

BATH COMMUNITY SCHOOLS

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

YEAR ENDED JUNE 30, 2024

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AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*66-67



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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Bath Community Schools

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bath Community Schools as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Bath Community Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bath Community Schools as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bath Community Schools' 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 Bath Community Schools' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bath Community Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, 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 to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2024 on our consideration of Bath Community Schools' 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 Bath Community Schools' 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 Bath Community Schools' internal control over financial reporting and compliance.

Manes Costeian PC

September 11, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Bath Community Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The District's general fund financial situation decreased during fiscal year 2024.

The Food Services Fund had more revenues for 2024 than expenditures and other financing uses for a fund balance increase of \$36,915.

During the 2023 - 2024 school year, Bath Community Schools spent approximately \$754,000 on capital improvements through-out the District.

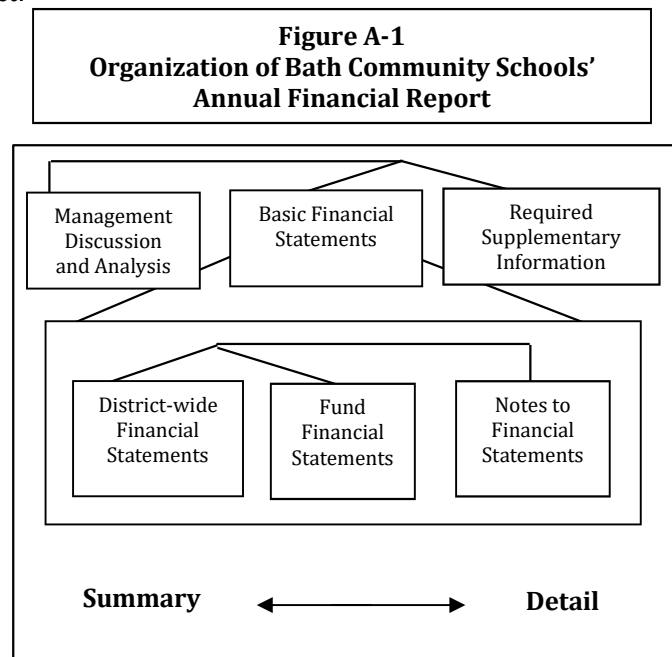
Total general fund revenues and other financing sources were \$13,537,887 with total general fund expenditures totaling \$13,829,523. This resulted with a decrease to the general fund balance by \$291,636. The District continues to participate in short-term cash flow loans, borrowing \$1,750,000 against anticipated state aid payments.

Student enrollment was 995 for Fall 2023 and 1,004 for Fall 2022, resulting in a decrease of 9 students.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide notes to financial statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year as well as required schedules related to the net pension liability and net OPEB asset. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2			
Major Features of District-wide and Fund Financial Statements			
	<u>District-wide Statements</u>	<u>Fund Financial Statements</u>	
		<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net position * Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Bath Community Schools' funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

DISTRICT-WIDE STATEMENTS

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows, deferred inflows, and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how they have changed. Net position - the difference between the District's assets, deferred outflows of resources, deferred inflows of resources and liabilities is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities:

- Governmental Activities - Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its building and site fund) or to show that it is properly using certain revenues (like school lunch and student/school activities).

The District has two kinds of funds:

- Governmental Funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- Fiduciary Funds are for assets that belong to others, such as certain student activities funds where the District is the trustee or fiduciary. The District cannot use these assets to finance its operations, but it is responsible to ensure that these funds are used for their intended purposes. Only measurable and currently available funds are reported. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position - The District's net position as of June 30, 2024 and 2023 is as follows:

Table A-3		
Bath Community Schools' Net Position		
	2024	2023
Current assets	\$ 8,007,166	\$ 7,044,537
Net other postemployment benefits asset	366,914	-
Capital assets, net of accumulated depreciation	24,188,549	25,102,170
Total assets	32,562,629	32,146,707
Deferred outflows	8,066,418	10,261,275
Long-term debt outstanding	14,890,296	16,359,857
Net pension liability	21,691,689	25,113,083
Other liabilities	3,735,453	4,576,821
Total liabilities	40,317,438	46,049,761
Deferred inflows	6,902,682	5,578,476
Net position		
Net investment in capital assets	10,630,737	9,522,613
Restricted	2,055,907	1,756,794
Unrestricted	(19,277,717)	(20,499,662)
Total net position	\$ (6,591,073)	\$ (9,220,255)

Table A-4		
Changes in Bath Community Schools' Net Position		
	2024	2023
Revenues		
Program revenues		
Charges for services	\$ 290,623	\$ 337,381
Operating grants and contributions	4,441,011	3,824,189
General revenues		
Property taxes	4,725,403	4,482,079
Investment	246,011	141,195
State aid - unrestricted	8,062,628	7,664,901
Intermediate sources	247,334	220,842
Other	127,423	123,097
Total revenues	18,140,433	16,793,684
Expenses		
Instruction	7,397,510	7,693,117
Support services	5,567,557	5,095,840
Community service	62,363	56,986
Food services	575,281	499,043
School/student activities	39,796	47,180
Interest on long-term debt	588,082	672,775
Unallocated depreciation	1,280,662	1,250,012
Total expenses	15,511,251	15,314,953
Change in net position	\$ 2,629,182	\$ 1,478,731

District Governmental Activities

The District’s financial condition has come about through a number of areas.

- Proposal A, which established the student foundation grant concept, has increased the amount per student from 1995 at \$5,075 per student to 2024 at \$9,608 per student.
- Bath Community Schools continues to share the cost of health insurance premium increases with its employees. This practice has resulted in significant savings to the District. Bath Community Schools has remained fiscally stable. This is the result of conservative budgets, spending reductions, contract agreements and increased enrollment.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds, with a combined fund balance of \$4.362 million in 2024 compared to \$4.045 million in 2023. The overall fund balance increased by approximately \$317,000 for the year.

General Fund and Budget Highlights

During the 2024 fiscal year, the original District budget was amended several times to reflect changes which affected the District.

The initial amendment took place in the fall once the student count and staff changes had been determined. All programs and staff were maintained.

The final amended budget was to have revenues and other financing sources of \$309,048 less than expenditures. The final results show a decrease in the general fund’s fund balance of \$291,636, decreasing the fund balance to \$1,046,752 at the end of fiscal year 2024 from \$1,338,388 at the end of fiscal year 2023.

General fund expenditures came within 0.52% of the budgeted total.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District’s capital assets are as follows:

Table A-5				
Bath Community Schools' Capital Assets				
	2024			2023
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 114,130	\$ -	\$ 114,130	\$ 114,130
Land improvements	4,035,292	3,386,799	648,493	826,061
Buildings and improvements	38,593,692	16,172,868	22,420,824	22,935,217
Machinery and equipment	5,119,449	4,341,282	778,167	906,669
Transportation equipment	964,576	737,641	226,935	320,093
Total	\$ 48,827,139	\$ 24,638,590	\$ 24,188,549	\$ 25,102,170

LONG-TERM OBLIGATIONS

At year-end, the District had \$14,890,296 of long-term obligations outstanding. More detailed information is available in Note 6 to the financial statements.

The District paid down its obligations in the current year by approximately \$2.349 million.

During the year, the District paid the outstanding balance of \$12,297, including accrued interest on the School Bond Loan Fund. The District paid \$291,292 on the School Loan Revolving Fund, with \$591 outstanding at year end.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of three existing circumstances that could significantly affect its financial health in the future:

- Annual foundation adjustments, MPSERS rates, and ACA impacted health insurance increases will all factor into the District's ability to maintain financial stability.
- Student counts are projected to be stable over the next few years due to positive gains through schools of choice students and population of newer housing developments in the area.
- Increases in student population create a challenge in maintaining acceptable student to teacher ratios, while remaining financially stable.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Bath Community Schools, 6175 E. Clark Road, Bath, Michigan 48808.

BASIC FINANCIAL STATEMENTS

**BATH COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2024**

	Governmental Activities
ASSETS	
Cash	\$ 540
Investments	4,625,215
Receivables	
Accounts receivable	473,174
Intergovernmental receivable	2,106,151
Inventories	12,747
Prepays	42
Restricted investments - capital projects	789,297
Net other postemployment benefits asset	366,914
Capital assets not being depreciated	114,130
Capital assets, net of accumulated depreciation	24,074,419
TOTAL ASSETS	32,562,629
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding, net of amortization	168,569
Related to other postemployment benefits	1,546,120
Related to pensions	6,351,729
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,066,418
LIABILITIES	
Accounts payable	141,079
Accrued salaries and related items	908,896
Accrued retirement	465,296
Accrued interest	142,851
Unearned revenues	327,331
Note payable	1,750,000
Noncurrent liabilities	
Due within one year	1,760,982
Due in more than one year	13,129,314
Net pension liability	21,691,689
TOTAL LIABILITIES	40,317,438
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	3,199,633
Related to pensions	2,410,126
Related to state aid funding for pension	1,292,923
TOTAL DEFERRED INFLOWS OF RESOURCES	6,902,682
NET POSITION	
Net investment in capital assets	10,630,737
Restricted for:	
Capital projects - sinking fund	1,388,849
Debt service	300,144
Net other postemployment benefits	366,914
Unrestricted	(19,277,717)
TOTAL NET POSITION	\$ (6,591,073)

See notes to financial statements.

**BATH COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 7,397,510	\$ -	\$ 2,518,861	\$ (4,878,649)
Support services	5,567,557	91,990	1,201,810	(4,273,757)
Community services	62,363	136,886	27,766	102,289
Food services	575,281	61,747	624,569	111,035
Student/school activities	39,796	-	68,005	28,209
Interest and fees on long-term debt	588,082	-	-	(588,082)
Unallocated depreciation	1,280,662	-	-	(1,280,662)
Total governmental activities	<u>\$ 15,511,251</u>	<u>\$ 290,623</u>	<u>\$ 4,441,011</u>	<u>(10,779,617)</u>
General revenues				
Property taxes, levied for general purposes				1,620,292
Property taxes, levied for debt service and sinking fund				3,105,111
Investment earnings				246,011
State sources - unrestricted				8,062,628
Intermediate sources				247,334
Other				<u>127,423</u>
Total general revenues				<u>13,408,799</u>
CHANGE IN NET POSITION				2,629,182
NET POSITION, beginning of year				<u>(9,220,255)</u>
NET POSITION, end of year				<u>\$ (6,591,073)</u>

See notes to financial statements.

**BATH COMMUNITY SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2024**

	General Fund	Capital Projects Sinking Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 250	\$ -	\$ 290	\$ 540
Investments	2,805,240	1,388,849	431,126	4,625,215
Receivables				
Accounts receivable	4,773	-	468,401	473,174
Intergovernmental receivable	2,103,390	-	2,761	2,106,151
Due from other funds	25,000	-	297,342	322,342
Inventories	800	-	11,947	12,747
Prepays	42	-	-	42
Restricted investments - capital projects	-	-	789,297	789,297
TOTAL ASSETS	\$ 4,939,495	\$ 1,388,849	\$ 2,001,164	\$ 8,329,508
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 131,105	\$ -	\$ 9,974	\$ 141,079
Accrued interest on note payable	52,090	-	-	52,090
Accrued salaries and related items	904,563	-	4,333	908,896
Accrued retirement	464,029	-	1,267	465,296
Due to other funds	272,774	-	49,568	322,342
Unearned revenue	318,182	-	9,149	327,331
Note payable	1,750,000	-	-	1,750,000
TOTAL LIABILITIES	3,892,743	-	74,291	3,967,034
FUND BALANCES				
Nonspendable				
Inventories	800	-	11,947	12,747
Prepays	42	-	-	42
Restricted				
Debt service	-	-	390,905	390,905
Food service	-	-	218,340	218,340
2020 Capital projects	-	-	66,374	66,374
2023 Capital projects	-	-	770,906	770,906
Capital projects (sinking fund)	-	1,388,849	-	1,388,849
Committed				
Student/school activities	-	-	468,401	468,401
Assigned				
Compensated absences and termination benefits	326,631	-	-	326,631
Subsequent year expenditures	196,125	-	-	196,125
Unassigned				
General fund	523,154	-	-	523,154
TOTAL FUND BALANCES	1,046,752	1,388,849	1,926,873	4,362,474
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,939,495	\$ 1,388,849	\$ 2,001,164	\$ 8,329,508

See notes to financial statements.

**BATH COMMUNITY SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2024**

Total governmental fund balances		\$ 4,362,474
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources - deferred charge on refunding, net of amortization		168,569
Deferred outflows of resources - related to other postemployment benefits		1,546,120
Deferred outflows of resources - related to pensions		6,351,729
Deferred inflows of resources - related to other postemployment benefits		(3,199,633)
Deferred inflows of resources - related to pensions		(2,410,126)
Deferred inflows of resources - related to state funding for pension		(1,292,923)
Some assets are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.		
Noncurrent assets at year-end consist of:		
Net other postemployment benefits asset		366,914
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	\$ 48,827,139	
Accumulated depreciation is	<u>(24,638,590)</u>	
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		24,188,549
General obligation bonds and notes from direct borrowings and direct placement		(14,563,665)
Compensated absences and termination benefits		(326,631)
Accrued interest is not included as a liability in government funds, it is recorded when paid		(90,761)
Net pension liability		<u>(21,691,689)</u>
Net position of governmental activities		<u><u>\$ (6,591,073)</u></u>

BATH COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024

	General Fund	Capital Projects Sinking Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local sources				
Property taxes	\$ 1,620,292	\$ 312,533	\$ 2,792,578	\$ 4,725,403
Tuition	136,886	-	-	136,886
Investment earnings	89,946	69,421	86,644	246,011
Food sales	-	-	61,747	61,747
Student/school activities	-	-	68,005	68,005
Other	219,635	-	-	219,635
Total local sources	2,066,759	381,954	3,008,974	5,457,687
State sources	11,010,325	1,824	184,480	11,196,629
Federal sources	188,469	-	454,974	643,443
Intermediate sources	247,334	-	-	247,334
TOTAL REVENUES	13,512,887	383,778	3,648,428	17,545,093
EXPENDITURES				
Current				
Instruction	8,210,404	-	-	8,210,404
Supporting services	5,556,756	-	-	5,556,756
Food service activities	-	-	628,050	628,050
Student/school activities	-	-	39,796	39,796
Community service activities	62,363	-	-	62,363
Capital outlay	-	398,190	355,820	754,010
Debt service				
Principal repayment	-	-	2,020,000	2,020,000
Payments to school bond loan fund	-	-	303,589	303,589
Other	-	-	35,068	35,068
Interest	-	-	608,229	608,229
TOTAL EXPENDITURES	13,829,523	398,190	3,990,552	18,218,265
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(316,636)	(14,412)	(342,124)	(673,172)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	-	-	990,000	990,000
Transfers in	25,000	-	-	25,000
Transfers out	-	-	(25,000)	(25,000)
TOTAL OTHER FINANCING SOURCES (USES)	25,000	-	965,000	990,000
NET CHANGE IN FUND BALANCES	(291,636)	(14,412)	622,876	316,828
FUND BALANCES				
Beginning of year	1,338,388	1,403,261	1,303,997	4,045,646
End of year	\$ 1,046,752	\$ 1,388,849	\$ 1,926,873	\$ 4,362,474

See notes to financial statements.

**BATH COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

Net change in fund balances total governmental funds \$ 316,828

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

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

Depreciation expense	(1,280,662)
Capital outlay	437,524
Loss on disposals of capital assets	(70,483)

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

Accrued interest payable, beginning of the year	122,102
Accrued interest payable, end of the year	(90,761)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Proceeds from issuance of debt	(990,000)
Payments on general obligation bonds	2,020,000
Payments on school bond loan fund	12,297
Payments on school loan revolving fund	291,292
Accrued interest on school bond loan fund	(455)
Accrued interest on school loan revolving fund	(10,739)
Amortization of deferred charges on refunding, net	(32,207)
Amortization of bond premium	122,103

Compensated absences and termination benefits are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences and termination benefits, beginning of the year	351,694
Accrued compensated absences and termination benefits, end of the year	(326,631)

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

Other postemployment benefits related items	1,182,442
Pension related items	(20,724)

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period:

State aid funding for pension benefits, beginning of year	1,888,485
State aid funding for pension benefits, end of year	(1,292,923)

Change in net position of governmental activities \$ 2,629,182

See notes to financial statements.

**BATH COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2024**

	<u>Custodial Funds</u>
ASSETS	
Investments	<u>\$ 582,816</u>
LIABILITIES	
Accounts payable	<u>472,909</u>
NET POSITION	
Restricted for student organizations	<u><u>\$ 109,907</u></u>

See notes to financial statements.

**BATH COMMUNITY SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2024**

	Custodial Funds
ADDITIONS	
Contributions received	\$ 27,792
DEDUCTIONS	
Scholarships issued	40,295
Net decrease in net position	(12,503)
NET POSITION	
Beginning of year	121,900
End of year	\$ 109,397

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Bath Community Schools (the “District”) is governed by the Bath Community Schools Board of Education (the “Board”), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements.

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

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District’s funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following *Major Governmental Funds*:

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

The *Capital Projects Sinking Fund* accounts for the receipt of property taxes levied for sinking fund and subsequent expenditures of those funds. The fund has complied with the applicable provisions of Section 1212 of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2023-1.

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

The District reports the following *Nonmajor Funds*:

The *Special Revenue Funds* account for revenue sources that are legally restricted or committed to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and student/school activities as special revenue funds.

The *Capital Projects Funds* account for revenue sources that are legally restricted for the acquisition of capital assets. The *2020 Capital Project Fund* and *2023 Capital Project Fund* includes capital project activities funded with bonds. For these capital projects, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. These funds are not yet considered substantially complete, and a subsequent year audit is expected.

The following is a summary of the cumulative revenue, other financing sources (uses), and expenditures for the 2020 and 2023 *Capital Projects Funds* activity:

	2023	2020
Revenue and other financing sources	\$ 41,863	\$ 12,794
Expenditures and other financing uses	\$ 260,957	\$ 936,420

The above revenue and other financing sources figure does not include the total 2020 and 2023 bond proceeds of \$990,000 and \$990,000, respectively.

The *Debt Service Funds* account for the resources accumulated and payments for principal and interest on long-term general obligation debt of governmental funds.

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *Custodial Fund* consists of assets for the benefit of individuals and the District does not have administrative involvement with the assets or direct financial involvement with the assets. In addition, the assets are not derived from the District's provision of goods or services to those individuals. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

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

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

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

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

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

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

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a 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 Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts.

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

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

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

Budgetary Information

Budgetary Basis of Accounting

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

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

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

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

Budgetary Basis of Accounting (continued)

- d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- e. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2024. The District does not consider these amendments to be significant.

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

Cash

The District's cash is considered to be cash on hand.

Investments

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. 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.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. 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.

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

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

Capital Assets

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

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

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

Capital Asset Classes	Lives
Buildings and additions	20 - 50
Machinery and equipment	5 - 15
Transportation equipment	8
Land improvements	20

Defined Benefit Plans

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

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding, pension and other postemployment benefits related items 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. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

Net Position Flow Assumption

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

In the computation of net invested in capital assets, school bond revolving fund principal proceeds of \$587 are considered capital-related debt. Accrued interest on the school loan revolving fund of \$4 is not considered capital related debt.

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized the superintendent and finance director to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

Program Revenues

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

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2024, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.0000
Debt service funds - all properties	
PRE, Non-PRE, Commercial Personal Property	8.0000
Capital projects - sinking fund	0.9006

Compensated Absences and Termination Benefits

The District’s policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences and termination benefits includes salary and related benefits, where applicable.

Long-term Obligations

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

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

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2024 the 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 District's deposits may not be returned to it. As of June 30, 2024, the District had no deposits.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the 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 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 District will do business.

Interest Rate Risk

In accordance with its investment policy, the 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 District's cash requirements.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
MILAF External Investment Pool - CMC	\$ 4,121,989	N/A
MILAF External Investment Pool - MAX Class	<u>1,875,339</u>	N/A
Total fair value	<u>\$ 5,997,328</u>	

Concentration of Credit Risk

The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the 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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
MILAF External Investment Pool - CMC	\$ 4,121,989	AAAm	Standard & Poor's
MILAF External Investment Pool - MAX Class	<u>1,875,339</u>	AAAm	Standard & Poor's
Total	<u>\$ 5,997,328</u>		

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Foreign Currency Risk

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

Fair Value Measurement

The 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 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 asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District’s investments are not subject to the fair value reporting.

The 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 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 approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	Amortized Cost
MILAF External Investment Pool - CMC	\$ 4,121,989
MILAF External Investment Pool - MAX Class	1,875,339
Total	\$ 5,997,328

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

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

The following summarizes the categorization of these amounts as of June 30, 2024:

	Primary Government	Custodial Funds	Total
Cash	\$ 540	\$ -	\$ 540
Investments	4,625,215	582,816	5,208,031
Restricted investment - capital projects	789,297	-	789,297
	<u>\$ 5,415,052</u>	<u>\$ 582,816</u>	<u>\$ 5,997,868</u>

NOTE 3 - CAPITAL ASSETS

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

	Balance July 1, 2023	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2024
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 114,130	\$ -	\$ -	\$ 114,130
Capital assets, being depreciated				
Land improvements	4,027,692	7,600	-	4,035,292
Buildings and additions	38,289,733	303,959	-	38,593,692
Machinery and equipment	5,131,858	111,065	123,474	5,119,449
Transportation equipment	991,184	14,900	41,508	964,576
Total capital assets, being depreciated	<u>48,440,467</u>	<u>437,524</u>	<u>164,982</u>	<u>48,713,009</u>
Accumulated depreciation				
Land improvements	3,201,631	185,168	-	3,386,799
Buildings and additions	15,354,516	818,352	-	16,172,868
Machinery and equipment	4,225,189	169,084	52,991	4,341,282
Transportation equipment	671,091	108,058	41,508	737,641
Total accumulated depreciation	<u>23,452,427</u>	<u>1,280,662</u>	<u>94,499</u>	<u>24,638,590</u>
Net capital assets being depreciated	<u>24,988,040</u>	<u>(843,138)</u>	<u>70,483</u>	<u>24,074,419</u>
Net governmental capital assets	<u>\$ 25,102,170</u>	<u>\$ (843,138)</u>	<u>\$ 70,483</u>	<u>\$ 24,188,549</u>

Depreciation for the fiscal year ended June 30, 2024 amounted to \$1,280,662. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivable at June 30, 2024, consists of the following:

State of Michigan - State Aid	\$ 1,969,041
Federal grants	<u>137,110</u>
	<u><u>\$ 2,106,151</u></u>

No allowance for doubtful accounts is considered necessary.

NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE

At June 30, 2024, the District had a state aid anticipation note payable in the amount of \$1,750,000 which has an interest rate of 3.46% and matures on August 21, 2024. Proceeds of the note were used to fund school operations. The note is secured by the full faith and credit of the District as well as pledged state aid. In an event of a default on the note, the state may impose a penalty interest rate and at the state's discretion, accelerate the repayment terms. Activity for the year ended June 30, 2024 is as follows:

<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2024</u>
<u>\$ 1,250,000</u>	<u>\$ 1,750,000</u>	<u>\$ 1,250,000</u>	<u>\$ 1,750,000</u>

The District has approved a note payable of \$1,200,000 for the fiscal year ending June 30, 2025.

NOTE 6 - LONG-TERM OBLIGATIONS

The District issues general obligation bonds to provide funds for the acquisition, construction, and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of the long-term debt obligations for the District for the year ended June 30, 2024:

	<u>General Obligation Bonds</u>	<u>Notes from Direct Borrowings and Direct Placements</u>	<u>Compensated Absences and Termination Benefits</u>	<u>Total</u>
Balance July 1, 2023	\$ 15,715,177	\$ 292,986	\$ 351,694	\$ 16,359,857
Additions	990,000	11,194	-	1,001,194
Deletions	<u>2,142,103</u>	<u>303,589</u>	<u>25,063</u>	<u>2,470,755</u>
Balance, June 30, 2024	14,563,074	591	326,631	14,890,296
Due within one year	<u>1,705,000</u>	<u>-</u>	<u>55,982</u>	<u>1,760,982</u>
Due in more than one year	<u><u>\$ 12,858,074</u></u>	<u><u>\$ 591</u></u>	<u><u>\$ 270,649</u></u>	<u><u>\$ 13,129,314</u></u>

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Long-term obligation debt at June 30, 2024 is comprised of the following:

General Obligation Bonds

2016 Serial bonds due in annual installments of \$750,000 through May 1, 2029, with interest at 4.00%.	\$ 3,750,000
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2017 Series I serial bonds due in annual installments of \$330,000 to \$500,000 through May 1, 2042, with interest at 4.00%.	6,935,000
--	-----------

2018 Series II serial bonds due in annual installments of \$100,000 to \$475,000 through May 1, 2032, with interest at 4.00%.	2,425,000
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2023 Series IV serial bonds due in annual installments of \$100,000 to \$480,000 through May 1, 2026, with interest of 4.50% to 5.28%.	580,000
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Unamortized premium on bonds.	<u>873,074</u>
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Total general obligation bonds	<u>14,563,074</u>
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Notes from Direct Borrowings and Direct Placements

Borrowings from the State of Michigan under the School Loan Revolving Fund, including interest at 4.56% at June 30, 2024.	<u>591</u>
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Total general obligation bonds and notes from direct borrowings	14,563,665
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Compensated absences and termination benefits	<u>326,631</u>
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Total long-term debt	<u><u>\$ 14,890,296</u></u>
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Interest expense for the year ended June 30, 2024 was approximately \$588,000.

An amount of \$390,905 is available in the debt service funds to service the general obligation debt.

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize long-term debt outstanding as of June 30, 2024 are as follows:

Year Ending June 30,	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		Compensated Absences and Termination Benefits	Total
	Principal	Interest	Principal	Interest		
2025	\$ 1,705,000	\$ 544,564	\$ -	\$ -	\$ -	\$ 2,249,564
2026	1,235,000	472,476	-	-	-	1,707,476
2027	1,180,000	422,576	-	-	-	1,602,576
2028	1,225,000	375,376	-	-	-	1,600,376
2029	1,270,000	326,376	-	-	-	1,596,376
2030-2034	3,250,000	1,077,680	-	-	-	4,327,680
2035-2039	2,340,000	543,880	-	-	-	2,883,880
2040-2042	1,485,000	104,476	-	-	-	1,589,476
Total	13,690,000	3,867,404	-	-	-	17,557,404
Unamortized premium	873,074	-	-	-	-	873,074
	14,563,074	3,867,404	-	-	-	18,430,478
School loan revolving fund	-	-	587	4	-	591
Compensated absences and termination benefits	-	-	-	-	326,631	326,631
	<u>\$ 14,563,074</u>	<u>\$ 3,867,404</u>	<u>\$ 587</u>	<u>\$ 4</u>	<u>\$ 326,631</u>	<u>\$ 18,757,700</u>

Borrowing from the State of Michigan

The school bond loan and school loan revolving funds represent notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rates of 4.56% for the School Bond Loan Fund and School Loan Revolving Fund notes have been assessed for the year ended June 30, 2024. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 8.00 mills. The school district is required to levy 8.00 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the above amortization schedule. The state may apply a default late charge on the note if the District does not make the repayments, or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2024 are as follows:

	Due From Other Funds		
	General Fund	Nonmajor Governmental Funds	Total
Due to other funds			
General Fund	\$ -	\$ 272,774	\$ 272,774
Nonmajor Governmental Funds	25,000	24,568	49,568
Total	\$ 25,000	\$ 297,342	

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in accounting systems, and (3) payments between funds are made.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

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

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 the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees’ Retirement Act.

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

Benefits Provided - Overall

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

<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

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Pension

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

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

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (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

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

Employees who first work 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 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 Plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 Plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER 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 their 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

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

Member Contributions

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

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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, 2023, were determined as of the September 30, 2020, actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2020, are amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

School districts' 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, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%

The District's pension contributions for the year ended June 30, 2024 were equal to the required contribution total. Total pension contributions were approximately \$2,709,000. Of the total pension contributions approximately \$2,613,000 was contributed to fund the Defined Benefit Plan and approximately \$96,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2024, were equal to the required contribution total. Total OPEB contributions were approximately \$601,000. Of the total OPEB contributions approximately \$544,000 was contributed to fund the Defined Benefit Plan and approximately \$57,000 was contributed to fund the Defined Contribution Plan.

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

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2022 and rolled-forward using generally accepted actuarial procedures. The 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.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Total pension liability	\$ 94,947,828,557	\$ 95,876,795,620
Plan fiduciary net position	\$ 62,581,762,238	\$ 58,268,076,344
Net pension liability	\$ 32,366,066,319	\$ 37,608,719,276
Proportionate share	0.06702%	0.06677%
Net pension liability for the District	\$ 21,691,689	\$ 25,113,083

For the year ended June 30, 2024, the District recognized pension expense of \$2,633,447.

At June 30, 2024, the Reporting Unit 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>
Changes of assumptions	\$ 2,939,323	\$ 1,694,747
Change in proportion and difference between employer contributions and proportionate share of contributions	315,400	238,269
Net difference between projected and actual plan investments earnings	-	443,882
Differences between expected and actual experience	684,740	33,228
Reporting Unit's contributions subsequent to the measurement date	<u>2,412,266</u>	<u>-</u>
	<u>\$ 6,351,729</u>	<u>\$ 2,410,126</u>

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

\$2,412,266, reported as deferred outflows of resources related to pensions resulting from 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:

<u>Year Ending September 30,</u>	<u>Amount</u>
2024	\$ 439,174
2025	387,105
2026	1,008,727
2027	(305,669)

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

The net OPEB liability (asset) was measured as of September 30, 2023, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30, 2022, and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability (asset) was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSEERS (Plan) Non-university Employers</u>	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Total other postemployment benefits liability	\$ 11,223,648,949	\$ 12,522,713,324
Plan fiduciary net position	\$ 11,789,347,341	\$ 10,404,650,683
Net other postemployment benefits liability (asset)	\$ (565,698,392)	\$ 2,118,062,641
Proportionate share	0.06486%	0.06873%
Net other postemployment benefits liability (asset) for the District	\$ (366,914)	\$ 1,455,828

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

For the year ended June 30, 2024, the District recognized OPEB benefit of \$638,724.

At June 30, 2024, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 816,814	\$ 98,360
Change in proportion and difference between employer contributions and proportionate share of contributions	261,766	328,684
Net difference between projected and actual plan investments earnings	1,119	-
Differences between expected and actual experience	-	2,772,589
Reporting Unit's contributions subsequent to the measurement date	466,421	-
	\$ 1,546,120	\$ 3,199,633

\$466,421, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability (asset) 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 Ending September 30,	Amount
2024	\$ (696,015)
2025	(635,340)
2026	(270,956)
2027	(215,239)
2028	(196,168)
2029	(106,216)

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

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

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

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

Inflation - 3.0%.

Mortality Assumptions -

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

Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and MP-202 adjusted for mortality improvements using projection scale from 2010.

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

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

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

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

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.50% for year one and graded to 3.5% in year fifteen. Post 65, 6.25% for year one and graded to 3.5% in year fifteen.

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

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

The target asset allocation at September 30, 2023 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0%	5.8%
International Equity Pools	15.0%	6.8%
Private Equity Pools	16.0%	9.6%
Real Estate and Infrastructure Pools	10.0%	6.4%
Fixed Income Pools	13.0%	1.3%
Absolute Return Pools	9.0%	4.8%
Real Return/Opportunistic Pools	10.0%	7.3%
Short Term Investment Pools	2.0%	0.3%
	<u>100.0%</u>	

* Long term rate of return are net of administrative expenses and 2.7% inflation.

Rate of Return - For fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 8.29% and 7.94%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate - A single discount rate of 6.00% was used to measure the total pension liability. This discount rate was based on the expected rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate 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.

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 29,305,408	\$ 21,691,689	\$ 15,352,992

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

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net OPEB liability (asset)	\$ 380,379	\$ (366,914)	\$ (1,009,139)

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

	Other Postemployment Benefit		
	Current		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Reporting Unit's proportionate share of the net OPEB liability (asset)	\$ (1,010,740)	\$ (366,914)	\$ 329,917

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System 2023 Annual Comprehensive Financial Report.

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

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. In the past three years, the District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance.

NOTE 10 - CONTINGENT LIABILITIES

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

NOTE 11 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77 (*Tax Abatements*). For the year ended June 30, 2024, the District did not receive reduced property tax revenues as a result of tax abatements from taxing authorities within its district boundaries. Additionally, there are no abatements made by the District.

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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

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

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;

**BATH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

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

REQUIRED SUPPLEMENTARY INFORMATION

**BATH COMMUNITY SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2024**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 1,803,260	\$ 2,048,752	\$ 2,066,759	\$ 18,007
State sources	11,375,518	11,080,686	11,010,325	(70,361)
Federal sources	217,740	204,603	188,469	(16,134)
Intermediate sources	246,256	258,213	247,334	(10,879)
TOTAL REVENUES	13,642,774	13,592,254	13,512,887	(79,367)
EXPENDITURES				
Current				
Instruction				
Basic programs	6,697,534	6,465,455	6,658,345	(192,890)
Added needs	1,496,083	1,540,381	1,552,059	(11,678)
Total instruction	8,193,617	8,005,836	8,210,404	(204,568)
Supporting services				
Pupil	426,122	447,608	417,369	30,239
Instructional staff	492,923	459,931	389,120	70,811
General administration	470,944	482,236	473,733	8,503
School administration	1,234,451	1,194,306	1,161,339	32,967
Business	210,716	291,242	290,657	585
Operation/maintenance	1,452,866	1,484,901	1,371,031	113,870
Pupil transportation	519,261	558,691	543,310	15,381
Other	769,927	913,803	910,197	3,606
Total supporting services	5,577,210	5,832,718	5,556,756	275,962
Community services	68,072	62,748	62,363	385
TOTAL EXPENDITURES	13,838,899	13,901,302	13,829,523	71,779
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(196,125)	(309,048)	(316,636)	(7,588)
OTHER FINANCING SOURCES				
Transfers in	-	-	25,000	25,000
NET CHANGE IN FUND BALANCE	\$ (196,125)	\$ (309,048)	(291,636)	\$ 17,412
FUND BALANCE				
Beginning of year			1,338,388	
End of year			<u>\$ 1,046,752</u>	

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.06702%	0.06677%	0.06527%	0.06768%	0.06758%	0.06794%	0.06634%	0.06365%	0.06232%	0.05881%
Reporting Unit's proportionate share of net pension liability	\$ 21,691,689	\$ 25,113,083	\$ 15,453,685	\$ 23,247,813	\$ 22,379,389	\$ 20,424,799	\$ 17,191,532	\$ 15,880,893	\$ 15,222,160	\$ 12,953,749
Reporting Unit's covered-employee payroll	\$ 6,561,580	\$ 6,772,376	\$ 5,825,723	\$ 5,980,943	\$ 5,813,527	\$ 5,772,149	\$ 5,611,214	\$ 5,380,929	\$ 5,213,013	\$ 5,006,941
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	330.59%	370.82%	265.27%	388.70%	384.95%	353.85%	306.38%	295.13%	292.00%	258.72%
Plan fiduciary net position as a percentage of total pension liability	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 2,612,723	\$ 3,065,096	\$ 2,189,071	\$ 1,921,948	\$ 1,829,128	\$ 1,759,960	\$ 1,830,777	\$ 1,555,221	\$ 1,407,556	\$ 1,098,953
Contributions in relation to statutorily required contributions	2,612,723	3,065,096	2,189,071	1,921,948	1,829,128	1,759,960	1,830,777	1,555,221	1,407,556	1,098,953
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reporting Unit's covered-employee payroll	\$ 6,434,858	\$ 6,578,928	\$ 6,441,648	\$ 5,737,540	\$ 6,011,104	\$ 5,828,861	\$ 5,704,510	\$ 5,759,115	\$ 5,334,356	\$ 5,159,531
Contributions as a percentage of covered-employee payroll	40.60%	46.59%	33.98%	33.50%	30.43%	30.19%	32.09%	27.00%	26.39%	21.30%

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

	2023	2022	2021	2020	2019	2018	2017
Reporting Unit's proportion of net OPEB liability/asset (%)	0.06486%	0.06873%	0.06320%	0.06747%	0.06632%	0.06788%	0.06619%
Reporting Unit's proportionate share of net OPEB liability (asset)	\$ (366,914)	\$ 1,455,828	\$ 964,596	\$ 3,614,792	\$ 4,760,036	\$ 5,395,964	\$ 5,861,072
Reporting Unit's covered-employee payroll	\$ 6,561,580	\$ 6,772,376	\$ 5,825,723	\$ 5,980,943	\$ 5,813,527	\$ 5,772,149	\$ 5,772,149
Reporting Unit's proportionate share of net OPEB liability/asset as a percentage of its covered-employee payroll	5.59%	21.50%	16.56%	60.44%	81.88%	93.48%	101.54%
Plan fiduciary net position as a percentage of total OPEB liability/asset	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

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

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

	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions	\$ 543,718	\$ 521,342	\$ 526,335	\$ 494,105	\$ 510,236	\$ 473,319	\$ 462,635
Contributions in relation to statutorily required contributions	543,718	521,342	526,335	494,105	510,236	473,319	462,635
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reporting Unit's covered-employee payroll	\$ 6,434,858	\$ 6,578,928	\$ 6,441,648	\$ 5,737,540	\$ 6,011,104	\$ 5,828,861	\$ 5,704,510
Contributions as a percentage of covered-employee payroll	8.45%	7.92%	8.17%	8.61%	8.49%	8.12%	8.11%

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

**BATH COMMUNITY SCHOOLS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2023.

Changes of Assumptions - the assumption changes for 2023 were:

- Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2023.

Changes of Assumptions - the assumption changes for 2023 were:

- Healthcare Cost Trend Rate
 - Pre 65 decreased to 7.50% for year one graded to 3.50% for year fifteen from 7.75% for year one graded to 3.50% for year fifteen.
 - Post 65 increased to 6.25% for year one and graded to 3.5% for year fifteen from 5.25% for year one and graded to 3.5% for year fifteen.
- Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

ADDITIONAL SUPPLEMENTARY INFORMATION

**BATH COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2024**

	Special Revenue			Capital Projects		Total
	Food Service	Student/School Activities	Debt Service	2020 Capital Project Fund	2023 Capital Project Fund	
ASSETS						
Cash and cash equivalents	\$ 290	\$ -	\$ -	\$ -	\$ -	\$ 290
Investments	40,221	-	390,905	-	-	431,126
Accounts receivable	-	468,401	-	-	-	468,401
Intergovernmental receivable	2,761	-	-	-	-	2,761
Due from other funds	214,817	-	-	67,852	14,673	297,342
Inventories	11,947	-	-	-	-	11,947
Restricted investments - capital projects	-	-	-	447	788,850	789,297
TOTAL ASSETS	\$ 270,036	\$ 468,401	\$ 390,905	\$ 68,299	\$ 803,523	\$ 2,001,164
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ 1,925	\$ 8,049	\$ 9,974
Accrued salaries and related items	4,333	-	-	-	-	4,333
Accrued retirement	1,267	-	-	-	-	1,267
Due to other funds	25,000	-	-	-	24,568	49,568
Unearned revenue	9,149	-	-	-	-	9,149
TOTAL LIABILITIES	39,749	-	-	1,925	32,617	74,291
FUND BALANCES						
Nonspendable						
Inventories	11,947	-	-	-	-	11,947
Restricted for:						
Debt service	-	-	390,905	-	-	390,905
Food service	218,340	-	-	-	-	218,340
2020 Capital projects	-	-	-	66,374	-	66,374
2023 Capital projects	-	-	-	-	770,906	770,906
Committed						
Student/school activities	-	468,401	-	-	-	468,401
TOTAL FUND BALANCES	230,287	468,401	390,905	66,374	770,906	1,926,873
TOTAL LIABILITIES AND FUND BALANCES	\$ 270,036	\$ 468,401	\$ 390,905	\$ 68,299	\$ 803,523	\$ 2,001,164

**BATH COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2024**

	Special Revenue		Debt Service	Capital Projects		Total
	Food Service	Student/School Activities		2020 Capital Project Fund	2023 Capital Project Fund	
REVENUES						
Local sources						
Property taxes	\$ -	\$ -	\$ 2,792,578	\$ -	\$ -	\$ 2,792,578
Investment earnings	3,649	-	39,625	1,507	41,863	86,644
Student/school activities	-	68,005	-	-	-	68,005
Food sales	61,747	-	-	-	-	61,747
Total local sources	65,396	68,005	2,832,203	1,507	41,863	3,008,974
State sources	169,595	-	14,885	-	-	184,480
Federal sources	454,974	-	-	-	-	454,974
TOTAL REVENUES	689,965	68,005	2,847,088	1,507	41,863	3,648,428
EXPENDITURES						
Current						
Food service activities	628,050	-	-	-	-	628,050
Student/school activities	-	39,796	-	-	-	39,796
Capital outlay	-	-	-	129,931	225,889	355,820
Debt service						
Principal repayment	-	-	2,020,000	-	-	2,020,000
Payments to school bond loan fund	-	-	303,589	-	-	303,589
Interest	-	-	608,229	-	-	608,229
Other	-	-	-	-	35,068	35,068
TOTAL EXPENDITURES	628,050	39,796	2,931,818	129,931	260,957	3,990,552
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	61,915	28,209	(84,730)	(128,424)	(219,094)	(342,124)
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of debt	-	-	-	-	990,000	990,000
Transfers out	(25,000)	-	-	-	-	(25,000)
TOTAL OTHER FINANCING SOURCES (USES)	(25,000)	-	-	-	990,000	965,000
NET CHANGE IN FUND BALANCES	36,915	28,209	(84,730)	(128,424)	770,906	622,876
FUND BALANCES						
Beginning of year	193,372	440,192	475,635	194,798	-	1,303,997
End of year	\$ 230,287	\$ 468,401	\$ 390,905	\$ 66,374	\$ 770,906	\$ 1,926,873

**BATH COMMUNITY SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 JUNE 30, 2024**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2020</u>	<u>2023</u>	<u>Total</u>
ASSETS						
Investments	<u>\$ 117,099</u>	<u>\$ 162,947</u>	<u>\$ 75,824</u>	<u>\$ 22,790</u>	<u>\$ 12,245</u>	<u>\$ 390,905</u>
FUND BALANCES						
Restricted for debt service	<u>\$ 117,099</u>	<u>\$ 162,947</u>	<u>\$ 75,824</u>	<u>\$ 22,790</u>	<u>\$ 12,245</u>	<u>\$ 390,905</u>

**BATH COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2024**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2020</u>	<u>2023</u>	<u>Total</u>
REVENUES						
Local sources						
Property taxes	\$ 943,797	\$ 280,211	\$ 610,990	\$ 444,781	\$ 512,799	\$ 2,792,578
Investment earnings	13,928	13,155	9,189	3,306	47	39,625
State sources	5,024	1,488	3,256	2,326	2,791	14,885
TOTAL REVENUES	<u>962,749</u>	<u>294,854</u>	<u>623,435</u>	<u>450,413</u>	<u>515,637</u>	<u>2,847,088</u>
EXPENDITURES						
Principal repayments	750,000	-	470,000	390,000	410,000	2,020,000
Payments to school bond loan fund	78,975	47,407	66,637	51,917	58,653	303,589
Interest	180,000	269,975	116,300	7,215	34,739	608,229
TOTAL EXPENDITURES	<u>1,008,975</u>	<u>317,382</u>	<u>652,937</u>	<u>449,132</u>	<u>503,392</u>	<u>2,931,818</u>
NET CHANGE IN FUND BALANCES	(46,226)	(22,528)	(29,502)	1,281	12,245	(84,730)
FUND BALANCES						
Beginning of year	<u>163,325</u>	<u>185,475</u>	<u>105,326</u>	<u>21,509</u>	<u>-</u>	<u>475,635</u>
End of year	<u>\$ 117,099</u>	<u>\$ 162,947</u>	<u>\$ 75,824</u>	<u>\$ 22,790</u>	<u>\$ 12,245</u>	<u>\$ 390,905</u>

**BATH COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT
JUNE 30, 2024**

\$6,635,000 Bonds issued January 28, 2016:

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	November 1	May 1	June 30,	Amount
\$ 750,000	\$ 75,000	\$ 75,000	2025	\$ 900,000
750,000	60,000	60,000	2026	870,000
750,000	45,000	45,000	2027	840,000
750,000	30,000	30,000	2028	810,000
750,000	15,000	15,000	2029	780,000
<u>\$ 3,750,000</u>	<u>\$ 225,000</u>	<u>\$ 225,000</u>		<u>\$ 4,200,000</u>

The above bonds have an interest rate of 4.00%. The bond proceeds were used to refinance the 2006 bond issue.

**BATH COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT
JUNE 30, 2024**

\$8,665,000 Series I Bonds issued August 1, 2017:

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	November 1	May 1	June 30,	Amount
\$ -	\$ 134,988	\$ 134,988	2025	\$ 269,976
-	134,988	134,988	2026	269,976
330,000	134,988	134,988	2027	599,976
340,000	128,388	128,388	2028	596,776
340,000	121,588	121,588	2029	583,176
400,000	114,788	114,788	2030	629,576
410,000	106,788	106,788	2031	623,576
420,000	98,588	98,588	2032	617,176
430,000	90,188	90,188	2033	610,376
440,000	81,588	81,588	2034	603,176
450,000	72,788	72,788	2035	595,576
460,000	63,788	63,788	2036	587,576
470,000	54,588	54,588	2037	579,176
480,000	45,188	45,188	2038	570,376
480,000	35,588	35,588	2039	551,176
485,000	25,988	25,988	2040	536,976
500,000	17,500	17,500	2041	535,000
500,000	8,750	8,750	2042	517,500
<u>\$ 6,935,000</u>	<u>\$ 1,471,058</u>	<u>\$ 1,471,058</u>		<u>\$ 9,877,116</u>

The above bonds have an interest rate of 4.00%. The bond proceeds will be used for school building and site purposes.

**BATH COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT
JUNE 30, 2024**

\$5,230,000 Series II Bonds issued May 24, 2018:

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	November 1	May 1	June 30,	Amount
\$ 475,000	\$ 48,500	\$ 48,500	2025	\$ 572,000
385,000	39,000	39,000	2026	463,000
100,000	31,300	31,300	2027	162,600
135,000	29,300	29,300	2028	193,600
180,000	26,600	26,600	2029	233,200
360,000	23,000	23,000	2030	406,000
385,000	15,800	15,800	2031	416,600
405,000	8,100	8,100	2032	421,200
<u>\$ 2,425,000</u>	<u>\$ 221,600</u>	<u>\$ 221,600</u>		<u>\$ 2,868,200</u>

The above bonds have an interest rate of 4.00%. A portion of the bond proceeds will be used for school building and site purposes and a portion of the proceeds were used to refinance the 2008 bond issue.

**BATH COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT
JUNE 30, 2024**

\$990,000 Series IV Bonds issued August 17, 2023:

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	November 1	May 1	June 30,	Amount
\$ 480,000	\$ 13,794	\$ 13,794	2025	\$ 507,588
100,000	2,250	2,250	2026	104,500
<u>\$ 580,000</u>	<u>\$ 16,044</u>	<u>\$ 16,044</u>		<u>\$ 612,088</u>

The above bonds have interest rates ranging from 4.50% to 5.28%. The bond proceeds will be used for school building and site purposes.

BATH COMMUNITY SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
JUNE 30, 2024

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Bond Loan Program. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from the State under this program have been summarized as follows:

Year Ended June 30,	Loan Proceeds	Accrued Interest	Net Increase
1996 and prior	\$ 417,292	\$ 21,649	\$ 438,941
1997	411,863	31,094	442,957
1998	381,236	59,951	441,187
1999	342,437	75,995	418,432
2000	233,810	94,748	328,558
2001	217,000	107,362	324,362
2002	130,484	103,175	233,659
2003	56,168	90,428	146,596
2004	-	78,443	78,443
2005	-	84,514	84,514
2006	325,186	130,092	455,278
2007	-	160,609	160,609
2007 loan repayment	(135,256)	(14,009)	(149,265)
2008	-	151,354	151,354
2008 loan repayment	(189,930)	(140,933)	(330,863)
2009	-	148,790	148,790
2009 loan repayment	-	(417,906)	(417,906)
2010	-	163,911	163,911
2010 loan repayment	-	(439,193)	(439,193)
2011	-	136,615	136,615
2011 loan repayment	-	(297,189)	(297,189)
2012	-	120,053	120,053
2012 loan repayment	-	(303,489)	(303,489)
2013	-	100,442	100,442
2013 loan repayment	(23,809)	(235,576)	(259,385)
2014	-	74,527	74,527
2014 loan repayment	(424,796)	(75,204)	(500,000)
2015	-	58,732	58,732
2015 loan repayment	(338,117)	(61,362)	(399,479)
2016	-	46,007	46,007
2016 loan repayment	(402,760)	(48,138)	(450,898)
2017	-	29,699	29,699
2017 loan repayment	(550,148)	(33,257)	(583,405)
2018	-	14,306	14,306
2019	-	15,473	15,473
2020	-	15,485	15,485
2021	-	14,369	14,369
2021 loan repayment	(78,315)	(59,976)	(138,291)
2022	-	9,293	9,293
2022 loan repayment	(130,460)	(10,387)	(140,847)
2023	-	6,460	6,460
2023 loan repayment	(230,141)	(6,859)	(237,000)
2024	-	455	455
2024 loan repayment	(11,744)	(553)	(12,297)
Total	\$ -	\$ -	\$ -

BATH COMMUNITY SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
JUNE 30, 2024

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Loan Revolving Program. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from the State under this program have been summarized as follows:

Year Ended June 30,	Loan Proceeds	Accrued Interest	Net Increase
2019	\$ 109,384	\$ 2,510	\$ 111,894
2020	138,826	6,574	145,400
2021	-	7,714	7,714
2022	-	6,747	6,747
2023	-	9,389	9,389
2024	-	10,739	10,739
2024 loan repayment	<u>(247,623)</u>	<u>(43,669)</u>	<u>(291,292)</u>
Total	<u>\$ 587</u>	<u>\$ 4</u>	<u>\$ 591</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***

To the Board of Education
Bath Community Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bath Community Schools as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Bath Community Schools' basic financial statements and have issued our report thereon dated September 11, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bath Community Schools' internal control over financial reporting (internal control) to determine the 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 the Bath Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Bath Community Schools' internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bath Community Schools' 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Maney Costeiran PC

September 11, 2024



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September 11, 2024

To the Board of Education
Bath Community Schools

In planning and performing our audit of the financial statements of Bath Community Schools as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered Bath Community Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted one matter involving the internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated September 11, 2024 on the financial statements of Bath Community Schools. We will review the status of this comment during our next audit engagement. Our comment and recommendation, which has been discussed with appropriate members of management, is intended to improve the internal control, or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, perform any additional study of this matter, or assist you in implementing the recommendation. Our comment is summarized as follows.

Food Service Fund Balance

Per Michigan Department of Education (MDE) guidelines, school food authorities (SFA) must operate food services on a nonprofit basis. We noted that the food service fund balance exceeded the three months' operating expenditures allowed. MDE requires that the SFA spend down the excess by the end of the next school year. We recommend that Bath Community Schools develop a plan to spend down the excess by June 30, 2025.

This report is intended solely for the information and use of management and others within the District and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maner Costerisan PC



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September 11, 2024

To the Board of Education
Bath Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bath Community Schools for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Bath Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year 2024. We noted no transactions entered into by Bath Community Schools during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements of the governmental activities were:

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability. We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate in calculating the liability for employee compensated absences. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 11, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Bath Community Schools financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Bath Community Schools auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Very truly yours,

Maney Costeiran PC