

# **Athens Area Schools**

Financial Report  
With Supplemental Information

Year Ended June 30, 2021

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## **Independent Auditors' Report**

Board of Education  
Athens Area Schools  
Athens, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Athens Area Schools, as of and for the year ended June 30, 2021, 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.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

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 Athens Area Schools as of June 30, 2021, and the respective changes in financial position, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report (under separate cover) dated September 20, 2021, on our consideration of Athens Area Schools' internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Athens Area Schools' internal control over financial reporting and compliance.

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.

September 20, 2021

**Athens Area Schools**  
Management's Discussion and Analysis  
Year Ended June 30, 2021

Our discussion and analysis of Athens Area Schools' financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2021.

The management's discussion and analysis is provided at the beginning of the audit to provide in layman's terms, the current position of the School District's financial statements and other supplemental information that presents all the School District's revenues and expenditures by program for the General Fund, Food Service Fund, Student Activities Fund, Debt Service Fund, and Capital Projects Funds.

**Financial Highlights**

The overall condition of all funds and instructional activities remains sound for the School District. All goals related to the financial activities have been met, and if revenue and expenditure patterns can be maintained, sufficient resources for next year will be available.

Total expenditures for all of our programs were \$6,899,300 for the year. Program revenues (charges for services, operating grants and contributions) totaled \$2,063,935, leaving a net unfunded cost for the year of \$4,835,365. The School District's property taxes, state aid, and other revenue sources were sufficient to cover this total unfunded cost.

The District has an overall negative net position due to the recording of net pension and OPEB liabilities in accordance with Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions*, and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The purpose of these standards is to improve accounting and financial reporting for pension and OPEB liabilities. They established standards for measuring and recognizing pension and OPEB liabilities, expenses, and the related deferred inflows and outflows of resources. Implementation of these standards requires recording of the full unfunded portion of the District's plans administered through the Michigan Public Schools Employees' Retirement System (MPERS).

**Using This Annual Report**

The School District's annual report consists of a series of financial statements that show information for the School District as a whole, its funds, and its fiduciary responsibilities. The Statement of Net Position and the Statement of Activities (pages 1 - 2), provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. Our fund financial statements start on page 3. Our governmental activities statements tell how we financed our services in the short-term, as well as what remains for future spending. Fund financial statements report the School District's operations in more detail than government-wide financial statements by providing information about the School District's most significant funds.

**Reporting the School District as a Whole**

One of the most important questions asked about the School District is, "Is the School District as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. We prepared these statements to include all assets and liabilities, using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenue and expenses, regardless of when cash is received or paid.

These two statements report the School District's *net position* – the difference between assets and liabilities, as reported in the Statement of Net Position – as one way to measure the School District's financial health or *financial position*. Over time, *increases* and *decreases* in the School District's net position – as reported in the Statement of Activities – are indications of whether its *financial health* is improving or deteriorating.

**Athens Area Schools**  
Management's Discussion and Analysis  
Year Ended June 30, 2021

The relationship between revenues and expenses indicates the School District's *operating results*. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the School to assess the *overall health* of the School District.

**Reporting the School District's Most Significant Funds**

The School District's Fund Financial Statements, which begin on page 3, provide detailed information about the School District's most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes other funds to help it control and manage money for particular purposes (like the Food Service Fund and the Student Activities Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like the Capital Projects Fund and Debt Service Fund).

Governmental fund reporting focuses on showing how money flows into and out of the funds and the balances left at year-end that are available for spending in future periods. They are reported using an accounting method called *modified accrual* accounting, which measures cash and all 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 operations and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between *governmental activities* (reported in the Statement of Net Position and the Statement of Activities) and *governmental funds* in reconciliations on pages 4 and 6.

**The School District as a Whole**

The School District's net position was (\$2,146,846) at June 30, 2021. Of this amount, (\$8,742,390) was unrestricted. Restricted net position is reported separately to show legal constraints that limit the School District's ability to use those assets for day-to-day operations. On the following pages we focus our attention on the net position (TABLE 1) and changes in net position (TABLE 2) of the School District's governmental activities.

**Athens Area Schools**  
Management's Discussion and Analysis  
Year Ended June 30, 2021

**The School District as a Whole (Continued)**

TABLE 1 - Net Position  
June 30, 2021 and 2020

	<b><u>Governmental Activities</u></b>	
	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>Assets:</b>		
Current assets	\$ 3,468,436	\$ 3,359,454
Non-current assets	5,760,002	5,224,576
Total assets	9,228,438	8,584,030
 Deferred Outflows of Resources	 2,936,456	 3,226,716
<b>Liabilities:</b>		
Current liabilities	1,018,825	848,306
Non-current liabilities	11,477,488	11,519,222
Total liabilities	12,496,313	12,367,528
 Deferred Inflows of Resources	 1,815,427	 1,825,760
<b>Net Position:</b>		
Invested in capital assets - net of related debt	5,760,002	5,094,576
Restricted	835,542	1,119,241
Unrestricted	(8,742,390)	(8,596,360)
Total net position	\$ (2,146,846)	\$ (2,382,543)

**Athens Area Schools**  
Management's Discussion and Analysis  
Year Ended June 30, 2021

**The School District as a Whole (Continued)**

TABLE 2 - Changes in Net Position

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Program Revenue:		
Charges for services	\$ 68,287	\$ 129,694
Operating grants and contributions	1,995,648	1,716,036
General Revenue:		
Property taxes - general	1,098,999	1,070,989
Proeprty taxes - restricted	771,273	778,073
State School Aid	3,066,669	3,052,826
Other	134,121	145,740
Total revenues	7,134,997	6,893,358
Expenses:		
Instruction	3,857,871	3,804,460
Support services	2,195,739	1,823,943
Food service activities	353,020	437,061
Student activities	37,039	93,188
Community service	-	4,764
Depreciation - unallocated	431,312	420,454
Interest on long-term debt	3,416	7,421
Capital outlay	20,903	5,116
Total expenses	6,899,300	6,596,407
Increase (decrease) in net position	235,697	296,951
Net position beginning of year	(2,382,543)	(2,679,494)
Ending net position	\$ (2,146,846)	\$ (2,382,543)

As reported in the Statement of Activities on page 2, the cost of all of our governmental activities this year was \$6,899,300.



**Athens Area Schools**  
Management's Discussion and Analysis  
Year Ended June 30, 2021

**MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS**

The School District's budgets are prepared according to Michigan law. The most significant budgeted fund is the General Fund. During the fiscal year ended June 30, 2021, the School District amended the General Fund Budget one time.

**General Fund**

The actual revenue of the General Fund was \$6,012,888, above the original budget estimate of \$5,291,099, and below the final amended budget of \$6,153,902. The increase in revenue between the original and final budget was due to a slightly larger increase in State Aid per pupil and additional federal grants awarded.

The actual expenditures of the General Fund were \$5,806,630, above the original budget estimate of \$5,662,060 and below the final amended budget of \$5,966,783. The differences between the actual expenditures and the original and final budgets were due to cost containment in all areas and federal grant activity.

**OTHER GOVERNMENTAL FUNDS OPERATING HIGHLIGHTS**

**Debt Service Fund**

The Debt Service Fund experienced a net decrease in fund balance of \$14,893 leaving a fund balance of \$2,694 as of June 30, 2021. Property tax revenue decreased from the previous year by \$23,865 and expenditures decreased from the previous year by \$3,986. The final debt payments were made during the current fiscal year.

**Food Service Fund**

The Food Service Fund showed an increase in fund balance of \$8,290 for the year and a fund balance of \$66,078 as of June 30, 2021. Revenues decreased from the previous year by approximately \$100,000. Expenditures also had a corresponding decrease from the previous year of \$78,159. The reason for the significant change was the unanticipated school closure meal program which generated community-wide participation in the food service program for the prior year but was scaled back in the current year.

**Student Activities Fund**

The Student Activities Fund showed an increase in fund balance of \$4,887 for the year and a fund balance of \$117,541 as of June 30, 2021. Revenues decreased by \$49,049 from the prior year and expenditures also decreased by \$56,149. Due to current year pandemic restrictions, there was less activity in this fund.

**Capital Projects Funds**

The Capital Projects Funds showed a decrease in fund balance of \$288,588 for the year and a fund balance of \$718,001. Revenue increased over the prior year by \$12,591 and expenditures also increased by \$644,117 due to planned projects.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

At the end of fiscal year 2021, the School District had \$12,506,139 invested in land and buildings, furniture and equipment, and vehicles. We have estimated that these assets have depreciated by \$6,746,137 through June 30, 2021; therefore, we currently have a net book value of \$5,760,002.

**Athens Area Schools**  
Management's Discussion and Analysis  
Year Ended June 30, 2021

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

Capital assets at year-end were as follows:

Land	\$ 109,800
Buses and other vehicles	1,062,681
Furniture and equipment	682,785
Buildings and improvements	10,650,873
Less: accumulated depreciation	<u>(6,746,137)</u>
 Total capital assets, net of depreciation	 <u>\$ 5,760,002</u>

Significant capital additions during the year included a roofing and flooring project in both the high school and the elementary buildings.

At June 30, 2021, the School District had paid off long-term bonded debt with the final payments totaling \$130,000 during the year.

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

We have been continuously improving the financial health of our District for the last several years. This has allowed us to reach a point where we have been able to give teachers, paraprofessionals, cooks and administrators pay increases. We are currently projecting fund equity in excess of twenty-five percent for fiscal year 2021/2022.

We have accomplished this through being fiscally responsible, the receipt of federal grants, and monitoring expenditures. In the coming year there are a great many unknowns that we must face. We appear to be coming out of the COVID Pandemic which should relieve us of some unexpected costs but with the possibility of new variants, that is supposition not fact. At this time, our published Projected Budget for the 2021-2022 school year shows a minor reduction in Fund Equity. This was based on estimated foundation allowance numbers that were very conservative compared to the State's final approved amount. Factoring in the more generous increase, our budget appears to be balanced for the upcoming year which is what should be the goal.

To lower cost, we continue to contract with other public and private institutions to realize saving when we can. Currently, we contract with the Calhoun Intermediate School District for: Informational Technology, Computer Networking, Fiscal Services, and internet access. We share a county-wide consortium for special education busing through the Calhoun Intermediate School District using Dean Transportation as the provider. Student and learning opportunities and curriculum materials are made available to us as members of the Battle Creek Area Mathematics and Science Center and Calhoun Area Career Center. We share our bus mechanic with another school district in the county to control costs. We have privatized custodial service and currently are in a contract with DM Burr. We outsource most of our maintenance to vendors that we have long-standing relationships with J n L Electric and HunterPrell Mechanical. We also use non-traditional vendors for schools like Amazon to purchase supplies to realize cost saving over the historic vendors used by school districts.

Voters in August of 2020 passed a 3.00 sinking fund millage that will allow us to make substantial capital renovations to the District's infrastructure, further reducing the need to use General Fund dollars in those areas. This additional millage will allow the Board to keep its commitment to maintain the total debt millage for taxpayers at or under the current 4.5 mills.

**Athens Area Schools**  
Management's Discussion and Analysis  
Year Ended June 30, 2021

**FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)**

Athens Area Schools remains committed to providing the highest quality education to the children of our community, in the safest environment, with fidelity and accountability to our voters and taxpayers.

**CONTACTING THE SCHOOL DISTRICT FINANCIAL MANAGEMENT**

This report is designed to give an overview of the financial conditions of the Athens Area Schools. If you have any questions about this report or need further information, please contact the Central Office at 4320 K Drive S, East Leroy, MI 49051; telephone (269) 729-5427.

**Athens Area Schools**  
Statement of Net Position  
June 30, 2021

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and investments	\$ 2,438,972
Receivables	5,967
Due from other governmental units	1,011,242
Inventories	11,687
Prepaid expenses	568
Capital assets:	
Cost of capital assets	12,506,139
Less: accumulated depreciation	(6,746,137)
Net capital assets	5,760,002
Total assets	9,228,438
 <b>Deferred Outflows of Resources:</b>	
Pension related	2,168,409
OPEB related	768,047
Total deferred outflows of resources	2,936,456
 <b>Liabilities:</b>	
State aid anticipation note	358,000
Accounts payable and accrued expenses	568,181
Unearned revenue	92,644
Long-term liabilities:	
Due in more than one year:	
Compensated absences	165,841
Net pension liability	9,765,200
Net OPEB liability	1,546,447
Total liabilities	12,496,313
 <b>Deferred Inflows of Resources:</b>	
Pension related	582,879
OPEB related	1,232,548
Total deferred inflows of resources	1,815,427
 <b>Net Position:</b>	
Net investment in capital assets	5,760,002
Restricted for:	
Student activities	117,541
Capital projects	718,001
Unrestricted	(8,742,390)
Total net position	\$ (2,146,846)

**Athens Area Schools**  
Statement of Activities  
Year Ended June 30, 2021

<u>Functions/Programs</u>	<u>Program Revenue</u>			<u>Governmental</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Activities</u>
		<u>Services</u>	<u>Grants and</u>	<u>Net (Expenses)</u>
			<u>Contributions</u>	<u>Revenues and</u>
				<u>Change in</u>
				<u>Net Position</u>
<b>Primary Government</b>				
Governmental activities				
Instruction	\$ 3,857,871	\$ -	\$ 1,244,806	\$ (2,613,065)
Support services	2,195,739	64,696	337,868	(1,793,175)
Food service activities	353,020	3,591	371,048	21,619
Student activities	37,039	-	41,926	4,887
Interest on long-term debt	3,416	-	-	(3,416)
Capital outlay	20,903	-	-	(20,903)
Depreciation (unallocated)	431,312	-	-	(431,312)
Total governmental activities	<u>\$ 6,899,300</u>	<u>\$ 68,287</u>	<u>\$ 1,995,648</u>	<u>(4,835,365)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				1,098,999
Property taxes, levied for restricted purposes				771,273
State aid not restricted to specific purposes				3,066,669
Unrestricted investment earnings				3,182
Other				130,939
Total general revenues				<u>5,071,062</u>
<b>Change in Net Position</b>				235,697
<b>Net Position - Beginning of Year</b>				<u>(2,382,543)</u>
<b>Net Position - End of Year</b>				<u>\$ (2,146,846)</u>

## Athens Area Schools

Balance Sheet  
Governmental Funds  
June 30, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>				
Cash and investments	\$ 1,519,654	\$ 751,285	\$ 168,033	\$ 2,438,972
Due from other funds	2,793	-	-	2,793
Due from other governments	993,506	-	17,736	1,011,242
Other receivables	5,967	-	-	5,967
Inventories	-	-	11,687	11,687
Prepaid expenditures	568	-	-	568
Total assets	\$ 2,522,488	\$ 751,285	\$ 197,456	\$ 3,471,229
 <b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities:</b>				
Accounts payable	\$ 24,026	\$ 33,284	\$ 1,404	\$ 58,714
Due to other funds	-	-	2,793	2,793
Revenue anticipation notes	358,000	-	-	358,000
Unearned revenue	88,065	-	4,579	92,644
Salaries payable	506,232	-	2,367	508,599
Accrued expenditures	868	-	-	868
Total liabilities	977,191	33,284	11,143	1,021,618
<b>Fund Balances:</b>				
Nonspendable:			-	
Inventories	-	-	11,687	11,687
Restricted:				
Capital projects	-	718,001	-	718,001
Food service	-	-	54,391	54,391
Student activities	-	-	117,541	117,541
Debt service	-	-	2,694	2,694
Committed	60,000	-	-	60,000
Assigned	195,560	-	-	195,560
Unassigned	1,289,737	-	-	1,289,737
Total fund balances	1,545,297	718,001	186,313	2,449,611
Total liabilities and fund balances	\$ 2,522,488	\$ 751,285	\$ 197,456	\$ 3,471,229

**Athens Area Schools**

Reconciliation of the Balance Sheet for Governmental Funds to the Statement of Net Position  
June 30, 2021

**Total Fund Balances - Governmental Funds** \$ 2,449,611

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 5,760,002

Long-term liabilities not due and payable in the current period and not reported in the funds:

Compensated absences (165,841)

The pension and OPEB liabilities and related deferred inflows and outflows are not due and payable in the current period and therefore are not reported in the funds.

Net pension liability	\$ (9,765,200)	
Net OPEB liability	(1,546,447)	
Deferred outflows related to pensions	2,168,409	
Deferred outflows related to OPEB	768,047	
Deferred inflows related to pensions	(582,879)	
Deferred inflows related to OPEB	(1,232,548)	
	<u>(1,232,548)</u>	(10,190,618)

**Total Net Position - Governmental Activities** \$ (2,146,846)

**Athens Area Schools**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Local sources	\$ 1,296,218	\$ 650,376	\$ 166,070	\$ 2,112,664
State sources	3,884,273	-	22,701	3,906,974
Federal sources	667,731	-	348,347	1,016,078
Interdistrict and other	164,666	-	-	164,666
Total revenues	<u>6,012,888</u>	<u>650,376</u>	<u>537,118</u>	<u>7,200,382</u>
<b>Expenditures:</b>				
Instruction	3,621,489	-	-	3,621,489
Support services	2,185,141	-	-	2,185,141
Food service activities	-	-	345,290	345,290
Student activities	-	-	37,039	37,039
Debt service:				
Principal	-	-	130,000	130,000
Interest and other charges	-	-	4,001	4,001
Capital outlay	-	938,964	-	938,964
Total expenditures	<u>5,806,630</u>	<u>938,964</u>	<u>516,330</u>	<u>7,261,924</u>
<b>Revenues Over (Under) Expenditures</b>	<u>206,258</u>	<u>(288,588)</u>	<u>20,788</u>	<u>(61,542)</u>
<b>Other Financing Sources (Uses):</b>				
Other financing sources	-	-	3	3
Transfers in	22,778	-	271	23,049
Transfers out	(271)	-	(22,778)	(23,049)
Total other financing sources (uses)	<u>22,507</u>	<u>-</u>	<u>(22,504)</u>	<u>3</u>
<b>Net Changes in Fund Balance</b>	228,765	(288,588)	(1,716)	(61,539)
<b>Fund Balances - Beginning of Year</b>	<u>1,316,532</u>	<u>1,006,589</u>	<u>188,029</u>	<u>2,511,150</u>
<b>Fund Balances - End of Year</b>	<u>\$ 1,545,297</u>	<u>\$ 718,001</u>	<u>\$ 186,313</u>	<u>\$ 2,449,611</u>



**Athens Area Schools**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
Year Ended June 30, 2021

**Net Change in Fund Balances - Total Governmental Funds** \$ (61,539)

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

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.

The amount by which depreciation \$431,312 was exceeded by capital expenditures \$966,738 in the current period. 535,426

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds. 130,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Accrued interest 585  
Compensated absences (45,717)

Governmental funds report the required pension/OPEB contributions for the fiscal year June 30, 2021 as an expenditure. The Statement of Activities reports the fully accrued pension/OPEB expense based upon a September year-end to coincide with the State of Michigan's fiscal year.

Changes in pension related liabilities and deferrals \$ (586,993)  
Changes in OPEB related liabilities and deferrals 263,935

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**(323,058)**

**Change in Net Position of Governmental Activities** \$ 235,697

**Athens Area Schools**  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies**

The basic financial statements of Athens Area Schools (the “School District” or “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

**Reporting Entity**

The School District is governed by an elected seven-member 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. Based on the application of the criteria, the District does not contain any component units.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**District-Wide and Fund Financial Statements**

**District-Wide 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 non-fiduciary activities of the primary government. 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 district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Position presents all governmental activities on a consolidated basis. The Statement of Net Position reports all assets and liabilities including those of a long-term nature. The net difference is reported as net position. Net position is categorized as net investment in capital assets, restricted net position, and unrestricted net position. It is the District’s policy to allocate resource outlays first to restricted net position with the remainder allocated to unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment, 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 not properly included among program revenues are reported instead as general revenue. 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.

**Athens Area Schools**  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

**District-Wide and Fund Financial Statements (Continued)**

**Fund Financial Statements** - Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements with nonmajor governmental funds aggregated into a single column.

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 revenues 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, severance pay, 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. Expenditure reimbursing grants are recognized when the qualifying expenditures have been incurred, eligibility requirements have been met, and receipt of monies is expected within the current availability period (60 days post year-end). 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 the School District’s primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

**Capital Projects Fund** – This type of fund is used to record bond proceeds or other revenue and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment, and for major remodeling and repairs. The District maintains a capital project fund that accounts for the 2016 Sinking Fund, which has restricted property taxes as its source of revenue, plus the 2018 Capital Projects Fund. For the 2018 Capital Projects Fund, the School District has complied with the applicable provisions of Section 1351a of the Revised School Code. For the 2016 Sinking Fund, the School District has complied with the applicable provisions of Section 1212 of the Revised School Code.

Additionally, the government reports the following fund types:

**Debt Service Fund** – Debt Funds are used to record tax, interest, and other revenue for payment of principal and other expenditures thereof related to bond issues. The District maintains one debt fund to record all activity related to the 2018 School Bus Bond Funds.

**Special Revenue Funds** – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Special Revenue Funds maintained by the District are the Food Service Fund and the Student Activities Fund.

**Athens Area Schools**  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Revenues, Assets, Liabilities, and Net Position or Equity**

**State Revenue** - The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a State-wide formula. The foundation allowance is funded from a combination of 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, 2021, the foundation allowance was based on pupil membership.

The State portion of the foundation is provided primarily by a State education property tax millage of six mills on Principal Residence Exemption (PRE) property and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by non-PRE property (non-homestead) taxes which may be levied at a rate of up to 18 mills plus 6 mills on Commercial Personal Property. The State revenue is recognized during the foundation period and is funded through payments from October to August of each year. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain 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 unearned revenue. Other categorical funding is recognized when the appropriation is received.

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

For the year ended June 30, 2021, the District levied the following amounts per \$1,000 of assessed taxable valuation:

General Fund – Non-principal residence	18.0000
General Fund – Commercial personal property	6.0000
Debt Fund – All taxable values	0.6400
Capital Projects Fund – All taxable values	3.5000

Tax abatements provided to property tax payers, if any, were not significant, and thus no disclosure was deemed required in accordance with GASB Statement No. 77, *Tax Abatement Disclosures*.

**Athens Area Schools**  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Revenues, Assets, Liabilities, and Net Position or Equity (Continued)**

**Cash and Investments** – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The District reports its investments in accordance with GASB professional standards. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost. State statutes authorize the District to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**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.” Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. The District has determined the uncollectible amounts are immaterial and no provision has been recorded.

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

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. The government defines capital assets as assets with an initial individual cost of \$5,000 or greater and an estimated useful life in excess of one year. 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. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure type assets.

Fixed assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Buses and other vehicles	5-8 years
Furniture and equipment	5-20 years

**Athens Area Schools**  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Revenues, Assets, Liabilities, and Net Position or Equity (Continued)**

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

**Long-Term Obligations** – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are reported as a deferred inflow or outflow, separate from liabilities, and are amortized over the life of the bond using the straight-line method. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Deferred Outflows/Inflows of Resources** – In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District currently reports deferred outflows of resources related to the net pension liability and the net OPEB liability. The District also reports deferred outflows of resources for pension and OPEB contributions made subsequent to the plan measurement date which will be recognized in the following year.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District currently reports deferred inflows of resources related to its net pension liability and net OPEB liability. These future resources will be amortized and recognized over a time period established by the actuary and relate to differences between actuarial estimates and actual results.

**Defined Benefit Pension Plan** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value. See Note 11 for detailed information.

**Postemployment Benefits Other Than Pensions** – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Related investments are reported at fair value. See Note 11 for detailed information.

**Athens Area Schools**  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Revenues, Assets, Liabilities, and Net Position or Equity (Continued)**

**Fund Balance** – The District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In accordance with this guidance, fund balances of governmental funds are categorized according to five defined categories of fund balance. These categories consist of *nonspendable* amounts which are not in spendable form or are legally or contractually required to be maintained intact; *restricted* amounts that are constrained for specific purposes set by external parties or law; *committed* amounts that are constraints set by the highest decision making authority (the School Board) through adoption of a resolution and may only be removed by the School Board through a rescindment resolution; *assigned* amounts that have an intended purpose but require no formal specific action; and *unassigned* amounts which are the residual of the other categories and have no specific purpose.

It is the District's policy to generally use fund balance in order according to the hierarchy of fund balance categories, from restricted down to unassigned.

**Use of Estimates** - The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and 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.

**Note 2 – Stewardship, Compliance, and Accountability**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriations lapse at fiscal year-end.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplemental information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the *Uniform Budgeting and Accounting Act* (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any, for the General Fund, are noted in the required supplemental information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end.

**Athens Area Schools**  
Notes to Financial Statements

**Note 3 – Cash and Investments**

At year-end, the District's cash and investments were reported in the basic financial statements in as cash and investments – governmental activities.

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts, certificates of deposits)	\$ 2,438,872
Petty cash	<u>100</u>
Total	<u>\$ 2,438,972</u>

**Investment and Deposit Risk** – The District's cash and investments are subject to several types of risk, as noted below.

**Custodial Credit Risk – Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District has not adopted and State law does not require a policy for deposit custodial credit risk. As of year-end, approximately \$2,261,000 of the District's bank balance of \$2,511,000 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial Credit Risk – Investments** – Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk.

**Interest Rate Risk** – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The District's investment policy does not restrict investment maturities beyond State law.

**Credit Risk** – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and qualified external investment pools. The District's investment policy does not have specific limits in excess of State law on investment credit risk.

**Concentration of Credit Risk** – The District's investment policy does not limit investments with individual issuers.

**Foreign Currency Risk** – The District does not invest in foreign currency and does not maintain a policy regarding foreign currency risk.

**Note 4 – Receivables**

Receivables at year-end were approximately \$1,017,000 and consist mainly of amounts due from the State of Michigan and reimbursement for federal grants.



**Athens Area Schools**  
Notes to Financial Statements

**Note 5 – Capital Assets**

Capital asset activity of the School District's governmental activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Year-End Balance</u>
Assets not being depreciated:				
Land	\$ 109,800	\$ -	\$ -	\$ 109,800
Construction in progress	294,847	-	294,847	-
	<u>404,647</u>	<u>-</u>	<u>294,847</u>	<u>109,800</u>
Capital assets being depreciated:				
Buildings and improvements	9,437,965	1,212,908	-	10,650,873
Buses and other vehicles	1,062,681	-	-	1,062,681
Furniture and equipment	634,108	48,677	-	682,785
Subtotal	<u>11,134,754</u>	<u>1,261,585</u>	<u>-</u>	<u>12,396,339</u>
Accumulated depreciation:				
Buildings and improvements	5,340,738	304,678	-	5,645,416
Buses and other vehicles	582,233	75,336	-	657,569
Furniture and equipment	391,854	51,298	-	443,152
Subtotal	<u>6,314,825</u>	<u>431,312</u>	<u>-</u>	<u>6,746,137</u>
Net capital assets being depreciated	<u>4,819,929</u>	<u>830,273</u>	<u>-</u>	<u>5,650,202</u>
Net capital assets	<u>\$ 5,224,576</u>	<u>\$ 830,273</u>	<u>\$ 294,847</u>	<u>\$ 5,760,002</u>

Depreciation expense, which totaled \$431,312, was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

**Note 6 – Notes Payable**

For the fiscal year end June 30, 2021, the School District issued State Aid Anticipation Notes to allow for needed cash flow prior to the receipt of State Aid in the amount of \$590,000. The State Aid Anticipation Notes are secured by the full faith and credit of the School District as well as pledged State Aid. The note required payments to an irrevocable set-aside account of \$233,493 by current year-end. At year-end, the outstanding balance including totaled \$358,000.

Activity for the year is summarized below:

<u>Balance June 30, 2020</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2021</u>
\$ 71,429	\$ 590,000	\$ 303,429	\$ 358,000

The District has also approved the issuance of a State Aid anticipation note for the 2021-2022 school year in the amount of \$150,000 with an interest rate of 0.12%

**Athens Area Schools**  
Notes to Financial Statements

**Note 7 – Interfund Receivables, Payables and Transfers**

The District reports interfund balances between some of its funds. The sum of all balances presented in the table below agrees with the sum of interfund balances presented in the Balance Sheet for governmental funds. These interfund balances resulted primarily 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.

**Due To/From Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ 2,642
General Fund	Debt Fund	\$ 151

A transfer of \$271 was made from the General Fund to the Food Service Fund to cover receivables considered uncollectible and a transfer of \$22,778 was made from the Food Service Fund to the General Fund as reimbursement for indirect costs.

**Note 8 – Long-Term Debt**

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment as well as to account for compensated absences payable. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Long-term obligations can be summarized as follows.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
General obligation bonds	\$ 130,000	\$ -	\$ 130,000	\$ -	\$ -
Compensated absences	120,124	45,717	-	165,841	-
Total governmental activities	<u>\$ 250,124</u>	<u>\$ 45,717</u>	<u>\$ 130,000</u>	<u>\$ 165,841</u>	<u>\$ -</u>

Long-term bonded debt was paid off during the current year.

**Note 9 – Committed Fund Balance**

Portions of fund equity are segregated for specific future use and are, therefore, not available for future general appropriations or expenditure. Fund balance commitments represent those amounts that are segregated by Board directive for future use as follows:

**General Fund**

Committed:	
School nurse	\$ 20,000
School resource officer	20,000
Curriculum	<u>20,000</u>
Total committed	<u>\$ 60,000</u>

**Athens Area Schools**  
Notes to Financial Statements

**Note 10 – Risk Management**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injury as well as medical, life and workers' compensation benefits provided to employees. School Board liability, errors and omissions, student accident, and all health and life insurances have been purchased through a combination of self-insurance programs and commercial insurance policies.

The School District is a member of the School Employees Group (SEG), Self-Insured Workers Disability Compensation Fund (the "Fund"), established pursuant to the provisions of Act 138 of Michigan Public Acts of 1982, which authorizes contracts between school districts to form a self-insurance fund, and to prescribe conditions to the performance of these contracts.

The School District pays quarterly premiums to the Fund for workers' disability compensation coverage. The agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will purchase both specific and aggregate insurance to the limits determined necessary by the Fund management.

At current year-end, there were no claims which exceeded insurance coverage, nor have any settled claims during the past three years exceeded insurance coverage. The School District did not have any significant reduction in insurance coverage from previous years.

**COVID-19 Risk Considerations** – The continuing pandemic, in both the U.S. and globally in regards to the outbreak of the coronavirus (COVID-19) has made evaluation of the future uncertain. Areas that may be affected by the change in daily lives and work include investment values, levels of sales and services, availability of cash, supply chains, etc. As a result, funding to schools from the State and federal governments is subject to risk and potential change. Because of the uncertainty of the full impact, no amounts can be estimated and have not been reflected in these financial statements.

**Note 11 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions**

**Organization**

**Pension/OPEB Plan Description** – The School District participates in the Michigan Public School Employees' Retirement System ("MPERS" or "the System"), a State-wide, cost-sharing, multiple-employer defined benefit public employee retirement plan governed by the State of Michigan. The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees, and covers substantially all employees of the School District.

There are currently approximately 700 participating employers in the System which meets the definition of a qualified pension trust fund under Section 401(a) of the Internal Revenue Code. In addition, the System maintains a health plan ("OPEB") which provides postemployment healthcare benefits to all eligible retirees as an elective option including health, prescription drug, dental, and vision coverage.

The System was originally created under Public Act 136 of 1945, recodified, and currently operates under the provisions of Public Act 300 of 1980, as amended. Section 25 of this Act establishes a governing board and its authority to promulgate or amend the provisions of the System. The board consists of twelve members – eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System is administered by the Office of Retirement Services 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.

**Athens Area Schools**  
Notes to Financial Statements

**Note 11 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions**

**Organization (Continued)**

**Pension/OPEB Plan Description Organization (Continued)** - The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report and are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools). Information provided in this report includes financial data, actuarial assumptions data, and detailed information about the pension plan and OPEB plan fiduciary net positions.

**Pension Benefits Provided** - 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. Depending upon the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. 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.

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's right to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

**OPEB Benefits Provided** – 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 healthcare 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 OPEB, 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. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the MPSERS, who earned service credit in the twelve months ending September 3, 2012 or were on an approved professional service 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.

**Athens Area Schools**  
Notes to Financial Statements

**Note 11 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)**

**Organization (Continued)**

**OPEB Benefits Provided (Continued)** - 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 were deposited into their 401(k) account.

**Pension/OPEB Plan Contributions** – Public Act 300 of 1980, as amended, requires contributions from both the participating employers and the active plan members. The School District, as a participating employer, is required to contribute amounts necessary to finance the coverage of pension and OPEB benefits of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature. Under these provisions, each school district’s contribution is expected to finance the costs of benefits earned by employees (plan members) during the year, with an additional amount paid in to finance a portion of the unfunded actuarial accrued liability.

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 portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

**Pension Plan Contributions** – The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2020:

<u>Benefit Type</u>	<u>Member Rates</u>	<u>Status</u>
Basic (Defined Benefit)	0.0% - 4.0%	Closed
MIP (Defined Benefit)	3.0% - 7.0%	Closed
Pension Plus (Hybrid)	3.0% - 6.4%	Closed
Pension Plus 2 (Hybrid)	6.2%	Open
Defined Contribution	0.0%	Open

Employer contributions range from 13.39% to 19.59% and are determined based on employee elections. The District’s required and actual contributions to the pension plan for the year ended September 30, 2020 were \$781,228. The District’s required and actual pension contributions include an allocation of \$311,402 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended September 30, 2020.

**Athens Area Schools**  
Notes to Financial Statements

**Note 11 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions  
(Continued)**

**Organization (Continued)**

**OPEB Contributions** – Employer contributions range from 7.57% to 8.09% for the plan year ended September 30, 2020 and are determined based on employee elections. Required contributions to the OPEB plan from the District were \$203,948 for the year ended September 30, 2020. The District's required and actual OPEB contributions include an allocation of \$0 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended September 30, 2020.

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

**Proportionate Share of District's Net Pension Liability** - At June 30, 2021, the District reported a liability of \$9,765,200 for its proportionate share of the MPSERS net pension liability which totaled \$34,351,087,793 for non-university employers in the MPSERS Plan year ended September 30, 2020. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2019. The District's proportionate share of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the System during the measurement period by the percent of statutorily required pension contributions from all applicable employers during the measurement period. At September 30, 2020, the District's proportionate share was .02842763 percent, an increase of .00052 percent from its proportion measured as of September 30, 2019.

**Pension Expense** - For the plan year ended June 30, 2021, the District's pension expense was \$1,363,176, inclusive of payments to fund the MPSERS UAAL stabilization rate.

**Proportionate Share of District's Net OPEB Liability** - At June 30, 2021, the District reported a liability of \$1,546,447 for its proportionate share of the MPSERS net OPEB liability which totaled \$5,357,266,979 for non-university employers in the MPSERS Plan year ended September 30, 2020. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2019. The District's proportionate share of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the System during the measurement period by the percent of statutorily required OPEB contributions from all applicable employers during the measurement period. At September 30, 2020, the District's proportionate share was .02886634 percent, an increase of .00063 percent from its proportion measured as of September 30, 2019.

**OPEB Expense** - For the plan year ended June 30, 2021, the District's OPEB benefit was \$59,418 inclusive of payments to fund the MPSERS UAAL stabilization rate.

**Athens Area Schools**  
Notes to Financial Statements

**Note 11– Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)**

**Pension/OPEB Liabilities, Pension/OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions/OPEB (Continued)**

**Deferred Outflows and Deferred Inflows** - At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Pension</u>	<u>OPEB</u>	<u>Pension</u>	<u>OPEB</u>
Difference between expected and actual experience	\$ 149,204	\$ -	\$ 20,842	\$ 1,152,247
Changes of assumptions	1,082,078	509,894	-	-
Net difference between projected and actual earnings on pension/OPEB plan investments	41,029	12,907	-	-
Changes in proportion and differences between the School District's contributions and its proportionate share of contributions	111,984	65,544	185,247	80,301
School District contributions subsequent to the measurement date	<u>784,114</u>	<u>179,702</u>	<u>376,790</u>	<u>-</u>
Total	<u>\$2,168,409</u>	<u>\$768,047</u>	<u>\$ 582,879</u>	<u>\$ 1,232,548</u>

\$784,114 reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. \$179,702 reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

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

<u>Year Ended June 30</u>	<u>Pension</u>	<u>OPEB</u>
2022	\$ 503,347	\$(187,591)
2023	366,727	(169,076)
2024	226,674	(128,835)
2025	81,458	(87,182)
2026	-	(71,519)

**Payables to the Pension/OPEB Plan** - The District reported an accrued pension/OPEB plan payable at June 30, 2021 of \$68,538. This amount represents employee withholdings and the employer amount payable for wages earned at June 30, 2021 but not yet paid. The District is current on all required pension and OPEB plan payments. Amounts accrued at year end include current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from State revenue Section 147c restricted to fund the MPSERS unfunded actuarial accrued liability (UAAL).

**Athens Area Schools**  
Notes to Financial Statements

**Note 11 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)**

**Actuarial Assumptions**

**Actuarial Valuations and Assumptions** - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

A summary of actuarial assumptions as of the latest actuarial valuation follows:

Valuation date	September 30, 2019
Actuarial cost method	Entry age, normal
Asset valuation method	Fair value
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans	6.80%, net of investment expenses
Pension Plus Plan	6.80%, net of investment expenses
Pension Plus 2 Plan	6.00%, net of investment expenses
OPEB	6.95%, net of investment expenses
Projected salary increases	2.75 – 11.55%, including wage inflation at 2.75%
Healthcare cost trend rate	7.00% Year 1 graded to 3.50% Year 15;
Cost of living pension adjustments	3.0 % annual non-compounded for MIP members
Mortality: Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Disabled Retirees:	RP-2014 Male and Female Employee Disabled Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions (OPEB) – applies to individuals hired before September 4, 2012:	
Opt-Out Assumption	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages 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.



**Athens Area Schools**  
Notes to Financial Statements

**Note 11 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)**

**Actuarial Assumptions (Continued)**

**Actuarial Valuations and Assumptions (Continued)** - Additional assumption information includes the following:

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation. The total pension/OPEB liability as of September 30, 2020 is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years – 4.4892 for pension plan employers and 5.9870 for OPEB plan employers.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Long-Term Expected Rate of Return on Plan Assets** – The long-term expected rate of return on pension/OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension/OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension/OPEB plan’s target asset allocation as of September 30, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic equity pools	25.0%	5.6%
Private equity pools	16.0%	9.3%
International equity pools	15.0%	7.4%
Fixed income pools	10.5%	0.5%
Real estate and infrastructure pools	10.0%	4.9%
Absolute return pools	9.0%	3.2%
Real return/opportunistic pools	12.5%	6.6%
Short-term investment pools	2.0%	(0.1)%
Total	<u>100.0%</u>	

\*Long-term rates of return are net of administrative expenses and 2.1% inflation.

**Rate of Return** – For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension/OPEB plan investments, net of pension/OPEB plan investment expense, was 5.37% and 5.24%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Athens Area Schools**  
Notes to Financial Statements

**Note 11 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)**

**Actuarial Assumptions (Continued)**

**Discount Rate** - Discount rates of 6.80% and 6.95% were used to measure the total pension and OPEB liabilities, respectively (6.0% for the Pension Plus 2 plan). These discount rates were based on the long-term expected rates of return on pension and OPEB plan investments of 6.80% and 6.95%, respectively (6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on these assumptions, the pension/OPEB plans' 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/OPEB plan investments was applied to all periods of projected benefits payments to determine the total pension/OPEB liabilities.

**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 discount rate of 6.80% (6.0% for the Pension Plus 2 Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

<b>1% Decrease</b>	<b>Current Single Discount Rate Assumption</b>	<b>1% Increase</b>
<u>5.80% / 5.80% / 5.00%</u>	<u>6.80% / 6.80% / 6.00%</u>	<u>7.80% / 7.80% / 7.00%</u>
<u>\$12,639,395</u>	<u>\$9,765,200</u>	<u>\$7,383,133</u>

\*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

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

<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
<u>5.95%</u>	<u>6.95%</u>	<u>7.95%</u>
<u>\$1,986,587</u>	<u>\$1,546,447</u>	<u>\$1,175,886</u>

**Athens Area Schools**  
Notes to Financial Statements

**Note 11 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)**

**Actuarial Assumptions (Continued)**

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate** - The following presents the School District's proportionate share of the net OPEB liability calculated using the assumed healthcare cost trend rates, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
<u>\$1,161,698</u>	<u>\$1,546,447</u>	<u>\$1,984,051</u>

**Note 12 – Federal and State Grants**

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

**Note 13 – Upcoming Accounting and Reporting Changes**

Statement No. 87, *Leases*, was issued by the Governmental Accounting Standards Board to increase the usefulness of government financial statements by requiring reporting of certain lease liabilities that currently are not reported as such. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model based on the premise that leases are financings of the right to use the underlying asset. The Statement also addresses standards for note disclosures to include information regarding the timing, significance, and purpose of a government's leasing arrangements. Statement No. 87 will be effective for the District's fiscal year ending June 30, 2022.

## **Required Supplementary Information**

**Athens Area Schools**  
 Budgetary Comparison Schedule - General Fund  
 Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
<b>Revenues:</b>			
Local sources	\$ 1,229,700	\$ 1,279,572	\$ 1,296,218
State sources	3,479,438	3,894,461	3,884,273
Federal sources	328,381	810,327	667,731
Interdistrict and other	253,580	169,542	164,666
Total revenues	<u>5,291,099</u>	<u>6,153,902</u>	<u>6,012,888</u>
<b>Expenditures:</b>			
Instruction:			
Basic programs	2,911,884	2,959,578	2,946,143
Added needs	796,625	766,358	675,346
Support services:			
Pupil	77,908	45,109	50,350
Instructional staff	89,235	359,337	350,559
General administration	82,226	88,794	77,137
School administration	352,645	360,236	377,886
Business	165,000	140,727	131,417
Operation & maintenance	519,050	542,096	544,071
Pupil transportation	393,344	304,587	272,911
Central services	119,107	247,363	233,790
Athletic activities	147,936	152,598	147,020
Community services:			
Community activities	5,600	-	-
Payments to other public schools	1,500	-	-
Total expenditures	<u>5,662,060</u>	<u>5,966,783</u>	<u>5,806,630</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(370,961)</u>	<u>187,119</u>	<u>206,258</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	17,000	26,000	22,778
Transfers out	(400)	(515)	(271)
Total other financing sources (uses)	<u>16,600</u>	<u>25,485</u>	<u>22,507</u>
<b>Net Changes in Fund Balances</b>	(354,361)	212,604	228,765
<b>Fund Balances - Beginning of Year</b>	<u>1,316,532</u>	<u>1,316,532</u>	<u>1,316,532</u>
<b>Fund Balances - End of Year</b>	<u>\$ 962,171</u>	<u>\$ 1,529,136</u>	<u>\$ 1,545,297</u>

**Athens Area Schools**

Schedule of the District's Proportionate Share of the Net Pension Liability of the MPSERS Plan  
Last Seven Fiscal Years (Amounts Determined Each Year as of September 30)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of net pension liability (%)	<u>0.028427630%</u>	<u>0.027907180%</u>	<u>0.028503500%</u>	<u>0.029549000%</u>	<u>0.029666080%</u>	<u>0.029370350%</u>	<u>0.028680000%</u>
District's proportionate share of net pension liability	<u>\$ 9,765,200</u>	<u>\$ 9,241,920</u>	<u>\$ 8,568,667</u>	<u>\$ 7,657,402</u>	<u>\$ 7,401,444</u>	<u>\$ 7,173,716</u>	<u>\$ 6,317,199</u>
District's covered payroll	<u>\$ 2,564,931</u>	<u>\$ 2,471,054</u>	<u>\$ 2,379,661</u>	<u>\$ 2,463,933</u>	<u>\$ 2,552,656</u>	<u>\$ 2,497,117</u>	<u>\$ 2,520,799</u>
District's proportionate share of net pension liability as a percentage of its covered payroll	<u>380.72%</u>	<u>374.01%</u>	<u>360.08%</u>	<u>310.78%</u>	<u>289.95%</u>	<u>287.28%</u>	<u>250.60%</u>
Plan fiduciary net position as a percentage of total pension liability	<u>59.72%</u>	<u>60.31%</u>	<u>62.36%</u>	<u>64.21%</u>	<u>63.27%</u>	<u>63.17%</u>	<u>66.20%</u>

**Athens Area Schools**

Schedule of the District's Pension Contributions to the MPSERS Plan  
Last Seven Fiscal Years (Amounts Determined Each Year as of June 30)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required pension contributions	\$ 781,228	\$ 777,581	\$ 739,336	\$ 703,243	\$ 691,857	\$ 661,526	\$ 554,197
Contributions in relation to statutorily required contributions	<u>781,228</u>	<u>777,581</u>	<u>739,336</u>	<u>703,243</u>	<u>691,857</u>	<u>661,526</u>	<u>554,197</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's employee payroll	<u>\$ 2,507,900</u>	<u>\$ 2,555,996</u>	<u>\$ 2,431,578</u>	<u>\$ 2,358,697</u>	<u>\$ 2,636,189</u>	<u>\$ 2,444,226</u>	<u>\$ 2,521,503</u>
Contributions as a percentage of covered-employee payroll	<u>31.15%</u>	<u>30.42%</u>	<u>30.41%</u>	<u>29.81%</u>	<u>26.24%</u>	<u>27.06%</u>	<u>21.98%</u>

**Athens Area Schools**

Schedule of the District's Proportionate Share of the Net OPEB Liability of the MPSERS Plan  
Last Four Fiscal Years (Amounts Determined as of September 30)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of net OPEB liability (%)	<u>0.02886634%</u>	<u>0.02823441%</u>	<u>0.02791319%</u>	<u>0.02964427%</u>
District's proportionate share of net OPEB liability	<u>\$ 1,546,447</u>	<u>\$ 2,026,595</u>	<u>\$ 2,218,806</u>	<u>\$ 2,625,140</u>
District's covered payroll	<u>\$ 2,564,931</u>	<u>\$ 2,471,054</u>	<u>\$ 2,379,661</u>	<u>\$ 2,463,933</u>
District's proportionate share of net OPEB liability as a percentage of its covered payroll	<u>60.29%</u>	<u>82.01%</u>	<u>93.24%</u>	<u>106.54%</u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>59.44%</u>	<u>48.46%</u>	<u>42.95%</u>	<u>36.39%</u>



**Athens Area Schools**

Schedule of the District's OPEB Contributions to the MPSERS Plan  
Last Four Fiscal Years (Amounts Determined as of June 30)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required OPEB contributions	\$ 203,948	\$ 203,598	\$ 193,988	\$ 188,756
OPEB contributions in relation to statutorily required contributions	<u>203,948</u>	<u>203,598</u>	<u>193,988</u>	<u>188,756</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll (OPEB)	<u>\$ 2,507,900</u>	<u>\$ 2,555,996</u>	<u>\$ 2,431,578</u>	<u>\$ 2,358,697</u>
OPEB contributions as a percentage of covered payroll	<u>8.13%</u>	<u>7.97%</u>	<u>7.98%</u>	<u>8.00%</u>

## Athens Area Schools

Notes to Required Supplementary Information Pension and OPEB Schedules  
Year Ended June 30, 2021

**Changes of Benefit Terms:** There were no changes of benefit terms in fiscal year 2020.

**Changes of Assumptions:** For the State's fiscal year ended September 30, 2020:

The investment rate of return for Pension Plus 2 Plans changed from 6.80% to 6.00%, net of investment expenses.

The healthcare cost trend rate was 7.50% Year 1 graded to 3.5% Year 12. This changed to 7.00% Year 1 graded to 3.50% Year 15.

The recognition period for liabilities, an average of the expected remaining service lives of all employees changed to 4.4892 from 4.4977 for pension plan employers and to 5.9870 from 5.7101 for OPEB plan employers.

## **Other Supplementary Information**

**Athens Area Schools**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2021

	<u>Special Revenue Funds</u>			<b>Total Nonmajor Governmental Funds</b>
	<b>Food Service Fund</b>	<b>Student Activity Fund</b>	<b>Debt Service Fund</b>	
<b><u>Assets</u></b>				
Cash and investments	\$ 47,647	\$ 117,541	\$ 2,845	\$ 168,033
Due from other governments	17,736	-	-	17,736
Inventories	11,687	-	-	11,687
Prepaid expenditures	-	-	-	-
Total assets	<u>\$ 77,070</u>	<u>\$ 117,541</u>	<u>\$ 2,845</u>	<u>\$ 197,456</u>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,404	\$ -	\$ -	\$ 1,404
Due to other funds	2,642	-	151	2,793
Deferred revenue	4,579	-	-	4,579
Other accrued expenses	2,367	-	-	2,367
Total liabilities	<u>10,992</u>	<u>-</u>	<u>151</u>	<u>11,143</u>
<b>Fund balances:</b>				
Nonspendable	11,687	-	-	11,687
Restricted:				
Food service activities	54,391	-	-	54,391
Student activities	-	117,541	-	117,541
Debt service	-	-	2,694	2,694
Total fund balances	<u>66,078</u>	<u>117,541</u>	<u>2,694</u>	<u>186,313</u>
Total liabilities and fund balances	<u>\$ 77,070</u>	<u>\$ 117,541</u>	<u>\$ 2,845</u>	<u>\$ 197,456</u>

**Athens Area Schools**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2021

	<b>Food Service Fund</b>	<b>Student Activity Fund</b>	<b>Debt Service Fund</b>	<b>Total-Other Governmental Funds</b>
<b>Revenues:</b>				
Local sources	\$ 5,039	\$ 41,926	\$ 119,105	\$ 166,070
State sources	22,701	-	-	22,701
Federal sources	348,347	-	-	348,347
Total revenues	<u>376,087</u>	<u>41,926</u>	<u>119,105</u>	<u>537,118</u>
<b>Expenditures:</b>				
Food service activities	345,290	-	-	345,290
Student activities	-	37,039	-	37,039
Debt service:				
Principal	-	-	130,000	130,000
Interest and other charges	-	-	4,001	4,001
Total expenditures	<u>345,290</u>	<u>37,039</u>	<u>134,001</u>	<u>516,330</u>
<b>Revenues Over (Under) Expenditures</b>	<u>30,797</u>	<u>4,887</u>	<u>(14,896)</u>	<u>20,788</u>
<b>Other Financing Sources (Uses):</b>				
Other financing sources	-	-	3	3
Transfers in	271	-	-	271
Transfers out	(22,778)	-	-	(22,778)
Total other financing sources (uses)	<u>(22,507)</u>	<u>-</u>	<u>3</u>	<u>(22,504)</u>
<b>Net Changes in Fund Balance</b>	8,290	4,887	(14,893)	(1,716)
<b>Fund Balances - Beginning of Year</b>	<u>57,788</u>	<u>112,654</u>	<u>17,587</u>	<u>188,029</u>
<b>Fund Balances - End of Year</b>	<u>\$ 66,078</u>	<u>\$ 117,541</u>	<u>\$ 2,694</u>	<u>\$ 186,313</u>

**Athens Area Schools**

Single Audit Report

Year Ended June 30, 2021

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**WILLIS & JURASEK**

CPAs AND CONSULTANTS

**Independent Auditors' 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***

Board of Education  
Athens Area Schools  
Athens, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Athens Area Schools as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Athens Area Schools' basic financial statements, and have issued our report thereon dated September 20, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Athens 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 Athens Area Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Athens 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



Board of Education  
Athens Area Schools  
Athens, Michigan

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Athens 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.

September 20, 2021



**Independent Auditors' Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Education  
Athens Area Schools  
Athens, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited Athens Area Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Athens Area Schools' major federal programs for the year ended June 30, 2021. Athens Area Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Athens Area Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about Athens Area Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Athens Area Schools' compliance.

***Opinion on Each Major Federal Program***

In our opinion, Athens Area Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Board of Education  
Athens Area Schools  
Athens, Michigan

### **Report on Internal Control Over Compliance**

Management of Athens Area Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above.

In planning and performing our audit of compliance, we considered Athens Area Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Athens Area Schools' internal control over compliance.

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

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

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Athens Area Schools as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise Athens Area Schools' basic financial statements. We have issued our report thereon dated September 20, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Education  
Athens Area Schools  
Athens, Michigan

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

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.

September 20, 2021

**Athens Area Schools**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Federal Grantor Pass Through Grantor Program Title/Grantor's Number	Federal CFDA Number	Pass-through Grantor's Number	Award/Grant Entitlement Program Amount	Accrued (Deferred) Revenue 7/1/2020	Prior Year Expenditures	Prior Year Adjustment	Current Year Cash Payment Received	Current Year Expenditures	Accrued (Deferred) Revenue 6/30/2021
<b><u>U.S. Department of Agriculture:</u></b>									
Child Nutrition Cluster:									
Passed through MI Department of Education:									
Non-cash Assistance (Commodities):									
National School Lunch Program - Regular	10.555		\$ 23,228	\$ -	\$ -	\$ -	\$ 23,228	\$ 23,228	\$ -
National School Lunch Program - Bonus	10.555		-	-	-	-	-	-	-
			<u>23,228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,228</u>	<u>23,228</u>	<u>-</u>
Cash Assistance:									
National School Lunch Program	10.555	200902	256,695	74,564	256,695	-	74,564	-	-
			<u>256,695</u>	<u>74,564</u>	<u>256,695</u>	<u>-</u>	<u>74,564</u>	<u>-</u>	<u>-</u>
COVID-19 Summer Food Service Program	10.559	200900	28,009	-	-	-	28,009	28,009	-
		210904	297,110	-	-	-	281,838	297,110	15,272
			<u>325,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>309,847</u>	<u>325,119</u>	<u>15,272</u>
Total Cash Assistance			<u>581,814</u>	<u>74,564</u>	<u>256,695</u>	<u>-</u>	<u>384,411</u>	<u>325,119</u>	<u>15,272</u>
Total Child Nutrition Cluster			<u>605,042</u>	<u>74,564</u>	<u>256,695</u>	<u>-</u>	<u>407,639</u>	<u>348,347</u>	<u>15,272</u>
Total United States Department of Agriculture			<u>605,042</u>	<u>74,564</u>	<u>256,695</u>	<u>-</u>	<u>407,639</u>	<u>348,347</u>	<u>15,272</u>
<b><u>U.S. Department of Education:</u></b>									
Passed through Michigan Department of Education:									
Title I Grants to Local Educational Agencies	84.010	201530-1920	151,891	46,113	146,113	(1,365)	44,748	-	-
		211530-2021	165,626	-	-	-	65,000	112,981	47,981
			<u>317,517</u>	<u>46,113</u>	<u>146,113</u>	<u>(1,365)</u>	<u>109,748</u>	<u>112,981</u>	<u>47,981</u>
Supporting Effective Instruction State Grants	84.367	201520-1920	39,541	11,200	26,200	-	11,200	-	-
		211520-2021	42,913	-	-	-	32,000	40,480	8,480
			<u>82,454</u>	<u>11,200</u>	<u>26,200</u>	<u>-</u>	<u>43,200</u>	<u>40,480</u>	<u>8,480</u>
Student Support and Academic Enrichment	84.424	210750-2021	10,000	-	-	-	8,000	10,000	2,000
			<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,000</u>	<u>10,000</u>	<u>2,000</u>

**Athens Area Schools**  
Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2021

Federal Grantor Pass Through Grantor Program Title/Grantor's Number	Federal CFDA Number	Pass-through Grantor's Number	Award/Grant Entitlement Program Amount	Accrued (Deferred) Revenue 7/1/2020	Prior Year Expenditures	Prior Year Adjustment	Current Year Cash Payment Received	Current Year Expenditures	Accrued (Deferred) Revenue 6/30/2021
<b><u>U.S. Department of Education (Continued):</u></b>									
Education Stabilization Fund									
COVID-19 Governor's Emergency Education Relief Fund (GEER I)	84.425C	201200-20-21	30,229	-	-	-	-	30,229	30,229
COVID-19 Governor's Emergency Education Relief Fund (ESSER I)	84.425D	203710-1920	107,798	-	-	-	107,798	107,798	-
COVID-19 Governor's Emergency Education Relief Fund (ESSER II)	84.425D	213712-20-21	241,223	-	-	-	-	141,149	141,149
			<u>379,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,798</u>	<u>279,176</u>	<u>171,378</u>
Total passed through Michigan Department of Education			<u>789,221</u>	<u>57,313</u>	<u>172,313</u>	<u>(1,365)</u>	<u>268,746</u>	<u>442,637</u>	<u>229,839</u>
Rural Education Achievement Program	84.358A	1920 2021	21,279	21,279	21,279	-	21,279	-	-
			<u>23,305</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,305</u>	<u>23,305</u>	<u>-</u>
			<u>44,584</u>	<u>21,279</u>	<u>21,279</u>	<u>-</u>	<u>44,584</u>	<u>23,305</u>	<u>-</u>
Total United States Department of Education			<u>833,805</u>	<u>78,592</u>	<u>193,592</u>	<u>(1,365)</u>	<u>313,330</u>	<u>465,942</u>	<u>229,839</u>
<b><u>U.S. Department of Treasury:</u></b>									
Passed through Michigan Department of Education:									
COVID-19 Coronavirus Relief Funds	21.019	11(p) 103(2)	182,798	-	-	-	182,798	182,798	-
			<u>6,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,435</u>	<u>6,435</u>	<u>-</u>
Total Passed through Michigan Department of Education			<u>189,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>189,233</u>	<u>189,233</u>	<u>-</u>
Passed through MAISA/Copper County ISD:									
COVID-19 Coronavirus Relief Funds - MiConnect Connectivity Funding	21.019		13,921	-	-	-	13,921	13,921	-
Total CFDA #21.019			<u>203,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>203,154</u>	<u>203,154</u>	<u>-</u>
Total U.S. Department of Treasury			<u>203,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>203,154</u>	<u>203,154</u>	<u>-</u>
			<u>\$ 1,642,001</u>	<u>\$ 153,156</u>	<u>\$ 450,287</u>	<u>\$ (1,365)</u>	<u>\$ 924,123</u>	<u>\$ 1,017,443</u>	<u>\$ 245,111</u>

**Athens Area Schools**  
Schedule of Reconciliation of Revenues with  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

	<u>Amount</u>
Revenue from Federal sources - per financial statements (includes all funds)	\$ 1,016,078
Less: adjustment to prior year expenditures	<u>1,365</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 1,017,443</u>

**Athens Area Schools**  
Notes to Schedule of Expenditures of Federal Awards

**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Athens Area Schools' (the "District") under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Athens Area Schools, it is not intended to and does not present the financial position or changes in net position of the District.

**Note 2 – Summary of Significant Explanations of Schedule**

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenue is recognized when the qualifying expenditures have been included and all grant requirements have been met.

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue, and accounts payable items at both the beginning and end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts on the Grant Auditor Report reconcile with this schedule with any differences being timing issues of when cash was received. The amounts reported on the Recipient Entitlement Balance (PAL) Report agree with this schedule for USDA donated food commodities and the expenditures include any spoilage or pilferage.

For purposes of charging indirect costs to federal awards, the District has not elected to use the 10 percent de minimis cost rate as permitted by Section 200.414 of the Uniform Guidance.

**Note 3 – Subrecipients**

No federal awards were passed through the District to any subrecipients during the year.



**Athens Area Schools**  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2021

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified	_____ yes <u>  X  </u> no
Significant deficiencies identified that are not considered to be material weaknesses	_____ yes <u>  X  </u> none reported
Noncompliance material to financial statements noted	_____ yes <u>  X  </u> no

Federal Awards

Internal control over major programs:	
Material weakness identified	_____ yes <u>  X  </u> no
Significant deficiencies identified that are not considered to be material weaknesses	_____ yes <u>  X  </u> none reported

Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	_____ yes <u>  X  </u> no

Identification of major programs:

CFDA Number  
 84.425C/84.425D  
 21.019

Name of Federal Program  
 Education Stabilization Fund  
 Coronavirus Relief Funds

Dollar threshold used to distinguish between Type A and Type B programs:	<u>  \$ 750,000  </u>
Auditee qualified as low-risk	_____ yes <u>  X  </u> no

**Section II – Financial Statement Audit Findings**

None

**Section III – Federal Program Audit Findings**

None

**Athens Area Schools**  
Comments on Resolution of Findings from June 30, 2020  
Single Audit Report

**Finding:**

None



# WILLIS & JURASEK

CPAS AND CONSULTANTS

September 20, 2021

To the Board of Education  
Athens Area Schools  
Athens, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Athens Area Schools for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Athens Area Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2021. 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 government-wide financial statements were:

Management's estimate of the capitalized assets and the estimate of related accumulated depreciation. The bulk of the capitalized cost is based upon an asset appraisal done in a prior year. Related depreciation is based upon estimated lives and methods to formulate net book value. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statements contain estimates for net pension and OPEB liabilities and related deferred inflows and deferred outflows of resources. This information has been provided by ORS to all school districts participating in the MPSERS pension system. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the compensated absences. We evaluated the key factors and assumptions used to develop the estimate 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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. 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, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' 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 as per the auditors' report.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School District'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 the Management's Discussion and Analysis, Budgetary Comparison Schedule, and schedules related to the net pension liability and the net OPEB liability and related notes 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.

### Restriction on Use

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

Very truly yours,

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.