

BAY-ARENAC ISD
BAY CITY, MICHIGAN
FINANCIAL STATEMENTS
JUNE 30, 2022



WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

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INDEPENDENT AUDITOR'S REPORT

October 4, 2022

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, 2022 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 accompanying 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, 2022 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.

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



WEINLANDER FITZHUGH

Certified Public Accountants & Advisors

Required Supplementary Information

U.S. generally accepted accounting principles requires that the management's discussion and analysis, budgetary comparison information and pension and OPEB schedules, as noted in the table of contents to 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 non-major fund financial statements, schedule of bond indebtedness and schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly for 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 non-major fund financial statements, schedule of bonded indebtedness and schedule of expenditures of federal awards 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 4, 2022, 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, 2022

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, 2022.

Financial Highlights

The School District's net position increased by \$7,528,063. Program revenues were \$22,579,396 or 45% of total revenues, and general revenues were \$27,316,533 or 55%.

The General Fund reported a positive fund balance of \$4,152,402. The Special Education Fund reported a positive fund balance of \$7,567,840. The Vocational Education Fund reported a positive fund balance of \$2,668,434.

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 and the Vocational Education 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, 2022

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, 2022

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, 2022 and 2021:

Exhibit A	Governmental Activities	
	2022	2021
Assets		
Current and other assets	\$ 25,787,314	\$ 23,215,391
Capital assets - net of accumulated depreciation	10,935,855	10,455,337
Total assets	36,723,169	33,670,728
Deferred Outflows of Resources		
Loss on bond refunding	39,648	47,578
Related to pensions and OPEB	13,854,789	19,427,019
Total deferred outflows of resources	13,894,437	19,474,597
Liabilities		
Current liabilities	9,216,754	9,667,182
Long-term liabilities	50,798,772	79,357,181
Total liabilities	60,015,526	89,024,363
Deferred Inflows of Resources		
Related to pensions and OPEB	29,668,561	10,715,506
Total deferred inflows of resources	29,668,561	10,715,506
Net Position		
Net investment in capital assets	9,757,279	9,052,046
Restricted	2,332,058	1,324,743
Unrestricted	(51,155,818)	(56,971,333)
Total net position	\$ (39,066,481)	\$ (46,594,544)

The analysis on the previous page focuses on net position (see Exhibit A). The School District's net position was \$(39,066,481) at June 30, 2022. Investment in property and equipment, net of related debt totaling \$9,757,279, 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. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. 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.

BAY-ARENAC ISD
Management's Discussion and Analysis
For the Year Ended June 30, 2022

The \$(51,155,818) 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.

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 \$46,581,211 for 2022 and \$67,288,670 for 2021.

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, a liability of \$3,009,024 for 2022 and \$10,565,277 for 2021.

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, 2022 and 2021.

Exhibit B	Governmental Activities	
	2022	2021
Revenues		
Program revenue:		
Charges for services	\$ 4,746,397	\$ 4,093,090
Grants and categoricals	17,832,999	14,984,661
General revenue:		
Property taxes	17,544,727	17,146,699
State aid	8,908,430	8,168,487
Other	863,376	497,664
Total revenues	<u>49,895,929</u>	<u>44,890,601</u>
Function/Program Expenses		
Instruction	10,283,994	11,911,512
Support	24,512,785	26,674,516
Community services	380,504	414,040
Improvements	42,927	1,126
Transfers out to other local districts	5,890,276	4,969,227
Student activities	206,303	127,727
Debt - interest	31,172	35,486
Depreciation (unallocated)	1,019,905	837,945
Total expenses	<u>42,367,866</u>	<u>44,971,579</u>
Change in Net Position	<u>\$ 7,528,063</u>	<u>\$ (80,978)</u>

BAY-ARENAC ISD
Management's Discussion and Analysis
For the Year Ended June 30, 2022

As reported in the statement of activities, the cost of all of our governmental activities this year was \$42,367,866. Certain activities were partially funded from those who benefited from the programs, \$4,746,397, or by the other governments and organizations that subsidized certain programs with grants and categoricals of \$17,832,999. We paid for the remaining "public benefit" portion of our governmental activities with \$17,544,727 in taxes, \$8,908,430 in State aid and with our other revenues, such as interest and entitlements.

The School District had an increase in net position of \$7,528,063.

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 \$16,756,140, which is above last year's total of \$13,772,988. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2022 and 2021.

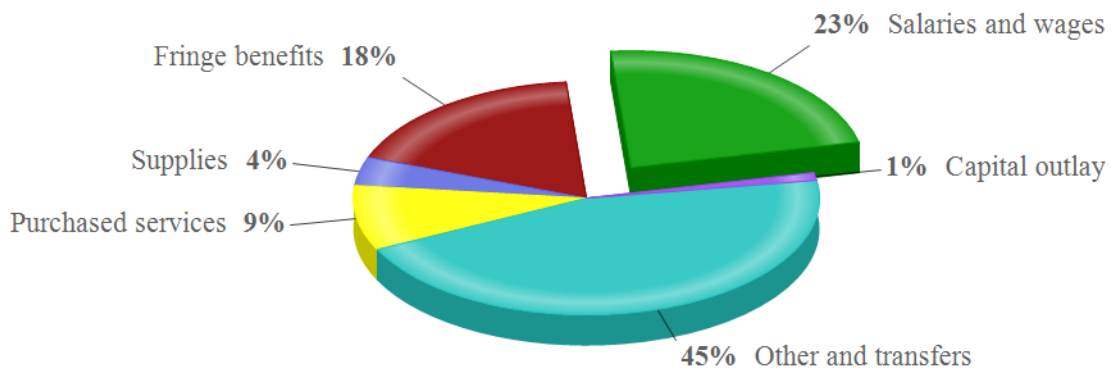
	Fund Balance <u>6/30/2022</u>	Fund Balance <u>6/30/2021</u>	Increase (Decrease)
General	\$ 4,152,402	\$ 3,215,563	\$ 936,839
Special Education	7,567,840	5,975,096	1,592,744
Vocational Education	2,668,434	3,205,512	(537,078)
Student/School Activities	31,361	52,074	(20,713)
Debt Service	4,561	4,561	0
Capital Projects	2,331,542	1,320,182	1,011,360
	<u>\$ 16,756,140</u>	<u>\$ 13,772,988</u>	<u>\$ 2,983,152</u>

- The General Fund and Special Education Fund increased due to additional grant opportunities that allowed for reduced expenditures at the local level. The Vocational Education Fund decreased mainly due to the need for building improvements.
- The Student/School Activities Fund decreased mainly due to the increase in students involved in state and national competitions.
- The Capital Projects Fund increased due to transferring additional dollars from the General Fund, Special Education Fund, and Vocational Education Fund to ensure the School District has funds available for future capital needs.

BAY-ARENAC ISD
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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



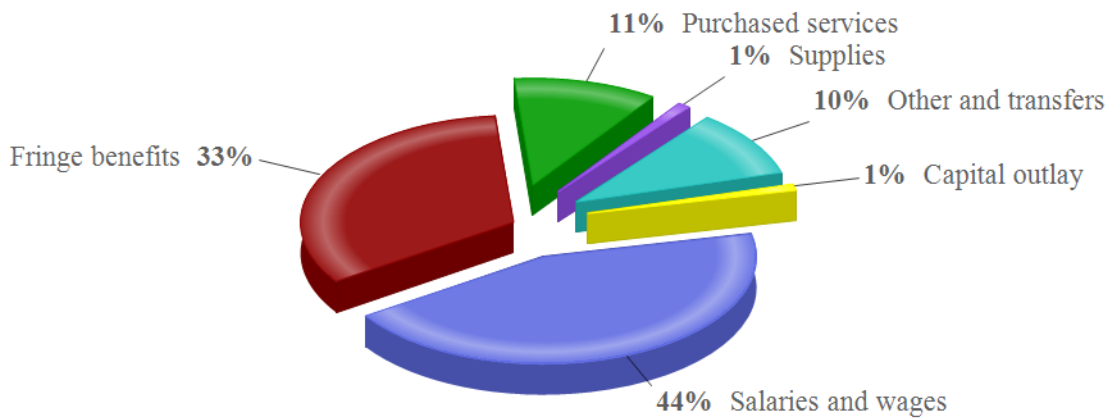
<u>Expenditures by Object</u>	<u>2022</u>	<u>2021</u>
Salaries and wages	\$ 2,973,305	\$ 2,371,982
Fringe benefits	2,287,530	1,692,103
Purchased services	1,078,151	795,546
Supplies	495,559	346,560
Capital outlay	152,498	115,452
Other and transfers	5,619,280	4,877,026
Total	<u>\$ 12,606,323</u>	<u>\$ 10,198,669</u>

Expenditures have increased by \$2,407,654 largely due to the increase in grant opportunities that have allowed for additional positions in our instructional services department.

BAY-ARENAC ISD
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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

Expenditures



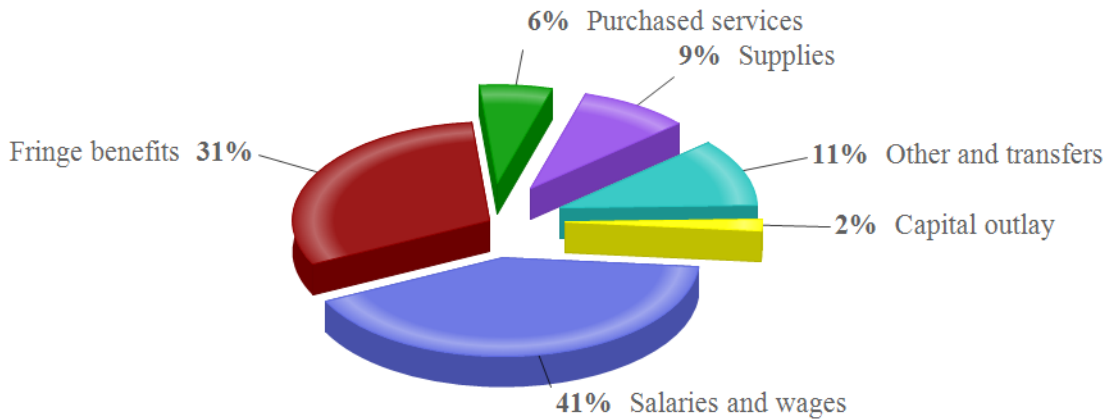
<u>Expenditures by Object</u>	<u>2022</u>	<u>2021</u>
Salaries and wages	\$ 11,381,029	\$ 11,374,740
Fringe benefits	8,637,642	8,440,224
Purchased services	2,920,401	2,484,873
Supplies	252,535	248,817
Capital outlay	65,882	96,869
Other and transfers	2,693,301	1,742,136
Total	<u>\$ 25,950,790</u>	<u>\$ 24,387,659</u>

Expenditures have increased by \$1,563,131. This increase can be attributed to a distribution of PA18 funds to our local districts.

BAY-ARENAC ISD
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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

Expenditures



<u>Expenditures by Object</u>	<u>2022</u>	<u>2021</u>
Salaries and wages	\$ 4,159,142	\$ 4,041,810
Fringe benefits	3,180,323	3,148,767
Purchased services	574,732	576,750
Supplies	937,209	853,795
Capital outlay	174,253	289,286
Other and transfers	1,122,514	981,684
Total	<u>\$ 10,148,173</u>	<u>\$ 9,892,092</u>

Expenditures have increased by \$256,081 largely due to natural rise in inflation.

BAY-ARENAC ISD
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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 general, 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 \$4,730,995 due to increased grant opportunities.
- Budgeted expenditures were also increased during the fiscal year by \$4,629,068 due to the increase in grant opportunities.
- Actual revenues were \$6,495,496 under budgeted revenues due to the carryover of unspent grants to the next fiscal year.
- Actual expenditures were \$6,796,462 under budgeted expenditures due to the carryover of unspent grants to the next fiscal year.

Changes to Special Education Fund original budget were as follows:

- Budgeted revenues were increased during the fiscal year by \$4,339,315 due to increased grant opportunities.
- Budgeted expenditures were also increased during the fiscal year by \$3,289,396 due to the increase in grant opportunities.
- Actual revenues were \$902,664 under budgeted revenues due to the carryover of unspent grants to the next fiscal year.
- Actual expenditures were \$1,505,470 under budgeted expenditures due to the carryover of unspent grants to the next fiscal year.

BAY-ARENAC ISD
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Changes to Vocational Education Fund original budget were as follows:

- Budgeted revenues were decreased during the fiscal year by \$42,600 due to various normal operating adjustments.
- Budgeted expenditures were increased during the fiscal year by \$50,823 due to various normal operating adjustments.
- Actual revenues were \$297,792 under budgeted revenues due in part to budgeting for the sale of the 2021-2022 project house, which wasn't completed and sold until after fiscal year end and will show up in next year's revenues.
- Actual expenditures were \$360,060 under budgeted expenditures due to the project house that was budgeted for but not recognized due to the timing of completion occurring after year end.

Capital Assets

At June 30, 2022, the School District had \$10,935,855 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 5% from last year.

	2022	2021
Land	\$ 40,000	\$ 40,000
Buildings and improvements	26,245,671	24,906,234
Furniture and equipment	2,917,545	2,887,098
Total capital assets	29,203,216	27,833,332
Less accumulated depreciation	18,267,361	17,377,995
Net capital assets	\$ 10,935,855	\$ 10,455,337

This year's additions of \$1,500,423 consists of \$1,207,598 towards a bus garage and \$292,825 of other building improvements and equipment purchases.

We anticipate capital additions will be fairly consistent for the next 1-3 years, continuing to focus resources on roof and HVAC replacement and repairs that are needed at various buildings in the district. Current investment in capital in total for the next 2-5 years is estimated at approximately \$1.5-\$2.0 million.

Debt

At the end of this year, the School District had \$1,155,000 in bonds outstanding versus \$1,375,000 in the previous year - a decrease of 16%.

	2022	2021
2016 School Building and Site Bonds	\$ 1,155,000	\$ 1,375,000

BAY-ARENAC ISD
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Factors Expected to have an Effect on Future Operations

We anticipate that capital additions will be fairly consistent for the next 1-3 years, as we continue evaluating the HVAC and roofing needs at other buildings. When accounting for other anticipated repair and programmatic equipment needs in addition to those needs listed above, we anticipate that the investment in capital in total for the next 2-5 years will be an estimated \$1.5-\$2.0 million.

Our elected Board and administration consider many factors when setting the School District's 2023 fiscal year budget. When looking at revenues, the two most important factors are local property taxes and State Aid. A little over 38% of the School District's income is in the form of property taxes. While the School District had historically been able to rely on this as a stable source of income with consistent growth, the slump in the housing market seen about 10 years ago in Michigan, and specifically in Bay and Arenac Counties, resulted in taxable values going down 7 out of 8 years through the 2016-17 tax year. Taxable values have stabilized since that time, even though growth has been fairly limited. Preliminary taxable values for the district for the 2022-23 fiscal year show an increase in taxable values. We hope this trend of rebounding taxable values 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. The estimated revenues have become more sporadic due to the impact of COVID-19 on the State's revenues and trying to accurately estimate this impact. The May 2021 State Consensus Revenue Estimating Conference estimated a 7.4% increase in School Aid Fund revenues for the 2020-21 fiscal year, followed by a 0.7% increase in 2021-22 and a 2.0% increase for the 2022-23 fiscal year. While the increases seen in these estimates are welcome, the variance in these amounts highlights the uncertainty of this revenue source going forward, causing 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, with those cap limits going up 3.7% for 2022, after a 3.3% increase in 2021. 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. The retirement rates set by the State of Michigan for the 2021-22 school year would have resulted in an anticipated 0.9% increase in the district's costs in this area, but the State is providing offsetting funding for almost all of those costs next, resulting in negligible increases to the district for next year. These factors were considered in preparing the District's budgets for the 2021-22 fiscal year.

BAY-ARENAC ISD
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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, 2022

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments	\$ 17,732,556
Receivables - net:	
Taxes receivable	39,779
Accounts receivable	657,319
Due from other governmental units	6,462,987
Prepaid expenses	475,058
Inventory	419,615
Capital assets less accumulated depreciation \$18,267,361	<u>10,935,855</u>
Total assets	<u>36,723,169</u>
<u>Deferred Outflows of Resources</u>	
Related to pensions	10,003,907
Related to OPEB	3,850,882
Loss on bond refunding	<u>39,648</u>
Total deferred outflows of resources	<u>13,894,437</u>
<u>Liabilities</u>	
Accounts payable	729,035
Unearned revenue	4,476,717
Accrued payroll and payroll taxes	3,786,956
Accrued interest payable	4,046
Long-term liabilities:	
Due within one year	220,000
Due in more than one year	1,208,537
Net pension liability	46,581,211
Net OPEB liability	<u>3,009,024</u>
Total liabilities	<u>60,015,526</u>
<u>Deferred Inflows of Resources</u>	
Related to pensions	18,420,913
Related to OPEB	<u>11,247,648</u>
Total deferred inflows of resources	<u>29,668,561</u>
<u>Net Position</u>	
Net investment in capital assets	9,757,279
Restricted for debt service	516
Restricted for capital projects	2,331,542
Unrestricted	<u>(51,155,818)</u>
Total net position	<u>\$ (39,066,481)</u>

See accompanying notes to financial statements.

BAY-ARENAC ISD
Statement of Activities
For the Year Ended June 30, 2022

	Program Revenues			Governmental Activities
Expenses	Charges for Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes in Net Position	
<u>Functions/Programs</u>				
Primary government -				
Governmental activities:				
Instruction	\$ 10,283,994	\$ 23,960	\$ 10,009,859	\$ (250,175)
Support	24,512,785	4,541,767	3,199,224	(16,771,794)
Community services	380,504	0	0	(380,504)
Improvements	42,927	0	0	(42,927)
Transfers out to other local districts	5,890,276	0	4,623,916	(1,266,360)
Student activities	206,303	180,670	0	(25,633)
Debt - interest	31,172	0	0	(31,172)
Depreciation (unallocated)	1,019,905	0	0	(1,019,905)
 Total governmental activities	<u>\$ 42,367,866</u>	<u>\$ 4,746,397</u>	<u>\$ 17,832,999</u>	<u>(19,788,470)</u>
 General revenues:				
Taxes:				
Property taxes, levied for general purposes				17,544,727
State aid				8,908,430
Investment earnings				16,994
Other				846,382
				<u>27,316,533</u>
 Change in net position				 7,528,063
Net position - beginning of year				<u>(46,594,544)</u>
Net position - end of year				<u><u>\$ (39,066,481)</u></u>

See accompanying notes to financial statements.

BAY-ARENAC ISD
Governmental Funds
Balance Sheet
June 30, 2022

	<u>General</u>	<u>Special Education</u>	<u>Vocational Education</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Assets</u>					
Cash and investments	\$ 10,009,958	\$ 6,591,567	\$ 1,107,927	\$ 23,104	\$17,732,556
Receivables					
Taxes receivable	1,528	22,949	15,302	0	39,779
Accounts receivable	448,791	208,528	0	0	657,319
Due from other funds	0	0	888,482	2,935,356	3,823,838
Due from other governmental units	2,736,103	3,417,736	309,148	0	6,462,987
Prepaid expenditures	445,670	3,471	25,917	0	475,058
Inventory	9,720	0	409,895	0	419,615
Total assets	\$ 13,651,770	\$10,244,251	\$ 2,756,671	\$ 2,958,460	\$29,611,152
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>					
<u>Liabilities</u>					
Accounts payable	\$ 217,749	\$ 464,024	\$ 39,338	\$ 7,924	\$ 729,035
Due to other funds	1,196,097	2,044,669	0	583,072	3,823,838
Unearned revenue	4,418,730	49,020	8,967	0	4,476,717
Accrued payroll and payroll taxes	3,639,375	107,649	39,932	0	3,786,956
Total liabilities	9,471,951	2,665,362	88,237	590,996	12,816,546
<u>Deferred Inflows of Resources</u>					
Unavailable revenue	27,417	11,049	0	0	38,466
<u>Fund Balance</u>					
Nonspendable - inventory and prepaids	455,390	3,471	435,812	0	894,673
Restricted for debt service	0	0	0	4,561	4,561
Restricted for capital projects	0	0	0	2,331,542	2,331,542
Restricted for special education	0	6,613,003	0	0	6,613,003
Restricted for vocational education	0	0	2,232,622	0	2,232,622
Restricted for estate contributions	0	446,366	0	0	446,366
Committed for improvements	0	505,000	0	0	505,000
Committed for student/school activities	0	0	0	31,361	31,361
Unassigned	3,697,012	0	0	0	3,697,012
Total fund balance	4,152,402	7,567,840	2,668,434	2,367,464	16,756,140
Total liabilities, deferred outflows of resources and fund balance	\$ 13,651,770	\$10,244,251	\$ 2,756,671	\$ 2,958,460	\$29,611,152

See accompanying notes to financial statements.

BAY-ARENAC ISD
 Reconciliation of Balance Sheet of Governmental Funds
 to the Statement of Net Position
June 30, 2022

Total fund balance - governmental funds	\$ 16,756,140
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	29,203,216
Accumulated depreciation	(18,267,361)
Deferred outflows used in governmental activities are not financial resources and therefore are not reported in governmental funds:	
Related to pensions	10,003,907
Loss on bond refunding	39,648
Related to OPEB	3,850,882
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(1,155,000)
Compensated absences	(249,961)
Unamortized bond premium	(23,576)
Net pension liability	(46,581,211)
Net OPEB liability	(3,009,024)
Accrued interest payable is included as a liability in governmental activities	(4,046)
Unavailable revenue from other governmental units at June 30, 2022 and collected after September 1, 2022	38,466
Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in governmental funds:	
Related to pensions	(18,420,913)
Related to OPEB	(11,247,648)
Total net position - governmental activities	<u>\$ (39,066,481)</u>

See accompanying notes to financial statements.

BAY-ARENAC ISD
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2022

	General	Special Education	Vocational Education	Other Nonmajor Governmental Funds	Total
<u>Revenues</u>					
Local sources	\$ 1,027,991	\$ 11,847,448	\$ 7,245,208	\$ 186,650	\$ 20,307,297
State sources	9,806,118	9,940,936	1,740,016	0	21,487,070
Federal sources	750,634	5,090,220	368,152	0	6,209,006
Interdistrict and other sources	1,473,043	664,930	257,719	1,398	2,397,090
Total revenues	<u>13,057,786</u>	<u>27,543,534</u>	<u>9,611,095</u>	<u>188,048</u>	<u>50,400,463</u>
<u>Expenditures</u>					
Instruction	358,223	5,864,928	5,476,578	0	11,699,729
Support services	6,507,934	17,530,160	3,609,667	0	27,647,761
Community services	286,535	93,969	0	0	380,504
Debt service:					
Principal	0	0	0	220,000	220,000
Interest and other	0	0	0	28,688	28,688
Capital outlay	16,779	18,516	75,357	1,232,001	1,342,653
Student/school activities	0	0	0	207,700	207,700
Total expenditures	<u>7,169,471</u>	<u>23,507,573</u>	<u>9,161,602</u>	<u>1,688,389</u>	<u>41,527,035</u>
Excess (deficiency) of revenues over expenditures	<u>5,888,315</u>	<u>4,035,961</u>	<u>449,493</u>	<u>(1,500,341)</u>	<u>8,873,428</u>
<u>Other Financing Sources (Uses)</u>					
Transfers in	485,376	0	0	2,490,988	2,976,364
Transfers out	(280,000)	(1,822,794)	(873,570)	0	(2,976,364)
Transfers out to other local districts	(5,156,852)	(620,423)	(113,001)	0	(5,890,276)
Total other financing sources (uses)	<u>(4,951,476)</u>	<u>(2,443,217)</u>	<u>(986,571)</u>	<u>2,490,988</u>	<u>(5,890,276)</u>
Net change in fund balance	936,839	1,592,744	(537,078)	990,647	2,983,152
Fund balance - beginning of year	<u>3,215,563</u>	<u>5,975,096</u>	<u>3,205,512</u>	<u>1,376,817</u>	<u>13,772,988</u>
Fund balance - end of year	<u>\$ 4,152,402</u>	<u>\$ 7,567,840</u>	<u>\$ 2,668,434</u>	<u>\$ 2,367,464</u>	<u>\$ 16,756,140</u>

See accompanying notes to financial statements.

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, 2022

Net change in fund balance - total governmental funds	\$ 2,983,152
<p>Amounts reported for governmental activities in the statements of activities are different because:</p>	
<p style="padding-left: 20px;">Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation</p>	
Depreciation expense	(1,019,905)
Capital outlay	1,500,423
<p>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.</p>	
Repayment of bonds	220,000
Amortization of bond premium	4,715
Amortization of loss on refunding	(7,930)
<p>Decreases 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</p>	
	69,982
<p>Accrued interest is reported as a reduction in expenditures on the statement of activities</p>	
	733
<p>Unavailable revenue from other governmental units at June 30, 2022 and collected after September 1, 2022</p>	
	38,466
<p>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</p>	
Pension related items	694,422
OPEB related items	<u>3,044,005</u>
Change in net position of governmental activities	<u>\$ 7,528,063</u>

See accompanying notes to financial statements.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2022

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, 2022

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.

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

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
- (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.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

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

Compensated Absences - The liability for compensated absences reported in the district-wide statements consist of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

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.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2022

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. The School District reports deferred outflows 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 plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense. 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 liability in the following year.

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. 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.

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.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Aid - For the fiscal year ended June 30, 2022, 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, 2022 relating to state aid is \$3,724,971.

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, 2022

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 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, 2022

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:

	Primary Government
Cash and cash equivalents	\$ 12,363,939
Investments	5,368,617
	\$ 17,732,556

As of June 30, 2022 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, 2022, \$17,784,977 of the School District's bank balance of \$18,534,977 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, 2022

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	\$ <u>5,368,617</u>	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, 2022

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

	Amortized Cost
MILAF External Investment pool - CMC	\$ 5,368,617

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, 2021	Additions	Disposals and Adjustments	Balance June 30, 2022
Assets not being depreciated:				
Land	\$ 40,000	\$ 0	\$ 0	\$ 40,000
Subtotal	40,000	0	0	40,000
Capital assets being depreciated:				
Buildings and improvements	24,906,234	1,385,180	(45,743)	26,245,671
Furniture and equipment	2,887,098	115,243	(84,796)	2,917,545
Subtotal	27,793,332	1,500,423	(130,539)	29,163,216
Accumulated depreciation:				
Buildings and improvements	14,946,116	907,106	(45,743)	15,807,479
Furniture and equipment	2,431,879	112,799	(84,796)	2,459,882
Subtotal	17,377,995	1,019,905	(130,539)	18,267,361
Net capital assets being depreciated	10,415,337	480,518	0	10,895,855
Net capital assets	\$ 10,455,337	\$ 480,518	\$ 0	\$ 10,935,855

Depreciation expense for fiscal year ended June 30, 2022 was \$1,019,905. 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, 2022

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund receivable and payable balances at June 30, 2022 are as follows:

		Payables			
		General Fund	Special Education	Capital Projects	Total
Receivables	Student/School Activities	\$ 32,815	\$ 0	\$ 0	\$ 32,815
	Capital Project Funds	280,000	2,039,469	583,072	2,902,541
	Vocational Education	883,282	5,200	0	888,482
		\$ 1,196,097	\$ 2,044,669	\$ 583,072	\$ 3,823,838

A summary of interfund transfers made during the year ended June 30, 2022 are as follows:

		Transfers Out			
		General Fund	Special Education	Vocational Education	Total
Transfers In	General Fund	\$ 0	\$ 260,994	\$ 224,382	\$ 485,376
	2016 Debt Service	0	0	249,188	249,188
	Capital Projects Funds	280,000	1,561,800	400,000	2,241,800
			\$ 280,000	\$ 1,822,794	\$ 873,570

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 Special Education Fund and Vocational Education Fund to Capital Project Funds are for planned projects.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 6 - RECEIVABLES

Receivables at June 30, 2022 consist of taxes, accounts (fees), intergovernmental grants and interest.

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

State aid	\$ 3,724,971
Federal grants	2,726,687
Other	11,329
	<u>\$ 6,462,987</u>

NOTE 7 - UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also reflect unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, grant and categorical aid payments received prior to meeting all eligibility requirements amounted to \$4,476,717.

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, 2022:

	Balance June 30, 2021	Additions	Retirements and Payments	Balance June 30, 2022	Amount Due Within One Year
General obligation bonds	\$ 1,403,291	\$ 0	\$ 224,715	\$ 1,178,576	\$ 220,000
Compensated absences	319,943	0	69,982	249,961	0
	<u>\$ 1,723,234</u>	<u>\$ 0</u>	<u>\$ 294,697</u>	<u>\$ 1,428,537</u>	<u>\$ 220,000</u>

Long-term obligations at June 30, 2022 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.	\$ 1,155,000
Bond premium	23,576
Total bonded debt	<u>\$ 1,178,576</u>

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 8 - LONG-TERM OBLIGATIONS (CONTINUED)

Compensated absences include unused sick pay and vacation pay. Unused sick pay is calculated using the termination payoff rate of \$10, \$20, \$25, or \$45 per day for eligible employees times the number of unused days (maximum 129 days). Vacation payouts are computed using an average daily rate using 220 days. At June 30, 2022, the amount of \$249,961 has been recorded in the district-wide financial statements.

The annual debt service requirements on long-term debt as of June 30, 2022, 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>
2023	\$ 220,000	\$ 24,287	\$ 244,287
2024	225,000	19,887	244,887
2025	235,000	15,387	250,387
2026	235,000	10,687	245,687
2027	240,000	5,400	245,400
	\$ 1,155,000	\$ 75,648	\$ 1,230,648

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 District has self-insured dental claims with maximum annual benefits of \$1,000 (\$1,500 lifetime maximum for orthodontic services) per employee. The District recognizes the cost of the benefits as claims are presented. Unused benefits are forfeited at the end of the year. The 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 District management expects the amount, if any, to be immaterial to the basic financial statements as of June 30, 2022.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

Benefits Provided - Overall

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

<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%.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2022

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

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 (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

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

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

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.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2022

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

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

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

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

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

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.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2022

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, 2022

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, 2021 were determined as of the September 30, 2018 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2018, are amortized over a 18-year period beginning October 1, 2020 and ending September 30, 2038.

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

	Pension	Other Postemployment Benefit
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

The School District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Total pension contributions were approximately \$6,738,000. Of the total pension contributions approximately \$6,587,000 was contributed to fund the Defined Benefit Plan and approximately \$151,000 was contributed to fund the Defined Contribution Plan.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2022

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

The School District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB contributions were approximately \$1,537,000. Of the total OPEB contributions approximately \$1,444,000 was contributed to fund the Defined Benefit Plan and approximately \$93,000 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, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2020 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, 2021	September 30, 2020
Total Pension Liability	\$ 86,392,473,395	\$ 85,290,583,799
Plan Fiduciary Net Position	\$ 62,717,060,920	\$ 50,939,496,006
Net Pension Liability	\$ 23,675,412,475	\$ 34,351,087,793
Proportionate share	0.19675 %	0.19589 %
Net Pension liability for the School District	\$ 46,581,211	\$ 67,288,670

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

For the year ended June 30, 2022, the School District recognized pension expense of approximately \$2,690,000.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2022

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

At June 30, 2022, 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	\$ 721,563	\$ (274,308)
Net difference between projected and actual earnings on pension plan investments	0	(14,975,709)
Changes in assumptions	2,936,313	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	487,670	(65,478)
Unearned revenue related to pension portion of section 147 c	0	(3,105,418)
School District's contributions subsequent to the measurement date	<u>5,858,361</u>	<u>0</u>
Total	<u>\$ 10,003,907</u>	<u>\$ (18,420,913)</u>

\$5,858,361, 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>
2023	\$ (1,139,471)
2024	(2,472,064)
2025	(3,534,559)
2026	(4,023,855)
	<u>\$ (11,169,949)</u>

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2022

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

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-University Employers:	September 30, 2021	September 30, 2020
Total OPEB Liability	\$ 12,046,393,511	\$ 13,206,903,534
Plan Fiduciary Net Position	\$ 10,520,015,621	\$ 7,849,636,555
Net OPEB Liability	\$ 1,526,377,890	\$ 5,357,266,979
Proportionate share	0.19713 %	0.19721 %
Net OPEB liability for the School District	\$ 3,009,024	\$ 10,565,277

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

For the year ended June 30, 2022, the School District recognized OPEB expense of approximately \$(1,562,000).

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2022

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

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	\$ 0	\$ (8,589,045)
Net difference between projected and actual plan investments	0	(2,267,956)
Changes in assumption	2,515,395	(376,397)
Changes in proportion and differences between employer contributions and proportionate share of contributions	209,647	(14,250)
School District's contributions subsequent to the measurement date	1,125,840	0
Total	\$ 3,850,882	\$ (11,247,648)

\$1,125,840, 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 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
2023	\$ (2,206,005)
2024	(2,023,623)
2025	(1,864,634)
2026	(1,734,736)
2027	(613,157)
Thereafter	(80,451)
	\$ (8,522,606)

Actuarial Assumptions

Investment rate of return for Pension - 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for the Pension Plus 2 Plan.

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2022

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

Investment rate of return for OPEB - 6.95% 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: RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Active: RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Disabled Retirees: RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2020. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 Comprehensive Annual Financial Report.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for the Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan and OPEB investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Healthcare cost trend rate for other postemployment benefit – Pre 65, 7.75% for year one and graded to 3.5% for year fifteen. Post 65, 5.25% 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, 2022

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, 2021 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%	5.4%
Private Equity Pools	16.0%	9.1%
International Equity Pools	15.0%	7.5%
Fixed Income Pools	10.5%	(0.7)%
Real Estate and Infrastructure Pools	10.0%	5.4%
Absolute Return Pools	9.0%	2.6%
Real Return/Opportunistic Pools	12.5%	6.1%
Short Term Investment Pools	2.0%	(1.3)%
Total	100.0%	

*Long term rate of return are net of administrative expenses and 2.0% inflation.

Rate of return - For fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.3% and 27.14% 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 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the long-term rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). 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, 2022

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

OPEB discount rate - A single discount rate of 6.95% 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 6.95%. 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 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
School District's proportionate share of the net pension liability	<u>\$66,598,498</u>	<u>\$46,581,211</u>	<u>\$29,985,566</u>

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other postemployment benefit		
	1% Decrease	Discount Rate	1% Increase
School District's proportionate share of the net OPEB liability	<u>\$5,591,310</u>	<u>\$3,009,024</u>	<u>\$817,586</u>

BAY-ARENAC ISD
Notes to Financial Statements
For the Year Ended June 30, 2022

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

Sensitivity to the net OPEB 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 of 7.0% (decreasing to 3.0%), as well as what the School District's proportionate share of the net other postemployment benefit 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 liability	<u>\$732,373</u>	<u>\$3,009,024</u>	<u>\$5,570,531</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 2021 valuation.

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) Stabilization Rate.

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, 2022

NOTE 12 - 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:

Municipality	Taxes Abated
Kawkawlin	\$ 1,151
Bay City	325,717
	\$ 326,868

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENT

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

BAY-ARENAC ISD
 Required Supplemental Information
 Budgetary Comparison Schedule - General Fund
 For the Year Ended June 30, 2022

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Local sources	\$ 998,541	\$ 1,012,348	\$ 1,027,991	\$ 15,643
State sources	12,214,927	14,829,552	9,806,118	(5,023,434)
Federal sources	438,694	2,095,220	750,634	(1,344,586)
Interdistrict and other sources	1,034,225	1,416,194	1,473,043	56,849
Total revenues	<u>14,686,387</u>	<u>19,353,314</u>	<u>13,057,786</u>	<u>(6,295,528)</u>
<u>Expenditures</u>				
Instruction:				
Basic programs	122,739	299,325	204,581	94,744
Added needs	87,927	74,583	14,519	60,064
Adult/continuing education	177,237	190,324	139,123	51,201
Support services:				
Pupil	832,614	805,105	637,582	167,523
Instructional staff	3,300,918	4,674,033	3,882,527	791,506
General administrative	190,235	222,352	189,381	32,971
School administrative	21,618	56,533	40,359	16,174
Business services	781,444	601,176	526,729	74,447
Operations and maintenance	460,513	493,049	455,569	37,480
Transportation	69,998	32,840	3,140	29,700
Information services	541,815	838,475	772,647	65,828
Community services	375,592	399,485	286,535	112,950
Capital outlay	0	0	16,779	(16,779)
Total expenditures	<u>6,962,650</u>	<u>8,687,280</u>	<u>7,169,471</u>	<u>1,517,809</u>
Excess (deficiency) of revenues over expenditures	<u>7,723,737</u>	<u>10,666,034</u>	<u>5,888,315</u>	<u>(4,777,719)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	135,900	199,968	485,376	285,408
Operating transfers out	(1,062,473)	(1,837,446)	(280,000)	1,557,446
Transfers out to other local districts	(6,748,594)	(8,878,059)	(5,156,852)	3,721,207
Total other financing sources (uses)	<u>(7,675,167)</u>	<u>(10,515,537)</u>	<u>(4,951,476)</u>	<u>5,564,061</u>
Net change in fund balance	48,570	150,497	936,839	786,342
Fund balance - beginning of year	<u>3,215,563</u>	<u>3,215,563</u>	<u>3,215,563</u>	<u>0</u>
Fund balance - end of year	<u>\$ 3,264,133</u>	<u>\$ 3,366,060</u>	<u>\$ 4,152,402</u>	<u>\$ 786,342</u>

BAY-ARENAC ISD
 Required Supplemental Information
 Budgetary Comparison Schedule - Special Education Fund
 For the Year Ended June 30, 2022

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Local sources	\$ 11,376,590	\$ 11,663,442	\$ 11,847,448	\$ 184,006
State sources	7,453,635	9,965,141	9,940,936	(24,205)
Federal sources	4,776,816	6,160,749	5,090,220	(1,070,529)
Interdistrict and other sources	499,842	656,866	664,930	8,064
Total revenues	<u>24,106,883</u>	<u>28,446,198</u>	<u>27,543,534</u>	<u>(902,664)</u>
<u>Expenditures</u>				
Instruction:				
Added needs	6,290,805	6,220,147	5,864,928	355,219
Support services:				
Pupil	10,939,389	11,036,363	10,821,850	214,513
Instructional staff	2,262,655	2,503,765	2,295,941	207,824
General administrative	246,793	275,550	269,939	5,611
School administrative	1,030	1,030	952	78
Business services	542,804	503,868	482,009	21,859
Operations and maintenance	769,657	699,086	572,994	126,092
Transportation	1,685,582	2,016,356	2,071,502	(55,146)
Information services	946,551	989,076	1,013,351	(24,275)
Support other	2,637	1,898	1,622	276
Community services	24,858	144,997	93,969	51,028
Capital outlay	0	0	18,516	(18,516)
Total expenditures	<u>23,712,761</u>	<u>24,392,136</u>	<u>23,507,573</u>	<u>884,563</u>
Excess (deficiency) of revenues over expenditures	<u>394,122</u>	<u>4,054,062</u>	<u>4,035,961</u>	<u>(18,101)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers out	(454,101)	(2,443,699)	(1,822,794)	620,905
Transfers out to other local districts	0	(620,423)	(620,423)	0
Total other financing sources (uses)	<u>(454,101)</u>	<u>(3,064,122)</u>	<u>(2,443,217)</u>	<u>620,905</u>
Net change in fund balance	(59,979)	989,940	1,592,744	602,804
Fund balance - beginning of year	<u>5,975,096</u>	<u>5,975,096</u>	<u>5,975,096</u>	<u>0</u>
Fund balance - end of year	<u>\$ 5,915,117</u>	<u>\$ 6,965,036</u>	<u>\$ 7,567,840</u>	<u>\$ 602,804</u>

BAY-ARENAC ISD
 Required Supplemental Information
 Budgetary Comparison Schedule - Vocational Education Fund
 For the Year Ended June 30, 2022

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Local sources	\$ 7,453,863	\$ 7,557,361	\$ 7,245,208	\$ (312,153)
State sources	1,884,490	1,653,086	1,740,016	86,930
Federal sources	363,134	434,185	368,152	(66,033)
Interdistrict and other sources	250,000	264,255	257,719	(6,536)
Total revenues	<u>9,951,487</u>	<u>9,908,887</u>	<u>9,611,095</u>	<u>(297,792)</u>
<u>Expenditures</u>				
Instruction:				
Added needs	5,620,706	5,813,204	5,405,516	407,688
Adult/continuing education	145,757	63,559	71,062	(7,503)
Support services:				
Pupil	879,535	726,207	740,265	(14,058)
Instructional staff	104,016	134,592	116,359	18,233
General administrative	117,082	137,002	131,149	5,853
School administrative	954,137	992,117	994,048	(1,931)
Business services	270,367	233,411	215,256	18,155
Operations and maintenance	1,185,174	1,146,055	1,085,166	60,889
Transportation	45,112	41,312	13,467	27,845
Information services	237,152	211,031	217,207	(6,176)
Support other	77,000	77,000	96,750	(19,750)
Capital outlay	0	0	75,357	(75,357)
Total expenditures	<u>9,636,038</u>	<u>9,575,490</u>	<u>9,161,602</u>	<u>413,888</u>
Excess (deficiency) of revenues over expenditures	<u>315,449</u>	<u>333,397</u>	<u>449,493</u>	<u>116,096</u>
<u>Other Financing Sources (Uses)</u>				
Transfers out	(658,800)	(691,276)	(873,570)	(182,294)
Transfers out to other local districts	(162,572)	(241,467)	(113,001)	128,466
Total other financing sources (uses)	<u>(821,372)</u>	<u>(932,743)</u>	<u>(986,571)</u>	<u>(53,828)</u>
Net change in fund balance	(505,923)	(599,346)	(537,078)	62,268
Fund balance - beginning of year	<u>3,205,512</u>	<u>3,205,512</u>	<u>3,205,512</u>	<u>0</u>
Fund balance - end of year	<u>\$ 2,699,589</u>	<u>\$ 2,606,166</u>	<u>\$ 2,668,434</u>	<u>\$ 62,268</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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability (%)	0.19675 %	0.19589 %	0.19437 %	0.19396 %	0.19325 %	0.19573 %	0.20476 %	0.20962 %
Reporting unit's proportionate share of net pension liability	\$46,581,211	\$67,288,670	\$64,370,293	\$58,306,380	\$50,078,622	\$48,832,891	\$50,011,786	\$46,172,863
Reporting unit's covered-employee payroll*	\$17,790,363	\$17,458,949	\$16,998,106	\$16,539,989	\$16,214,825	\$16,201,398	\$17,113,159	\$17,924,029
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	38.19214 %	25.94634 %	26.40676 %	28.36737 %	32.37874 %	33.17722 %	34.21825 %	38.81940 %
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	72.60000 %	59.72000 %	60.31000 %	62.36000 %	64.21000 %	63.27000 %	62.92000 %	66.15000 %

* 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.

With the implementation of GASB Statement No. 68 in 2015, 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 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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 6,587,258	\$ 5,913,317	\$ 5,319,693	\$ 5,168,695	\$ 5,342,249	\$ 4,501,127	\$ 4,944,841	\$ 3,744,872
Contributions in relation to statutorily required contributions*	<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>	<u>3,744,872</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**	\$18,185,341	\$17,656,592	\$17,425,134	\$16,856,320	\$16,445,514	\$16,725,316	\$16,099,441	\$17,555,648
Contributions as a percentage of covered-employee payroll	36.22 %	33.49 %	30.53 %	30.66 %	32.48 %	26.91 %	30.71 %	21.33 %

* 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.

With the implementation of GASB Statement No. 68 in 2015, 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 Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting unit's proportion of net OPEB liability (%)	0.19713 %	0.19721 %	0.19463 %	0.19448 %	0.19315 %
Reporting unit's proportionate share of net OPEB liability	\$ 3,009,024	\$ 10,565,277	\$ 13,970,192	\$ 15,458,877	\$ 17,104,015
Reporting unit's covered-employee payroll*	\$ 17,790,363	\$ 17,458,949	\$ 16,998,106	\$ 16,539,989	\$ 16,214,825
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	591.23367 %	165.24838 %	121.67410 %	106.99347 %	94.80128 %
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 1,443,919	\$ 1,462,608	\$ 1,371,234	\$ 1,332,900	\$ 1,283,616
Contributions in relation to statutorily required contributions*	<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>
Reporting unit's covered-employee payroll**	\$ 18,185,341	\$ 17,656,592	\$ 17,425,134	\$ 16,856,320	\$ 16,445,514
Contributions as a percentage of covered-employee payroll	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, 2022

Changes of benefit terms: There were no changes of benefit terms in 2021.

Changes of assumptions: There were no changes of assumptions for the pension in 2021.

The assumption changes for 2021 for OPEB were:

Healthcare cost trend rate was broken into two groups, Pre 65 and Post 65. The Pre 65 rate is 7.75% Year 1 graded to 3.50% Year 15. The Post 65 rate is 5.25% Year 1 graded to 3.50% Year 15. The prior healthcare cost trend rate was reported as one group with a rate of 7.00% Year 1 graded to 3.50% Year 15.

BAY-ARENAC ISD
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	Special Revenue Fund	Debt Service Funds		Capital Projects Fund			
	Student/School Activities	2010 Building and Site Bonds	2016 Building and Site Bonds	General Fund Improvements	Special Education Improvements	Career Center Improvements	Total
<u>Assets</u>							
Cash and investments	\$ 1,157	\$ 1,389	\$ 3,172	\$ 0	\$ 0	\$ 17,386	\$ 23,104
Receivables							
Due from other funds	32,815	0	0	280,000	2,378,211	244,330	2,935,356
Total assets	<u>\$ 33,972</u>	<u>\$ 1,389</u>	<u>\$ 3,172</u>	<u>\$ 280,000</u>	<u>\$ 2,378,211</u>	<u>\$ 261,716</u>	<u>\$ 2,958,460</u>
<u>Liabilities and Fund Balance</u>							
<u>Liabilities</u>							
Accounts payable	\$ 2,611	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,313	\$ 7,924
Due to other funds	0	0	0	0	583,072	0	583,072
Total liabilities	<u>2,611</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>583,072</u>	<u>5,313</u>	<u>590,996</u>
<u>Fund Balance</u>							
Restricted for debt service	0	1,389	3,172	0	0	0	4,561
Restricted for capital projects	0	0	0	280,000	1,795,139	256,403	2,331,542
Committed for student/school activities	31,361	0	0	0	0	0	31,361
Total fund balance	<u>31,361</u>	<u>1,389</u>	<u>3,172</u>	<u>280,000</u>	<u>1,795,139</u>	<u>256,403</u>	<u>2,367,464</u>
Total liabilities and fund balance	<u>\$ 33,972</u>	<u>\$ 1,389</u>	<u>\$ 3,172</u>	<u>\$ 280,000</u>	<u>\$ 2,378,211</u>	<u>\$ 261,716</u>	<u>\$ 2,958,460</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, 2022

	Special	Debt Service Funds		Capital Projects Fund			Total
	Revenue Fund	2010 Building and Site Bonds	2016 Building and Site Bonds	General Fund Improvements	Special Education Improvements	Career Center Improvements	
<u>Revenues</u>							
Local sources	\$ 185,589	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,061	\$ 186,650
Interdistrict and other sources	1,398	0	0	0	0	0	1,398
Total revenues	186,987	0	0	0	0	1,061	188,048
<u>Expenditures</u>							
Debt service:							
Principal	0	0	220,000	0	0	0	220,000
Interest and other	0	0	28,688	0	0	0	28,688
Capital outlay	0	0	500	0	888,696	342,805	1,232,001
Student/school activities	207,700	0	0	0	0	0	207,700
Total expenditures	207,700	0	249,188	0	888,696	342,805	1,688,389
Excess (deficiency) of revenues over expenditures	(20,713)	0	(249,188)	0	(888,696)	(341,744)	(1,500,341)
<u>Other Financing Sources (Uses)</u>							
Transfers in	0	0	249,188	280,000	1,561,800	400,000	2,490,988
Total other financing sources (uses)	0	0	249,188	280,000	1,561,800	400,000	2,490,988
Net change in fund balance	(20,713)	0	0	280,000	673,104	58,256	990,647
Fund balance - beginning of year	52,074	1,389	3,172	0	1,122,035	198,147	1,376,817
Fund balance - end of year	\$ 31,361	\$ 1,389	\$ 3,172	\$ 280,000	\$ 1,795,139	\$ 256,403	\$ 2,367,464

BAY-ARENAC ISD
Other Supplemental Information
Schedule of Bonded Indebtedness - 2016 School Buildings & Site Bonds
For the Year Ended June 30, 2022

<u>DATE OF ISSUE</u>	April 18, 2016	
<u>AMOUNT OF ISSUE</u>		\$ 2,195,000
<u>AMOUNT OF REDEEMED</u>		
	During prior years	\$ 820,000
	During current year	<u>220,000</u>
		<u>1,040,000</u>
<u>BALANCE OUTSTANDING - June 30, 2022</u>		<u>\$ 1,155,000</u>

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	2.00%	\$ 220,000	\$ 24,287	\$ 244,287
2024	2.00%	225,000	19,887	244,887
2025	2.00%	235,000	15,387	250,387
2026	2.25%	235,000	10,687	245,687
2027	2.25%	<u>240,000</u>	<u>5,400</u>	<u>245,400</u>
		<u>\$ 1,155,000</u>	<u>\$ 75,648</u>	<u>\$ 1,230,648</u>



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

October 4, 2022

Board of Education
Bay-Arenac ISD
Bay City, Michigan

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Bay-Arenac ISD (School District), as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise Bay-Arenac ISD's basic financial statements and have issued our report thereon dated October 4, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bay-Arenac ISD's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Bay-Arenac ISD's internal control. Accordingly, we do not express an opinion on the effectiveness of Bay-Arenac ISD's internal control.

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

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



WEINLANDER FITZHUGH

Certified Public Accountants & Advisors

Report on Compliance and Other Matters

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

Purpose of this Report

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

Weinlander Fitzhugh



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

October 4, 2022

Board of Education
Bay-Arenac ISD
Bay City, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Bay-Arenac ISD's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Bay-Arenac ISD's major federal programs for the year ended June 30, 2022. Bay-Arenac ISD's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Bay-Arenac ISD complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Bay-Arenac ISD and to meet our ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Bay-Arenac ISD's compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Bay-Arenac ISD's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Bay-Arenac ISD's compliance based on our audit. 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 U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Bay-Arenac ISD's compliance with the requirements for each major federal program as a whole.

In performing an audit in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Bay-Arenac ISD's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Bay-Arenac ISD's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Bay-Arenac ISD's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Weinlander Fitzhugh

BAY-ARENAC ISD
 Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SECTION I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

	YES	X	NO
	YES	X	NONE REPORTED
	YES	X	NO

Noncompliance material to financial statements noted?

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

	YES	X	NO
	YES	X	NONE REPORTED

Type of auditor's report issued on compliance of major programs:

Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

	YES	X	NO
--	-----	---	----

Identification of major programs:

<u>ALN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Education - Grants to States (IDEA, Part B)
84.173	Special Education - Preschool Grants (IDEA Preschool)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?

X	YES		NO
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SECTION II - Financial Statement Findings

There are no matters reported.

SECTION III - Federal Award Findings and Questioned Costs

There are no matters reported.

BAY-ARENAC ISD
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2022

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

BAY-ARENAC ISD
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal AL Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2021	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2022	Payments to Subrecipients
CLUSTERS:									
IDEA Cluster Programs:									
Passed through Michigan									
Department of Education:									
Grants to States (IDEA, Part B)									
PL 94-142 Flowthrough:									
Project 200450-1920	84.027	\$ 4,054,553	\$ 56,195	\$ 2,803	\$ 0	\$ 2,803	\$ 0	\$ 0	\$ 0
Project 210450-2021		4,209,534	4,049,677	1,010,071	0	1,030,918	159,857	139,010	0
Project 220450-2122		4,297,368	0	0	0	2,428,344	4,176,915	1,748,571	0
		<u>12,561,455</u>	<u>4,105,872</u>	<u>1,012,874</u>	<u>0</u>	<u>3,462,065</u>	<u>4,336,772</u>	<u>1,887,581</u>	<u>0</u>
Project 210493-GSG		142,600	142,600	7,743	0	7,743	0	0	0
Project 220493-2122		142,600	0	0	0	111,149	142,600	31,451	0
		<u>285,200</u>	<u>142,600</u>	<u>7,743</u>	<u>0</u>	<u>118,892</u>	<u>142,600</u>	<u>31,451</u>	<u>0</u>
COVID ARP - Flowthrough									
Project 221280-2122		426,254	0	0	0	0	78,481	78,481	0
Subtotal ALN #84.027		<u>13,272,909</u>	<u>4,248,472</u>	<u>1,020,617</u>	<u>0</u>	<u>3,580,957</u>	<u>4,557,853</u>	<u>1,997,513</u>	<u>0</u>
Preschool Grants (IDEA Preschool)									
P.L. 94-142 Preschool Incentive:									
Project 200460-1920	84.173	181,589	31,973	6,230	0	6,230	0	0	0
Project 210460-2021		182,823	164,284	37,783	0	45,273	18,539	11,049	0
Project 220460-2122		195,248	0	0	0	92,506	184,200	91,694	0
Subtotal ALN #84.173		<u>559,660</u>	<u>196,257</u>	<u>44,013</u>	<u>0</u>	<u>144,009</u>	<u>202,739</u>	<u>102,743</u>	<u>0</u>
Total For IDEA Cluster Programs		<u>13,832,569</u>	<u>4,444,729</u>	<u>1,064,630</u>	<u>0</u>	<u>3,724,966</u>	<u>4,760,592</u>	<u>2,100,256</u>	<u>0</u>

See accompanying notes to schedule of expenditures of federal awards.

BAY-ARENAC ISD
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal AL Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2021	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2022	Payments to Subrecipients
<u>OTHER FEDERAL AWARDS:</u>									
U.S. Department of Education:									
Passed through Michigan Department of Education:									
WIA Adult Basic Education Instructional	84.002								
Project 211130-211911		\$ 95,250	\$ 95,011	\$ 21,064	\$ 0	\$ 21,064	\$ 0	\$ 0	\$ 0
Project 221130-221911		97,022	0	0	0	52,535	89,009	36,474	0
		<u>192,272</u>	<u>95,011</u>	<u>21,064</u>	<u>0</u>	<u>73,599</u>	<u>89,009</u>	<u>36,474</u>	<u>0</u>
Title I Part A - Improving Teacher Quality	84.010								
Project 211700-2021		123,590	67,764	10,652	0	18,443	7,791	0	0
Project 221700-2122		130,086	0	0	0	43,375	76,226	32,851	0
		<u>253,676</u>	<u>67,764</u>	<u>10,652</u>	<u>0</u>	<u>61,818</u>	<u>84,017</u>	<u>32,851</u>	<u>0</u>
Vocational Education - Basic Grants to States	84.048								
Vocational Education Regional Allocation:									
Project 213520-21128		363,134	298,970	65,445	0	113,485	48,040	0	47,078
Project 223520-22128		366,572	0	0	0	166,702	315,762	149,060	64,146
		<u>729,706</u>	<u>298,970</u>	<u>65,445</u>	<u>0</u>	<u>280,187</u>	<u>363,802</u>	<u>149,060</u>	<u>111,224</u>
Infants and Toddlers	84.181								
Infants and Toddler Formula Grant:									
Project 211340-2021		165,169	165,169	17,446	0	17,446	0	0	0
Project 221340-2122		133,452	0	0	0	92,965	133,452	40,487	0
		<u>298,621</u>	<u>165,169</u>	<u>17,446</u>	<u>0</u>	<u>110,411</u>	<u>133,452</u>	<u>40,487</u>	<u>0</u>
COVID ARP - IDEA Part C									
Project 221283-EOARP		64,867	0	0	0	0	15,875	15,875	0
Homeless Students' Assistance Grants	84.196								
Project 212320-2021		74,808	19,521	6,080	0	22,889	16,809	0	0
Project 222320-2122		83,576	0	0	0	9,623	32,594	22,971	0
		<u>158,384</u>	<u>19,521</u>	<u>6,080</u>	<u>0</u>	<u>32,512</u>	<u>49,403</u>	<u>22,971</u>	<u>0</u>
Governor's Emergency Education Relief (GEER)	84.425								
COVID GEER II - Future for Frontliners		50,000	0	0	0	7,840	7,840	0	0

See accompanying notes to schedule of expenditures of federal awards.

BAY-ARENAC ISD
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal AL Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2021	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2022	Payments to Subrecipients
U.S. Department of Health and Human Services:									
Passed through Michigan Department of Education:									
RTT - Trusted Advisors									
Project 213910-3.621	93.434	\$ 33,000	\$ 10,080	\$ 8,464	\$ 0	\$ 23,744	\$ 15,280	\$ 0	\$ 0
Project 223910-3.622		25,000	0	0	0	1,611	10,270	8,659	0
		<u>58,000</u>	<u>10,080</u>	<u>8,464</u>	<u>0</u>	<u>25,355</u>	<u>25,550</u>	<u>8,659</u>	<u>0</u>
Literacy Support Network Hub									
Project 223910-3.622	93.434	59,850	0	0	0	59,850	59,850	0	0
Project 223962-PDGBS4.13		120,150	0	0	0	0	27,417	27,417	0
		<u>180,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>59,850</u>	<u>87,267</u>	<u>27,417</u>	<u>0</u>
Health Resources Advocates Grant									
Project 222810-HRA2022	93.323	448,000	0	0	0	32,716	135,771	103,055	135,771
U.S. Department of Treasury									
Passed through Michigan Department of Education:									
GSRP State Fiscal Recovery Funds									
Project 222390-GSRP2122	21.027	922,200	0	0	0	106,532	265,986	159,454	234,037
U.S. Department of Agriculture									
Passed through Michigan Department of Education:									
Pandemic EBT Local Level Costs									
Project 210980-2021	10.649	\$ 614	\$ 0	\$ 0	\$ 0	\$ 614	\$ 614	\$ 0	0
Total non cluster programs passed through MDE		<u>3,356,340</u>	<u>656,515</u>	<u>129,151</u>	<u>0</u>	<u>791,434</u>	<u>1,258,586</u>	<u>596,303</u>	<u>481,032</u>
U.S. Department of Health and Human Services									
Passed through Michigan Community Health									
Medicaid Assistance Program Title XIX									
Medicaid Administrative Outreach									
	93.778	\$ 122,693	\$ 67,297	\$ 0	\$ 0	\$ 122,693	\$ 122,693	\$ 0	0
Passed through Clinton County RESA									
Inclusion Builders Grant									
Project PDG B-5	93.434	68,656	43,397	22,990	0	61,551	68,656	30,095	0

See accompanying notes to schedule of expenditures of federal awards.

BAY-ARENAC ISD
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal AL Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2021	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2022	Payments to Subrecipients
U.S. Department of Health and Human Services Passed through Alpena Public Schools Perkins Welding Grant Project 213480-211250	93.778	\$ 3,508	\$ 0	\$ 0	\$ 0	\$ 3,508	\$ 3,508	\$ 0	\$ 0
Total USDHHS Non-Cluster Programs		<u>194,857</u>	<u>110,694</u>	<u>22,990</u>	<u>0</u>	<u>187,752</u>	<u>194,857</u>	<u>30,095</u>	<u>0</u>
U.S. Department of Labor Passed through Michigan Works Apprenticeship USA Grant	17.285	3,449	0	0	0	811	844	33	0
Total Federal Financial Assistance		<u>\$ 17,387,215</u>	<u>\$ 5,211,938</u>	<u>\$ 1,216,771</u>	<u>\$ 0</u>	<u>\$ 4,704,963</u>	<u>\$ 6,214,879</u>	<u>\$ 2,726,687</u>	<u>\$ 481,032</u>

See accompanying notes to schedule of expenditures of federal awards.

BAY-ARENAC ISD
SCHEDULE OF SUBRECIPIENT EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal grantor/pass-through grantor/program title	Federal AL number	Subrecipient award/ contract amount	Subrecipient current year expenditures	Current year cash transferred to subrecipient
Vocational Education - Basic Grants to States	84.048			
Passed through to:				
Midland County ESA		\$ 177,274	\$ 111,224	\$ 111,224
Health Resources Advocates Grant	93.323			
Passed through to:				
Essexville Public Schools		45,176	36,776	36,776
Pinconning Public Schools		34,815	32,533	32,533
Au Gres Sims Schools		13,282	5,897	5,897
Bangor Township Schools		77,313	60,565	60,565
		<u>170,586</u>	<u>135,771</u>	<u>135,771</u>
GSRP State Fiscal Recovery Funds	21.027			
Passed through to:				
Bay City Public Schools		167,170	146,755	146,755
State Street Academy		127,368	48,795	48,795
Ready Set Grow		15,921	12,566	12,566
NEMSCA		11,941	11,940	11,940
Little Saints		14,982	13,981	13,981
		<u>337,382</u>	<u>234,037</u>	<u>234,037</u>
Total federal awards passed-through to subrecipients		<u>\$ 685,242</u>	<u>\$ 481,032</u>	<u>\$ 481,032</u>

BAY-ARENAC ISD
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Bay-Arenac ISD under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Bay-Arenac ISD, it is not intended to and does not present the financial position or changes in net position of Bay-Arenac ISD.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credit made in the normal course of business to amounts reported as expenditures.

The School District has elected not to use the 10 percent de minimus indirect cost rate to recover costs as allowed under the Uniform Guidance.

NOTE 2 - OTHER DISCLOSURES

Management has utilized NexSys and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

NOTE 3 - RECONCILIATION OF REVENUE REPORTED IN THE FINANCIAL STATEMENTS

Total federal expenditures per Schedule of Expenditures of Federal Awards	\$ 6,214,879
Add:	
Child Care Stabilization Grant - Vendor relationship	32,593
Less:	
Current year amounts received after 60 days - Literacy Support Network Hub	27,417
Current year amounts received after 60 days - IDEA Pre School Incentive Formula Grant	11,049
Revenues per financial statements - federal sources	<u>\$ 6,209,006</u>

NOTE 4 - (UNAUDITED) DONATED PERSONAL PROTECTIVE EQUIPMENT

For the year ended June 30, 2022, the School District received immaterial amounts of donated personal protective equipment.