proportionate share	0.19961 %	0.19805 %
Net Pension liability for the School District	\$ 48,867,677	\$ 64,100,004

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

For the year ended June 30, 2025, the School District recognized pension expense of approximately \$(674,920).

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

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

At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual experience	\$ 1,325,814	\$ (530,954)
Net difference between projected and actual earnings on pension plan investments	0	(9,326,024)
Changes in assumptions	5,094,745	(3,580,455)
Changes in proportion and differences between employer contributions and proportionate share of contributions	574,101	(499,659)
Unearned revenue related to pension portion of section 147 c	0	(2,692,709)
School District's contributions subsequent to the measurement date	<u>7,355,197</u>	<u>0</u>
Total	<u>\$ 14,349,857</u>	<u>\$ (16,629,801)</u>

\$7,355,197, 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	<u>Amount</u>
2026	\$ (1,430,998)
2027	316,004
2028	(3,428,953)
2029	(2,398,485)
	<u>\$ (6,942,432)</u>

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

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, 2024, and the total OPEB liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation date of September 30, 2023 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.

MPERS (Plan) Non-University Employers:	September 30, 2024	September 30, 2023
Total OPEB Liability	\$ 9,991,545,923	\$ 11,223,648,949
Plan Fiduciary Net Position	\$ 14,295,943,589	\$ 11,789,347,341
Net OPEB (Asset) Liability	\$ (650,254,060)	\$ (565,698,392)
Proportionate share	0.20011 %	0.19838 %
Net OPEB (Asset) Liability for the School District	\$ (8,613,326)	\$ (1,122,217)

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

For the year ended June 30, 2025, the School District recognized OPEB expense of approximately \$(1,888,739).

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

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

At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Difference between expected and actual experience	\$ 0	\$ (9,127,495)
Net difference between projected and actual plan investments	0	(1,630,601)
Changes in assumption	1,881,274	(216,237)
Changes in proportion and differences between employer contributions and proportionate share of contributions	118,927	(107,212)
School District's contributions subsequent to the measurement date	<u>159,289</u>	<u>0</u>
Total	<u><u>\$ 2,159,490</u></u>	<u><u>\$ (11,081,545)</u></u>

\$159,289, 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
2026	\$ (2,926,838)
2027	(1,787,767)
2028	(1,756,208)
2029	(1,586,118)
2030	(862,247)
Thereafter	(162,166)
	<u><u>\$ (9,081,344)</u></u>

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.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

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, 2024. 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, 7.14% 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.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

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, 2024 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation*	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.3%
Private Equity Pools	16.0%	9.0%
International Equity Pools	15.0%	6.5%
Fixed Income Pools	13.0%	2.2%
Real Estate and Infrastructure Pools	10.0%	7.1%
Absolute Return Pools	9.0%	5.2%
Real Return/Opportunistic Pools	10.0%	6.9%
Short Term Investment Pools	2.0%	1.4%
Total	100.0%	

*Long term rate of return are net of administrative expenses and 2.3% inflation.

Rate of return - For fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 15.47% and 15.45% 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.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

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		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability	<u>\$71,640,540</u>	<u>\$48,867,677</u>	<u>\$29,904,888</u>

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		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB (asset) liability	<u>\$(6,656,449)</u>	<u>\$(8,613,326)</u>	<u>\$(10,305,252)</u>

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

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	<u>\$(10,305,271)</u>	<u>\$(8,613,326)</u>	<u>\$(6,798,724)</u>

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 2023 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.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 12 - ADJUSTMENTS TO BEGINNING FUND BALANCE

During fiscal year 2025, changes to or within the financial reporting entity resulted in adjustments to of beginning fund balances as follows:

	<u>Reporting Units Affected by Adjustments to and Restatements of Beginning Balances</u>						
	<u>General</u>	<u>Special Education</u>	<u>Vocational Education</u>	<u>General Fund Improvements</u>	<u>Special Education Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balance, as previously reported	\$ 5,867,111	\$8,219,195	\$3,738,033	\$ 5,109,857	\$ 0	\$ 4,242,390	\$ 27,176,586
Change from nonmajor to major fund	0	0	0	0	4,204,868	(4,204,868)	0
Fund balance, as restated	<u>\$ 5,867,111</u>	<u>\$8,219,195</u>	<u>\$3,738,033</u>	<u>\$ 5,109,857</u>	<u>\$ 4,204,868</u>	<u>\$ 37,522</u>	<u>\$ 27,176,586</u>

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2025, the School District implemented the following new pronouncement:

GASB Statement No. 101, *Compensated Absences*.

Summary:

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 14 - 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.

The property taxes abated for all funds by municipality under these programs are as follows:

<u>Municipality</u>	<u>Taxes Abated</u>
City of Bay	\$ 305,500
Augres	1,112
	<u>\$ 306,612</u>

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENT

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENT (CONTINUED)

- 1) Overview of the Financial Statements,
- 2) Financial Summary,
- 3) Detailed Analyses,
- 4) Significant Capital Asset and Long-Term Financing Activity,
- 5) Currently Known Facts, Decisions, or Conditions;
- ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
- iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- 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 of 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;

The School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

BAY-ARENAC ISD
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2025

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Local sources	\$ 1,395,029	\$ 1,957,555	\$ 1,852,680	\$ (104,875)
State sources	15,410,958	22,841,969	15,403,316	(7,438,653)
Federal sources	1,312,271	1,478,601	979,657	(498,944)
Interdistrict and other sources	2,363,203	14,627,124	2,694,855	(11,932,269)
Total revenues	<u>20,481,461</u>	<u>40,905,249</u>	<u>20,930,508</u>	<u>(19,974,741)</u>
<u>Expenditures</u>				
Instruction:				
Basic programs	154,942	186,452	160,993	25,459
Added needs	27,292	38,483	25,513	12,970
Adult/continuing education	328,076	500,994	213,796	287,198
Support services:				
Pupil	3,186,303	3,892,052	3,430,870	461,182
Instructional staff	5,199,054	6,886,319	4,792,025	2,094,294
General administrative	277,159	320,601	261,826	58,775
School administrative	82,046	94,035	71,144	22,891
Business services	708,682	668,587	625,845	42,742
Operations and maintenance	361,322	695,144	555,231	139,913
Transportation	19,640	15,199	9,883	5,316
Information services	995,823	13,246,825	1,196,756	12,050,069
Support other	0	20	12	8
Community services	430,602	1,033,555	651,982	381,573
Capital outlay	0	264,673	220,540	44,133
Total expenditures	<u>11,770,941</u>	<u>27,842,939</u>	<u>12,216,416</u>	<u>15,626,523</u>
Excess (deficiency) of revenues over expenditures	<u>8,710,520</u>	<u>13,062,310</u>	<u>8,714,092</u>	<u>(4,348,218)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	450,000	541,937	541,937	0
Operating transfers out	(870,532)	(2,312,452)	0	2,312,452
Transfers out to other local districts	(7,914,595)	(9,879,074)	(7,562,700)	2,316,374
Total other financing sources (uses)	<u>(8,335,127)</u>	<u>(11,649,589)</u>	<u>(7,020,763)</u>	<u>4,628,826</u>
Net change in fund balance	375,393	1,412,721	1,693,329	280,608
Fund balance - beginning of year	<u>5,867,111</u>	<u>5,867,111</u>	<u>5,867,111</u>	<u>0</u>
Fund balance - end of year	<u>\$ 6,242,504</u>	<u>\$ 7,279,832</u>	<u>\$ 7,560,440</u>	<u>\$ 280,608</u>

BAY-ARENAC ISD
Required Supplemental Information
Budgetary Comparison Schedule - Special Education Fund
For the Year Ended June 30, 2025

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Local sources	\$ 13,644,860	\$ 14,139,671	\$ 14,046,845	\$ (92,826)
State sources	12,043,038	14,167,332	14,854,291	686,959
Federal sources	5,353,340	5,671,362	5,315,503	(355,859)
Interdistrict and other sources	1,407,355	1,938,923	1,057,902	(881,021)
Total revenues	<u>32,448,593</u>	<u>35,917,288</u>	<u>35,274,541</u>	<u>(642,747)</u>
<u>Expenditures</u>				
Instruction:				
Added needs	6,784,433	6,696,219	6,588,349	107,870
Support services:				
Pupil	14,919,311	15,517,812	15,300,632	217,180
Instructional staff	2,909,696	3,291,909	3,072,162	219,747
General administrative	331,234	321,574	357,172	(35,598)
School administrative	1,500	1,700	1,128	572
Business services	604,098	548,972	542,759	6,213
Operations and maintenance	749,488	689,001	632,421	56,580
Transportation	2,349,800	2,693,350	2,915,572	(222,222)
Information services	1,163,631	1,372,001	1,310,823	61,178
Support other	3,000	6,000	6,282	(282)
Community services	28,158	389	41,279	(40,890)
Capital outlay	55,000	232,153	218,106	14,047
Total expenditures	<u>29,899,349</u>	<u>31,371,080</u>	<u>30,986,685</u>	<u>384,395</u>
Excess (deficiency) of revenues over expenditures	<u>2,549,244</u>	<u>4,546,208</u>	<u>4,287,856</u>	<u>(258,352)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers out	(2,089,283)	(4,200,000)	(3,689,213)	510,787
Transfers out to other local districts	(600,000)	(646,573)	(646,573)	0
Total other financing sources (uses)	<u>(2,689,283)</u>	<u>(4,846,573)</u>	<u>(4,335,786)</u>	<u>510,787</u>
Net change in fund balance	(140,039)	(300,365)	(47,930)	252,435
Fund balance - beginning of year	<u>8,219,195</u>	<u>8,219,195</u>	<u>8,219,195</u>	<u>0</u>
Fund balance - end of year	<u>\$ 8,079,156</u>	<u>\$ 7,918,830</u>	<u>\$ 8,171,265</u>	<u>\$ 252,435</u>

BAY-ARENAC ISD
Required Supplemental Information
Budgetary Comparison Schedule - Vocational Education Fund
For the Year Ended June 30, 2025

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Local sources	\$ 8,301,412	\$ 8,687,408	\$ 8,787,843	\$ 100,435
State sources	2,744,850	2,166,777	2,136,639	(30,138)
Federal sources	468,667	356,008	316,547	(39,461)
Interdistrict other sources	206,755	178,522	201,526	23,004
Total revenues	<u>11,721,684</u>	<u>11,388,715</u>	<u>11,442,555</u>	<u>53,840</u>
<u>Expenditures</u>				
Instruction:				
Added needs	5,785,238	5,863,516	5,754,216	109,300
Adult/continuing education	145,963	113,733	85,599	28,134
Support services:				
Pupil	1,111,168	873,806	884,840	(11,034)
Instructional staff	157,543	245,836	234,776	11,060
General administrative	216,598	141,675	140,385	1,290
School administrative	1,100,232	1,004,582	988,187	16,395
Business services	264,478	247,803	241,177	6,626
Operations and maintenance	1,427,023	1,508,535	1,363,236	145,299
Transportation	30,250	38,265	36,169	2,096
Information services	172,665	363,345	331,215	32,130
Support other	160,456	146,500	146,948	(448)
Capital outlay	125,000	367,970	335,267	32,703
Total expenditures	<u>10,696,614</u>	<u>10,915,566</u>	<u>10,542,015</u>	<u>373,551</u>
Excess (deficiency) of revenues over expenditures	<u>1,025,070</u>	<u>473,149</u>	<u>900,540</u>	<u>427,391</u>
<u>Other Financing Sources (Uses)</u>				
Transfers out	(562,434)	(910,887)	(903,611)	7,276
Transfers out to other local districts	(271,343)	(118,891)	(86,609)	32,282
Total other financing sources (uses)	<u>(833,777)</u>	<u>(1,029,778)</u>	<u>(990,220)</u>	<u>39,558</u>
Net change in fund balance	191,293	(556,629)	(89,680)	466,949
Fund balance - beginning of year	<u>3,738,033</u>	<u>3,738,033</u>	<u>3,738,033</u>	<u>0</u>
Fund balance - end of year	<u>\$ 3,929,326</u>	<u>\$ 3,181,404</u>	<u>\$ 3,648,353</u>	<u>\$ 466,949</u>

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)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Reporting unit's proportion of net pension liability (%)	0.19961 %	0.19805 %	0.19870 %	0.19675 %	0.19589 %	0.19437 %	0.19396 %	0.19325 %	0.19573 %	0.20476 %
Reporting unit's proportionate share of net pension liability	\$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	\$50,011,786
Reporting unit's covered-employee payroll*	\$19,776,930	\$19,776,928	\$19,181,918	\$17,790,363	\$17,458,949	\$16,998,106	\$16,539,989	\$16,214,825	\$16,201,398	\$17,113,159
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	247.09435 %	324.11507 %	389.58680 %	261.83395 %	385.41077 %	378.69097 %	352.51765 %	308.84467 %	301.41159 %	292.24170 %
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	65.91000 %	65.91000 %	60.77000 %	72.60000 %	59.72000 %	60.31000 %	62.36000 %	64.21000 %	63.27000 %	62.92000 %

* 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)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contributions	\$ 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	\$ 4,944,841
Contributions in relation to statutorily required contributions*	<u>11,295,842</u>	<u>9,606,886</u>	<u>9,216,226</u>	<u>6,587,258</u>	<u>5,913,317</u>	<u>5,319,693</u>	<u>5,168,695</u>	<u>5,342,249</u>	<u>4,501,127</u>	<u>4,944,841</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reporting unit's covered-employee payroll**	\$ 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	\$ 16,099,441
Contributions as a percentage of covered-employee payroll	50.80 %	46.45 %	47.15 %	36.22 %	33.49 %	30.53 %	30.66 %	32.48 %	26.91 %	30.71 %

* 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)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting unit's proportion of net OPEB (asset) liability (%)	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	\$ (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*	\$ 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	(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)	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)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 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*	<u>330,612</u>	<u>1,659,357</u>	<u>1,585,306</u>	<u>1,443,919</u>	<u>1,462,608</u>	<u>1,371,234</u>	<u>1,332,900</u>	<u>1,283,616</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reporting unit's covered-employee payroll**	\$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	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, 2025

NOTE 1 - 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 3, 20218 actuarial valuation decreased by 0.25 percentage points.
- ◆ **2018** - The discount rate used in the September 3, 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 2 - 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 except for the following:

- ◆ **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.

BAY-ARENAC ISD
Notes to Required Supplementary Information
For the Year Ended June 30, 2025

NOTE 2 - OPEB INFORMATION (CONTINUED)

- ◆ **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, 2025

	Special Revenue Fund	Debt Service Funds		Capital Projects Fund		
	Student Activities	2016 Debt Service Fund	2010 Debt Service Fund	Special Education Improvements	Career Center Improvements	Total
<u>Assets</u>						
Cash and investments	\$ 8,837	\$ 5,073	\$ 1,389	\$ 0	\$ 16,755	\$ 32,054
Receivables						
Due from other funds	16,467	0	0	0	400,000	416,467
Total assets	<u>\$ 25,304</u>	<u>\$ 5,073</u>	<u>\$ 1,389</u>	<u>\$ 0</u>	<u>\$ 416,755</u>	<u>\$ 448,521</u>
<u>Liabilities and Fund Balance</u>						
<u>Liabilities</u>						
Accounts payable	\$ 14,067	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,067
<u>Fund Balance</u>						
Restricted for purpose	0	5,073	1,389	0	416,755	423,217
Committed for student/school activities	11,237	0	0	0	0	11,237
Total fund balance	<u>11,237</u>	<u>5,073</u>	<u>1,389</u>	<u>0</u>	<u>416,755</u>	<u>434,454</u>
Total liabilities and fund balance	<u>\$ 25,304</u>	<u>\$ 5,073</u>	<u>\$ 1,389</u>	<u>\$ 0</u>	<u>\$ 416,755</u>	<u>\$ 448,521</u>

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, 2025

	Special Revenue Fund	Debt Service Funds		Capital Projects Fund		
	Student Activities	2016 Building and Site Bonds	2010 Building and Site Bonds	Special Education Improvements	Career Center Improvements	Total
<u>Revenues</u>						
Local sources	\$ 226,826	\$ 1,946	\$ 0	\$ 0	\$ 355	\$ 229,127
Total revenues	226,826	1,946	0	0	355	229,127
<u>Expenditures</u>						
Debt service:						
Principal	0	235,000	0	0	0	235,000
Interest and other	0	15,388	0	0	0	15,388
Support other	232,194	0	0	0	0	232,194
Capital outlay	0	500	0	0	0	500
Total expenditures	232,194	250,888	0	0	0	483,082
Excess (deficiency) of revenues over expenditures	(5,368)	(248,942)	0	0	355	(253,955)
<u>Other Financing Sources (Uses)</u>						
Transfers in	0	250,887	0	0	400,000	650,887
Net change in fund balance	(5,368)	1,945	0	0	400,355	396,932
Fund balance - beginning of year, as previously stated	16,605	3,128	1,389	4,204,868	16,400	4,242,390
Adjustments to beginning fund balance	0	0	0	(4,204,868)	0	(4,204,868)
Fund balance - beginning of year, restated	16,605	3,128	1,389	0	16,400	37,522
Fund balance - end of year	\$ 11,237	\$ 5,073	\$ 1,389	\$ 0	\$ 416,755	\$ 434,454

BAY-ARENAC ISD
Other Supplemental Information
Schedule of Bonded Indebtedness - 2016 School Buildings & Site Bonds
For the Year Ended June 30, 2025

<u>DATE OF ISSUE</u>	April 18, 2016	
<u>AMOUNT OF ISSUE</u>		\$ 2,195,000
<u>AMOUNT OF REDEEMED</u>		
	During prior years	\$ 1,485,000
	During current year	<u>235,000</u>
		<u>1,720,000</u>
<u>BALANCE OUTSTANDING - June 30, 2025</u>		<u>\$ 475,000</u>

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	2.00%	\$ 235,000	\$ 10,687	\$ 245,687
2027	2.00%	<u>240,000</u>	<u>5,400</u>	<u>245,400</u>
		<u>\$ 475,000</u>	<u>\$ 16,087</u>	<u>\$ 491,087</u>