BYRON AREA SCHOOLS
BYRON, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2025



WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

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INDEPENDENT AUDITOR'S REPORT

October 14, 2025

Board of Education
Byron Area Schools
Byron, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Byron Area Schools (School District), as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Byron Area Schools as of June 30, 2025 and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 15 to the financial statements, in 2025, the School District adopted GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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Certified Public Accountants & Advisors

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining nonmajor fund financial statements are presented for the 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 GAAS. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2025, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Weinlander Fitzhugh

BYRON AREA SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2025

Our discussion and analysis of Byron Area Schools' (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2025.

Financial Highlights

The School District's net position increased by $3,163,488 or 64%. Program revenues were $3,733,566 or 34% of total revenues, and general revenues were $7,239,891 or 66%.

The General Fund reported a positive fund balance of $3,062,142. The Sinking Capital Projects Fund reported a positive fund balance of $1,056,121.

Using this Annual Financial Report

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

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

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

Budgetary Information for the General Fund (Required Supplemental Information)

Pension Schedules (Required Supplemental Information)

OPEB Schedules (Required Supplemental Information)

Other Supplemental Information

Reporting the District as a Whole

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

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

Reporting the District's Most Significant Funds

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

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

District-wide Financial Analysis

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

Exhibit A	Governmental Activities	
	2025	* 2024
Assets		
Current and other assets	$ 5,845,682	$ 6,162,159
Net OPEB asset	1,614,032	211,227
Capital assets - net of accumulated depreciation	4,575,426	4,050,853
Total assets	12,035,140	10,424,239
Deferred Outflows of Resources		
Related to pensions and OPEB	3,033,263	4,202,691
Liabilities		
Current liabilities	1,263,282	1,751,970
Long-term liabilities	9,335,339	12,534,162
Total liabilities	10,598,621	14,286,132
Deferred Inflows of Resources		
Related to pensions and OPEB	6,256,809	5,291,313
Net Position		
Net investment in capital assets	4,575,426	4,020,862
Restricted	1,142,159	1,401,689
Restricted for net OPEB asset	1,614,032	211,227
Unrestricted	(9,118,644)	(10,584,293)
Total net position	$ (1,787,027)	$ (4,950,515)

*The 2024 numbers have not been updated for the adoption of GASB 101.

The analysis above focuses on net position (see Exhibit A). The School District's net position of governmental activities were $(1,787,027) at June 30, 2025. Investment in property and equipment, net of related debt totaling $4,575,426, compares the original costs less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Restricted net position is reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use that net position for day-to-day operations.

The $(9,118,644) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The School District implemented GASB Statement No. 68 in 2015. The effect of this Statement required the School District to report in the summary of net position, a liability of $9,206,406 for 2025 and $12,475,879 for 2024.

The School District implemented GASB Statement No. 75 in 2018. The effect of this Statement required the School District to report in the summary of net position, an (asset) liability of $(1,614,032) for 2025 and $(211,227) for 2024.

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

Exhibit B	Governmental Activities	
	2025	* 2024
Revenues		
Program revenue:		
Charges for services	$ 478,554	$ 432,912
Grants and categoricals	3,255,012	3,493,057
General revenue:		
Property taxes	1,403,339	1,318,216
State aid	5,678,198	5,817,826
Other	158,354	169,048
Total revenues	10,973,457	11,231,059
Function/Program Expenses		
Instruction	3,799,856	3,957,476
Support services	2,587,721	2,837,689
Community services	89,565	108,020
Food services	480,058	498,512
Student/school activities	275,116	257,518
Capital outlay	172,850	358,940
Interest on long-term debt	592	2,157
Depreciation (unallocated)	404,211	369,299
Total expenses	7,809,969	8,389,611
Change in Net Position	$ 3,163,488	$ 2,841,448

*The 2024 numbers have not been updated for adoption of GASB 101.

As reported in the statement of activities, the cost of all of our governmental activities this year was $7,809,969. Certain activities were partially funded from those who benefited from the programs, $478,554, or by the other governments and organizations that subsidized certain programs with grants and categoricals of $3,255,012. We paid for the remaining "public benefit" portion of our governmental activities with $1,403,339 in taxes, $5,678,198 in State aid and with our other revenues, such as interest and entitlements.

The School District's governmental activities had an increase in net position of $3,163,488. The major reason was due to an increase in funding and continued use of federal and state revenue. The increase in net position differs from the change in fund balance and a reconciliation appears in the financial statements.

The School District's Funds

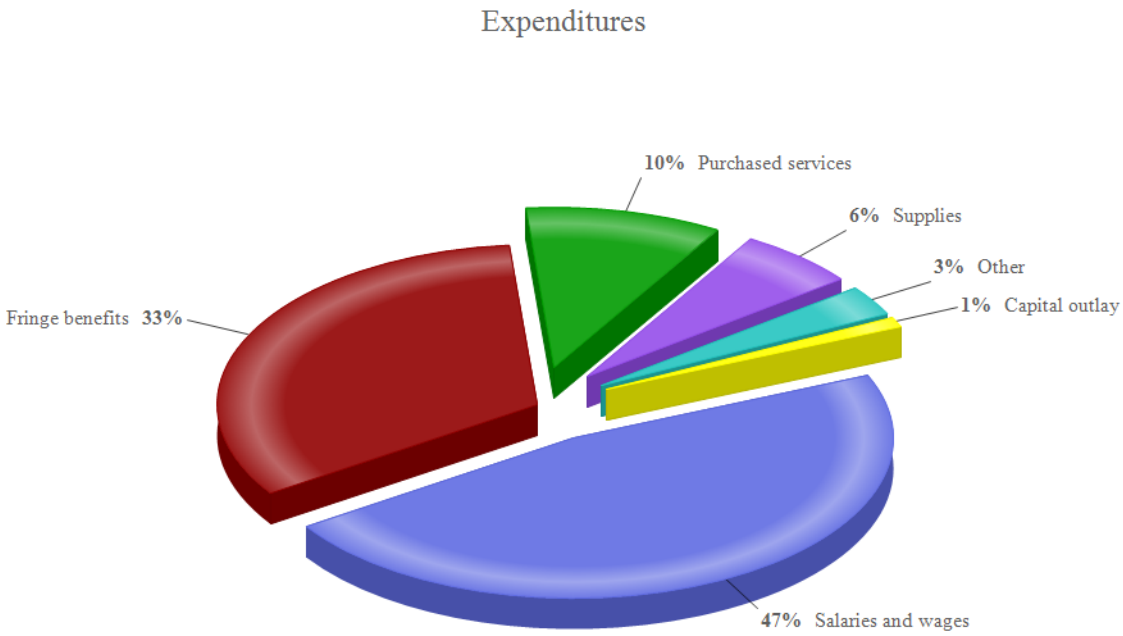
The School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall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

The School District's governmental funds reported a combined fund balance of $4,582,400, which is above last year's total of $4,440,412. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2025 and 2024.

	Fund Balance 6/30/2025	Fund Balance 6/30/2024	Increase (Decrease)
General Fund	$ 3,062,142	$ 2,666,639	$ 395,503
Sinking Capital Projects Fund	1,056,121	1,315,660	(259,539)
Special Revenue Funds	378,099	372,084	6,015
Capital Projects Fund	86,038	86,029	9
	$ 4,582,400	$ 4,440,412	$ 141,988

- Our General Fund increased mainly due to additional state funding received.
- Our Sinking Capital Projects Fund decreased mainly due to more projects completed for the 24-25 fiscal year.
- Our Special Revenue Funds increased mainly due to revenue generated from student fundraiser's.
- Our Capital Projects Fund increased mainly due to interest income.

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



	2025	2024
Expenditures by Object		
Salaries and wages	$ 4,174,148	$ 3,927,841
Fringe benefits	2,931,689	2,928,241
Purchased services	888,605	892,448
Supplies	496,587	549,509
Capital outlay	73,744	85,785
Other	239,396	251,696
Total	$ 8,804,169	$ 8,635,520

Expenditures have increased by $168,649 from the prior year mainly due to increased costs to educate students.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Final budgeted revenues were increased by $646,782 due to additional state grant funds allocated.
- Final budgeted expenditures were increased by $695,052 due to additional funding allocated and an increase in staff salary and benefit costs.
- Budgeted revenues exceeded actual revenues by $623,869 due to the District not incurring budgeted expenditures by the end of the fiscal year. Grant revenues allocated are not recognized until expenditures are incurred.
- Budgeted expenditures exceeded actual expenditures by $1,835,305 due to the District not incurring expenditures by the end of the fiscal year.

Capital Assets

At June 30, 2025, the School District had $4,575,426 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net increase (including additions and disposals) of 13% from last year.

	2025	2024
Land	$ 220,429	$ 220,429
Construction in progress	34,182	0
Buildings and improvements	5,488,605	5,488,605
Land improvements	3,524,935	2,740,792
Equipment and furniture	1,023,036	912,577
Vehicles and buses	1,056,996	1,056,996
Total capital assets	11,348,183	10,419,399
Less accumulated depreciation	6,772,757	6,368,546
Net capital assets	$ 4,575,426	$ 4,050,853

This year's additions of $928,784 were for the purchase of a poweredge tower, stage curtains, playground, water heater, parking lot at the elementary, fencing/painting, parking lot at the Bus barn and construction in progress for the sensory garden and greenhouse.

We anticipate capital additions to be determined by the Board of Education. We present more detailed information about our capital assets in the notes to the financial statements.

Factors Expected to have an Effect on Future Operations

The following factors will affect the School District in the future and were considered in preparing the School District's budget for the 2025-26 fiscal year:

* Foundation Allowance
  The Board of Education and Administration agreed to an estimate of a foundation allowance of $9,608 per pupil for the 2025-26 fiscal year, this represents a flat foundation allowance, no increase or decrease from 2024-25, based on the information received from various educational organizations such as Michigan School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards, as well as discussions with local state representatives. PA 15 of 2025 was not approved until early October and at the time of the budget adoption, the proposed state budget was too vast to make a set determination on foundation and other categoricals.

Retirement Rate
For the 2025-26 fiscal year, the contribution rate is anticipated to decrease to 29.91%. However, the 3% employee portion of the Health Care Fund (HCF) will shift to the District, increasing its financial responsibility. In addition, effective October 1, 2025, the District will be required to contribute an additional 15.21% on all wages earned from that date forward to fund the Unfunded Actuarial Accrued Liability (UAAL).

The School District's 2025/2026 adopted budget is as follows:

REVENUE	$ 9,666,708
EXPENDITURES	10,753,839
NET (UNDER) BUDGET	$ (1,087,131)

Requests for Information

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

Business Office
Byron Area Schools
312 W. Maple Ave
Byron, MI 48418

BYRON AREA SCHOOLS
Statement of Net Position
June 30, 2025

	Governmental Activities
Cash	$ 1,782,534
Investments	2,245,080
Receivables - net:	
Accounts receivable	1,696
Due from other governments	1,794,344
Prepaid expenses	10,555
Inventory	11,473
Capital assets less accumulated depreciation $6,772,757	4,575,426
Net OPEB asset	1,614,032
Total assets	12,035,140
Deferred Outflows of Resources	
Related to pensions	2,661,043
Related to OPEB	372,220
Total deferred outflows of resources	3,033,263
Liabilities	
Accounts payable	31,371
Accrued payroll and other liabilities	635,659
Due to other governments	91,349
State aid anticipation note payable	29,446
Unearned revenue	475,457
Long-term liabilities:	
Due in more than one year	128,933
Net pension liability	9,206,406
Total liabilities	10,598,621
Deferred Inflows of Resources	
Related to pensions	3,947,751
Related to OPEB	2,309,058
Total deferred inflows of resources	6,256,809
Net Position	
Net investment in capital assets	4,575,426
Restricted for capital projects	1,142,159
Restricted for net OPEB asset	1,614,032
Unrestricted	(9,118,644)
Total net position	$ (1,787,027)

See accompanying notes to financial statements.

BYRON AREA SCHOOLS
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants/ Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Primary government -				
Governmental activities:				
Instruction	$ 3,799,856	$ 0	$ 2,737,977	$ (1,061,879)
Support services	2,587,721	98,120	0	(2,489,601)
Community services	89,565	104,676	0	15,111
Food services	480,058	6,741	517,035	43,718
Student/school activities	275,116	269,017	0	(6,099)
Capital outlay	172,850	0	0	(172,850)
Interest on long-term debt	592	0	0	(592)
Depreciation (unallocated)	404,211	0	0	(404,211)
Total governmental activities	$ 7,809,969	$ 478,554	$ 3,255,012	(4,076,403)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				624,106
Property taxes, levied for capital projects				779,233
State aid				5,678,198
Interest and investment earnings				96,841
Other				61,513
Total general revenues				7,239,891
Change in net position				3,163,488
Net position - beginning of year				(4,950,515)
Net position - end of year				$ (1,787,027)

See accompanying notes to financial statements.

BYRON AREA SCHOOLS
Governmental Funds
Balance Sheet
June 30, 2025

	General	Sinking Capital Projects Fund	Other Nonmajor Governmental Funds	Total
Assets				
Cash	$ 273,832	$ 1,077,869	$ 430,833	$ 1,782,534
Investments	2,245,080	0	0	2,245,080
Receivables - net:				
Accounts receivable	321	0	1,375	1,696
Due from other funds	59,742	0	81,549	141,291
Due from other governments	1,790,018	0	4,326	1,794,344
Prepaid expenditures	10,555	0	0	10,555
Inventory	0	0	11,473	11,473
Total assets	$ 4,379,548	$ 1,077,869	$ 529,556	$ 5,986,973
Liabilities and Fund Balance				
Liabilities				
Accounts payable	$ 17,009	$ 0	$ 14,362	$ 31,371
Accrued payroll and other liabilities	624,477	0	11,182	635,659
Due to other funds	81,549	21,748	37,994	141,291
Due to other governments	90,655	0	694	91,349
State aid anticipation note payable	29,446	0	0	29,446
Unearned revenue	474,270	0	1,187	475,457
Total liabilities	1,317,406	21,748	65,419	1,404,573
Fund Balance				
Nonspendable - inventory	0	0	11,473	11,473
Nonspendable - prepaids	10,555	0	0	10,555
Restricted for capital projects	0	1,056,121	86,038	1,142,159
Restricted for food service	0	0	131,376	131,376
Committed for student/school activities	0	0	235,250	235,250
Unassigned	3,051,587	0	0	3,051,587
Total fund balance	3,062,142	1,056,121	464,137	4,582,400
Total liabilities and fund balance	$ 4,379,548	$ 1,077,869	$ 529,556	$ 5,986,973

See accompanying notes to financial statements.

BYRON AREA SCHOOLS
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2025

Total fund balance - governmental funds	$ 4,582,400
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
Cost of the capital assets	11,348,183
Accumulated depreciation	(6,772,757)
Deferred outflows used in governmental activities are not financial resources and therefore are not reported in governmental funds:	
Related to pensions	2,661,043
Related to OPEB	372,220
Some assets are not current financial resources and therefore are not reported in governmental funds. Noncurrent assets at year-end consist of:	
Net OPEB asset	1,614,032
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Compensated absences	(128,933)
Net pension liability	(9,206,406)
Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in governmental funds:	
Related to pensions	(3,947,751)
Related to OPEB	(2,309,058)
Total net position - governmental activities	$ (1,787,027)

See accompanying notes to financial statements.

BYRON AREA SCHOOLS
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2025

	General	Sinking Capital Projects Fund	Other Nonmajor Governmental Funds	Total
Revenues				
Local sources	$ 981,907	$ 779,233	$ 279,107	$ 2,040,247
State sources	7,910,694	0	160,353	8,071,047
Federal sources	213,208	0	356,683	569,891
Interdistrict and other sources	58,918	0	0	58,918
Total revenues	9,164,727	779,233	796,143	10,740,103
Expenditures				
Current:				
Instruction	5,220,334	0	0	5,220,334
Support services	3,420,642	0	0	3,420,642
Community services	89,565	0	0	89,565
Capital outlay	43,639	1,038,772	0	1,082,411
Principal on debt service	29,164	0	0	29,164
Interest on long-term debt	825	0	0	825
Food services	0	0	480,058	480,058
Student/school activities	0	0	275,116	275,116
Total expenditures	8,804,169	1,038,772	755,174	10,598,115
Excess (deficiency) of revenues over expenditures	360,558	(259,539)	40,969	141,988
Other Financing Sources (Uses)				
Operating transfer in	34,945	0	0	34,945
Operating transfer out	0	0	(34,945)	(34,945)
Total other financing sources (uses)	34,945	0	(34,945)	0
Net change in fund balance	395,503	(259,539)	6,024	141,988
Fund balance - beginning of year	2,666,639	1,315,660	458,113	4,440,412
Fund balance - end of year	$ 3,062,142	$ 1,056,121	$ 464,137	$ 4,582,400

See accompanying notes to financial statements.

BYRON AREA SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2025

Net change in fund balance - total governmental funds	$ 141,988
Amounts reported for governmental activities in the statements of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation expense	(404,211)
Capital outlay	928,784
Repayment of principal on bus installment notes	29,991
Increases in compensated absences are reported as an addition in expenditures when financial resources are used in the governmental fund.	(70,650)
Accrued interest are reported as a reduction in expenditures on the Statement of Activities	232
Some revenues and expenses reported in the statement of activities are not recognized as or require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	
Pension related items	1,742,151
OPEB related items	795,203
Change in net position of governmental activities	$ 3,163,488

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Byron Area Schools (the "School District") conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

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

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

The School District reports the following major governmental funds:

General Fund - The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Sinking Capital Projects Fund - The Sinking Capital Projects Fund records capital project activities funded with Sinking Fund millage. For this fund, the school district has complied with the applicable provision of §1212 of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2023-1.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position or Equity

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

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

Inventory and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventory is maintained in the Special Revenue Fund (Food Service Fund). Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $5,000 and any asset susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements are capitalized; the cost of normal repair and maintenance that do not add to the value or materially extend asset lives are not. Interest incurred during the construction of capital assets is also capitalized. The School District does not have infrastructure-type assets.

Buildings, land improvements, equipment and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Land improvements	5-25 years
Furniture and equipment	5-10 years
Vehicles and buses	5 years

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

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Deferred Outflows and Inflows of Resources

Deferred Outflows - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. For district-wide financial statements, the School District reports deferred outflows of resources related to pensions and other postemployment benefits. This amount is the result of a difference between expected and actual experience. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension and other postemployment benefits liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. Changes in proportion and differences between employer contributions and proportionate share of contributions. The School District also reported deferred outflows of resources for pension and other postemployment benefits contributions made after the measurement date. This amount will reduce the net pension liability in the following year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For district-wide financial statements, the School District reports deferred inflows of resources related to pensions and other postemployment benefits. This amount is the result of the difference between expected and actual experience. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and other postemployment benefits expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. Changes in proportion and differences between employer contributions and proportionate share of contributions. Deferred inflows of resources also includes revenue received relating to Section 147c state aid deferred to offset the deferred outflows related to Section 147c pension contributions subsequent to the measurement period.

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

Property taxes - For the taxpayers of the School District, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Aid - For the fiscal year ended June 30, 2025, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2025, the foundation allowance was based on the average pupil membership counts taken in February and October of 2024.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2024 - August 2025. The local revenue is recognized as outlined in Note 1. Amounts receivable from the State of Michigan at June 30, 2025 relating to state aid is $1,413,402.

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

Events Occurring After Reporting Date

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

NOTE 2 - BUDGETS

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

NOTE 2 - BUDGETS (CONTINUED)

Byron Area Schools follow these procedures in establishing the budgetary data reflected in the financial statements.

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

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

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

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

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplemental Information.

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

NOTE 3 - CASH AND INVESTMENTS

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

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

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

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

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

5. Bankers acceptances of United States banks.

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

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

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

	Primary Government
Cash and cash equivalents	$ 1,782,534
Investments	2,245,080
	$ 4,027,614

As of June 30, 2025 the School District had deposits and investments subject to the following risk:

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2025, $3,851,413 of the School District's bank balance of $4,351,413 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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

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

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investment type	Fair value	Weighted average maturity (years)
MILAF+ Max Class	$ 2,245,080	N/A

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

Investment type	Fair value	Rating	Rating Agency
MILAF+ Max Class	$ 2,245,080	AAAm	Standard & Poor's

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

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

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

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

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

The 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.

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

	Amortized Cost
MILAF+ Max Class	$ 2,245,080

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

NOTE 4 - CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Balance July 1, 2024	Additions	Disposals and Adjustments	Balance June 30, 2025
Assets not being depreciated:				
Land	$ 220,429	$ 0	$ 0	$ 220,429
Construction in progress	0	34,182	0	34,182
Subtotal	220,429	34,182	0	254,611
Capital assets being depreciated:				
Buildings and improvements	5,488,605	0	0	5,488,605
Land improvements	2,740,792	784,143	0	3,524,935
Equipment and furniture	912,577	110,459	0	1,023,036
Vehicles and buses	1,056,996	0	0	1,056,996
Subtotal	10,198,970	894,602	0	11,093,572
Accumulated depreciation:				
Buildings and improvements	3,196,472	158,963	0	3,355,435
Land improvements	1,784,849	95,539	0	1,880,388
Equipment and furniture	642,612	45,614	0	688,226
Vehicles and buses	744,613	104,095	0	848,708
Subtotal	6,368,546	404,211	0	6,772,757
Net capital assets being depreciated/amortized	3,830,424	490,391	0	4,320,815
Net capital assets	$ 4,050,853	$ 524,573	$ 0	$ 4,575,426

Depreciation expense for fiscal year ended June 30, 2025 was $404,211. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

		Payables			
		General	Sinking Capital Projects	Food Service	Total
Receivables	General	$ 0	$ 21,748	$ 37,994	$ 59,742
	Food Service	77,962	0	0	77,962
	Student activities	3,587	0	0	3,587
		$ 81,549	$ 21,748	$ 37,994	$ 141,291

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

		Transfers Out
		Food Service
Transfers In	General	$ 34,945

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

The interfund transfers resulted from the indirect cost transfer from Food Service to General Fund.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2025 consist of accounts (fees), intergovernmental grants and interest.

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

State aid and grants	$ 1,413,402
Federal grants	148,176
Shiawassee RESD	202,677
Eaton RESA	30,089
	$ 1,794,344

NOTE 7 - UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also reflect unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, grant and categorical aid payments received prior to meeting all eligibility requirements amounted to $475,457.

NOTE 8 - SHORT-TERM DEBT ACTIVITY

The School District issues state aid anticipation notes in advance of State of Michigan state aid payments, depositing the proceeds in its General Fund. These notes are necessary because the School District's cash flow obligation to operating expenses precede the collection of state aid. At June 30, 2025, the School District has issued state aid anticipation notes payable in the amount of $200,000 which has an interest rate of 3.30%. The note matures on July 21, 2025. The note is secured by the full faith and credit of the School 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, 2025 is as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
State Aid	$ 694,269	$ 200,000	$ 864,823	$ 29,446

The School District did not issue any state aid anticipation notes subsequent to year-end.

NOTE 9 - LONG-TERM OBLIGATIONS

The following is a summary of governmental long-term obligations for the School District for the year ended June 30, 2025:

	Balance July 1, 2024	Additions	Retirements and Payments	Balance June 30, 2025	Amount Due Within One Year
Notes from direct borrowings and direct placements	$ 29,991	$ 0	$ 29,991	$ 0	$ 0
Compensated absences*	58,283	70,650	0	128,933	0
	$ 88,274	$ 70,650	$ 29,991	$ 128,933	$ 0

*The change in the compenstated absences liability is presented as a net change from prior year with no restatement of the previous balance since the implementation of GASB 101 was not a material impact at the government-wide statements.

Compensated absences include unused sick pay. Unused sick pay is calculated using the daily sub rate multiplied by the appropriate percentage. This figure is then multiplied by the total number of unused sick days (maximum 150 days). At June 30, 2025, the amount of $128,933 has been recorded in the district-wide financial statements.

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and worker's compensation claims. The School District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The School District's management believes that participation in this pool provides sufficient coverage to protect the School District from any significant adverse financial impact.

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

Pension Reform 2010

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

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

Pension Reform 2012

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

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

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

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

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

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

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

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 plan with similar plan benefit calculations but containing a 50/50 contribution share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Pension Reform of 2023

On November 29, 2023, the Governor signed Public Act 250 of 2023 into law. New employees hired after June 30, 2024, are automatically enrolled as members in the Pension Plus 2 plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus 2 plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus 2 plan. If they elect to opt out of the Pension Plus 2 plan, their participation in the DC plan will be retroactive to their date of hire.

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided – Other postemployment benefit (OPEB)

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Retiree Healthcare Reform of 2012

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

Regular Retirement (no reduction factor for age)

Eligibility – A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Member Contributions

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

Employer Contributions

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2024 were determined as of the September 30, 2021 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2021, are amortized over a 15-year period beginning October 1, 2023 and ending September 30, 2038.

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

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

The School District's pension contributions for the year ended June 30, 2025 were equal to the required contribution total. Total pension contributions were approximately $1,684,000. Of the total pension contributions approximately $1,628,000 was contributed to fund the Defined Benefit Plan and approximately $56,000 was contributed to fund the Defined Contribution Plan.

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

The School District's OPEB contributions for the year ended June 30, 2025 were equal to the required contribution total. Total OPEB contributions were approximately $100,000. Of the total OPEB contributions approximately $72,000 was contributed to fund the Defined Benefit Plan and approximately $28,000 was contributed to fund the Defined Contribution Plan.

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

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

Pension Liabilities

The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2023 and rolled-forward using generally accepted actuarial procedures. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-University Employers:		September 30, 2024		September 30, 2023
Total Pension Liability	$	95,765,499,515	$	94,947,828,557
Plan Fiduciary Net Position	$	71,283,482,728	$	62,581,762,238
Net Pension Liability	$	24,482,016,787	$	32,366,066,319
Proportionate share		0.03760 %		0.03855 %
Net Pension liability for the School District	$	9,206,406	$	12,475,879

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

For the year ended June 30, 2025, the School District recognized pension expense of approximately $175,000.

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	$ 249,776	$ (100,029)
Net difference between projected and actual earnings on pension plan investments	0	(1,756,973)
Changes in assumptions	959,822	(674,538)
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,410	(913,795)
Unearned revenue related to pension portion of section 147 c	0	(502,416)
School District's contributions subsequent to the measurement date	1,449,035	0
Total	$ 2,661,043	$ (3,947,751)

$1,449,035, reported as deferred outflows of resources related to pensions resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount
2026	$ (746,209)
2027	(219,181)
2028	(780,790)
2029	(487,147)
	$ (2,233,327)

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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

OPEB (Asset) Liabilities

The net OPEB (asset) liability was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation date of September 30, 2023 and rolled-forward using generally accepted actuarial procedures. The School District's proportion of the net OPEB (asset) liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-University Employers:		September 30, 2024		September 30, 2023
Total OPEB Liability	$	9,991,545,923	$	11,223,648,949
Plan Fiduciary Net Position	$	14,295,943,589	$	11,789,347,341
Net OPEB (Asset) Liability	$	(4,304,397,666)	$	(565,698,392)
Proportionate share		0.03750 %		0.03974 %
Net OPEB (Asset) Liability for the School District	$	(1,614,032)	$	(211,227)

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

For the year ended June 30, 2025, the School District recognized OPEB expense of approximately $(485,000).

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	$ 0	$ (1,710,381)
Net difference between projected and actual plan investments	0	(305,555)
Changes in assumption	352,528	(40,520)
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,929	(252,602)
School District's contributions subsequent to the measurement date	5,763	0
Total	$ 372,220	$ (2,309,058)

$5,763, reported as deferred outflows of resources related to OPEB resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB (asset) liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Amount
2026	$ (653,813)
2027	(407,797)
2028	(367,548)
2029	(315,385)
2030	(168,014)
Thereafter	(30,044)
	$ (1,942,601)

Actuarial Assumptions

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

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

Inflation - 3.0%

Mortality assumptions -

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

Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and MP-2021 adjusted for mortality improvements using projection scale from 2010.

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

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2024. Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2023 valuation.

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

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

Healthcare cost trend rate for other postemployment benefit – Pre 65, 7.14% for year one and graded to 3.5% for year fifteen. Post 65, 6.50% for year one and graded to 3.5% in year fifteen.

Additional assumptions for other postemployment benefit only – Applies to individuals hired before September 4, 2012:

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

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

The target asset allocation at September 30, 2024 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

Rate of return - For fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 15.47% and 15.45% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount actually invested.

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

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
School District's proportionate share of the net pension liability	$13,496,690	$9,206,406	$5,633,919

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

	Other postemployment benefit		
	1% Decrease	Discount Rate	1% Increase
School District's proportionate share of the net OPEB (asset) liability	$(1,247,337)	$(1,614,032)	$(1,931,078)

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity to the net OPEB (asset) liability to changes in the healthcare cost trend rates - The following presents the School District's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate, as well as what the School District's proportionate share of the net other postemployment benefit (asset) liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other postemployment benefit		
	1% Decrease	Current Healthcare cost trend rates	1% Increase
School District's proportionate share of the net OPEB (asset) liability	$(1,931,082)	$(1,614,032)	$(1,273,998)

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

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

NOTE 12 - GRANTS

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

NOTE 13 - BOND AND SINKING FUND COMPLIANCE

The School District passed in 2014 a sinking fund levy at 3 mills, which was renewed in 2019 for a five year period. The activity related to the sinking fund is recorded in the Capital Projects Fund. The assets, liabilities, revenues and expenditures are included in the School District's basic financial statements for the year ended June 30, 2025.

For this fund, the School District 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.

NOTE 14 - TAX ABATEMENTS

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

The taxes abated for the General Fund operating millage is considered by the State of Michigan when determining the School District's section 22 funding of the State School Aid Act.

There are no significant abatements made by the School District.

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE

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

GASB Statement No. 101, *Compensated Absences*.

Summary:

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

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENT

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

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

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENT (CONTINUED)

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription asset recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires additional disclosures for capital assets held for sale. The School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

BYRON AREA SCHOOLS
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2025

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
Revenues				
Local sources	$ 867,062	$ 940,091	$ 981,907	$ 41,816
State sources	7,999,871	8,545,950	7,910,694	(635,256)
Federal sources	180,549	206,621	213,208	6,587
Interdistrict and other sources	94,332	95,934	58,918	(37,016)
Total revenues	9,141,814	9,788,596	9,164,727	(623,869)
Expenditures				
Instruction:				
Basic programs	4,452,324	4,733,070	4,089,745	643,325
Added needs	1,378,252	1,472,231	1,130,589	341,642
Support services:				
Pupil	264,847	382,824	302,222	80,602
Instructional staff	181,607	270,401	211,962	58,439
General administrative	398,863	348,147	348,582	(435)
School administrative	619,328	626,958	624,587	2,371
Business services	236,022	216,615	131,480	85,135
Operations and maintenance	1,242,858	1,276,843	1,043,023	233,820
Transportation	562,346	664,003	405,245	258,758
Information services	124,600	126,650	97,773	28,877
Other support services	315,477	323,133	255,768	67,365
Community services	137,898	93,937	89,565	4,372
Capital outlay	0	74,655	43,639	31,016
Principal on debt service	29,175	29,182	29,164	18
Interest on long-term debt	825	825	825	0
Total expenditures	9,944,422	10,639,474	8,804,169	1,835,305
Excess (deficiency) of revenues over expenditures	(802,608)	(850,878)	360,558	1,211,436
Other Financing Sources (Uses)				
Operating transfer in	0	0	34,945	34,945
Net change in fund balance	(802,608)	(850,878)	395,503	1,246,381
Fund balance - beginning of year	2,666,639	2,666,639	2,666,639	0
Fund balance - end of year	$ 1,864,031	$ 1,815,761	$ 3,062,142	$ 1,246,381

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Reporting unit's proportion of net pension liability (%)	0.03760 %	0.03855 %	0.04071 %	0.04313 %	0.04600 %	0.04834 %	0.05187 %	0.05394 %	0.05489 %	0.05496 %
Reporting unit's proportionate share of net pension liability	$ 9,206,406	$12,475,879	$15,311,995	$10,211,023	$15,802,909	$16,009,288	$15,594,053	$13,977,963	$13,694,736	$13,423,557
Reporting unit's covered-employee payroll*	$ 3,939,023	$ 3,720,558	$ 3,844,738	$ 3,765,914	$ 3,987,278	$ 4,102,007	$ 4,283,897	$ 4,484,120	$ 4,640,439	$ 4,595,227
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	233.72308 %	335.32279 %	398.25848 %	271.14329 %	396.33326 %	390.27939 %	364.01559 %	311.72143 %	295.11725 %	292.11956 %
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	74.44000 %	65.91000 %	60.77000 %	72.60000 %	59.72000 %	60.31000 %	62.36000 %	64.21000 %	63.27000 %	63.17000 %

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

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contributions	$ 1,627,736	$ 1,549,426	$ 1,784,379	$ 1,392,181	$ 1,292,764	$ 1,270,082	$ 1,279,967	$ 1,265,163	$ 1,253,534	$ 1,060,215
Contributions in relation to statutorily required contributions*	1,627,736	1,549,426	1,784,379	1,392,181	1,292,764	1,270,082	1,279,967	1,265,163	1,253,534	1,060,215
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Reporting unit's covered-employee payroll**	$ 4,125,270	$ 3,902,350	$ 3,803,531	$ 3,905,091	$ 3,766,920	$ 4,027,709	$ 4,147,667	$ 4,359,977	$ 4,478,865	$ 4,477,617
Contributions as a percentage of covered-employee payroll	39.46 %	39.70 %	46.91 %	35.65 %	34.32 %	31.53 %	30.86 %	29.02 %	27.99 %	23.68 %

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

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

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

	2024	2023	2022	2021	2020	2019	2018	2017
Reporting unit's proportion of net OPEB (asset) liability (%)	0.03750 %	0.03734 %	0.03974 %	0.04193 %	0.04517 %	0.04705 %	0.05041 %	0.05411 %
Reporting unit's proportionate share of net OPEB (asset) liability	$ (1,614,032)	$ (211,227)	$ 841,652	$ 640,004	$ 2,419,702	$ 3,377,129	$ 4,006,725	$ 4,791,669
Reporting unit's covered-employee payroll*	$ 3,939,023	$ 3,720,558	$ 3,844,738	$ 3,765,914	$ 3,987,278	$ 4,102,007	$ 4,283,897	$ 4,484,120
Reporting unit's proportionate share of net OPEB (asset) liability as a percentage of its covered-employee payroll	(40.97544)%	(5.67729)%	21.89101 %	16.99465 %	60.68556 %	82.32870 %	93.52991 %	106.85863 %
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	143.08000 %	105.04000 %	83.09000 %	87.33000 %	59.44000 %	48.46000 %	42.95000 %	36.39000 %

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

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

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

	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions	$ 71,680	$ 306,805	$ 289,995	$ 307,306	$ 308,285	$ 322,498	$ 331,378	$ 421,297
Contributions in relation to statutorily required contributions*	71,680	306,805	289,995	307,306	308,285	322,498	331,378	421,297
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Reporting unit's covered-employee payroll**	$ 4,125,270	$ 3,902,350	$ 3,803,531	$ 3,905,091	$ 3,766,920	$ 4,027,709	$ 4,147,667	$ 4,359,997
Contributions as a percentage of covered-employee payroll	1.74 %	7.86 %	7.62 %	7.87 %	8.18 %	8.01 %	7.99 %	9.66 %

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

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

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

BYRON AREA SCHOOLS
Notes to Required Supplementary Information
For the Year Ended June 30, 2025

NOTE 1 - PENSION INFORMATION

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

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

- **2023** - The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- **2022** - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by .80 percentage points.
- **2019** - The discount rate used in the September 3, 20218 actuarial valuation decreased by 0.25 percentage points.
- **2018** - The discount rate used in the September 3, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.
- **2017** - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

NOTE 2 - OPEB INFORMATION

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

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

- **2024** - The healthcare cost trend rate used in the September 30, 2023 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 0.25 percentage point for members over 65.
- **2023** - The health care cost trend rate used in the September 30, 2022 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 1.00 percentage point for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- **2022** - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional $1.1 billion in 2022.

NOTE 2 - OPEB INFORMATION (CONTINUED)

- **2021** - The health care cost trend rate used in the September 30, 2022 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by $1.3 billion in 2021.

- **2020** - The health care trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points and actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by $1.8 billion in 2020.

- **2019** - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional $1.4 billion in 2019.

- **2018** - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by $1.4 billion in 2018.

BYRON AREA SCHOOLS
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds		Capital Projects Fund	
	Food Service	Student/School Activities	Capital Projects	Total
Assets				
Cash	$ 100,145	$ 244,650	$ 86,038	$ 430,833
Receivables - net:				
Accounts receivable	0	1,375	0	1,375
Due from other funds	77,962	3,587	0	81,549
Due from other governments	4,326	0	0	4,326
Inventory	11,473	0	0	11,473
Total assets	$ 193,906	$ 249,612	$ 86,038	$ 529,556
Liabilities and Fund Balance				
Liabilities				
Accounts payable	$ 0	$ 14,362	$ 0	$ 14,362
Due to other funds	37,994	0	0	37,994
Accrued payroll and other liabilities	11,182	0	0	11,182
Due to other governments	694	0	0	694
Deferred revenue	1,187	0	0	1,187
Total liabilities	51,057	14,362	0	65,419
Fund Balance				
Non-spendable - inventory	11,473	0	0	11,473
Restricted for capital projects	0	0	86,038	86,038
Restricted for food service	131,376	0	0	131,376
Committed for student/school activities	0	235,250	0	235,250
Total fund balance	142,849	235,250	86,038	464,137
	$ 193,906	$ 249,612	$ 86,038	$ 529,556

BYRON AREA SCHOOLS
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue Funds		Capital Projects Fund	
	Food Service	Student/School Activities	Capital Projects	Total
Revenues				
Local sources	$ 10,081	$ 269,017	$ 9	$ 279,107
State sources	160,353	0	0	160,353
Federal sources	356,683	0	0	356,683
Total revenues	527,117	269,017	9	796,143
Expenditures				
Current:				
Food services	480,058	0	0	480,058
Student/school activities	0	275,116	0	275,116
Total expenditures	480,058	275,116	0	755,174
Excess (deficiency) of revenues over expenditures	47,059	(6,099)	9	40,969
Other Financing Sources (Uses)				
Operating transfer out	(34,945)	0	0	(34,945)
Net change in fund balance	12,114	(6,099)	9	6,024
Fund balance - beginning of year	130,735	241,349	86,029	458,113
Fund balance - end of year	$ 142,849	$ 235,250	$ 86,038	$ 464,137

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

October 14, 2025

Board of Education
Byron Area Schools
Byron, Michigan

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Byron Area Schools (School District), as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise Byron Area Schools' basic financial statements and have issued our report thereon dated October 14, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Byron Area Schools' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Byron Area Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Byron Area 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 School District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

Report on Compliance and Other Matters

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

Purpose of this Report

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

Weinlander Fitzhugh

BYRON AREA SCHOOLS
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2025

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

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October 14, 2025

Board of Education
Byron Area Schools
Byron, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Byron Area Schools (School District) for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under U.S. generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 4, 2025. 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 Byron Area Schools are described in Note 1 to the financial statements. As described in Note 15 to the financial statements, the Byron Area Schools changed accounting policies related to Compensated Absences by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 101, Compensated Absences, in 2025. We noted no transactions entered into by the School District 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 School District's financial statements were:

> Estimates have been used to calcualte the net pension liability and the net other postemployment benefit asset.
>
> Management’s estimate of the depreciation is based on the estimated useful life of fixed assets. We evaluated the key factors and assumptions used to develop the estimated useful life of fixed assets in determining that it is 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. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 14, 2025.

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 Byron Area Schools's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to management discussion and analysis, the budgetary comparison schedule for the General Fund and pension and OPEB schedules, which are 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.

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We were engaged to report on combining nonmajor governmental fund financial statements, which accompanies 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 U.S. generally accepted accounting principles, 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 information and use of Board of Education and management of Byron Area Schools and is not intended to be and should not be, used by anyone other than these specified parties.

Very truly yours,

Weinlander Fitzhugh

Byron Area Schools
Summary of Passed Proposed Audit Entries
June 30, 2025

	Effect - Increase (Decrease)	
	Change in Net Position	Net Position
Governmental Activities		
Carryover impact from prior years		
Known errors:		
Unrecorded lease receivable	$ (130,451)	$ 0
Unrecorded lease liability	130,451	0
Current year misstatements		
Known errors:		
Unrecorded lease receivable	103,423	103,423
Unrecorded lease liability	(103,423)	(103,423)
Net effect on current year	$ 0	$ 0