

Athens Area Schools

Financial Report
With Supplemental Information

Year Ended June 30, 2025

Independent Auditors' Report	i - iii	
Management's Discussion and Analysis	iv-ix	
Basic Financial Statements		
District-Wide Financial Statements:		
Statement of Net Position	1	
Statement of Activities.....	2	
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	3	
Reconciliation of the Balance Sheet for Governmental Funds to the Statement of Net Position	4	
Statement of Revenues, Expenditures, and Changes in Fund Balances	5	
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	
Notes to Financial Statements.....	7-25	
Required Supplementary Information		
Budgetary Comparison Schedule - General Fund	26	
Schedule of the District's Proportionate Share of the Net Pension Liability of the MPSERS Plan.....	27	
Schedule of the District's Pension Contributions to the MPSERS Plan	28	
Schedule of the District's Proportionate Share of the Net OPEB (Asset)/Liability of the MPSERS Plan...	29	
Schedule of the District's OPEB Contributions to the MPSERS Plan	30	
Notes to Required Supplementary Information Pension and OPEB Schedules.....	31	
Other Supplementary Information		
Combining Balance Sheet – Nonmajor Governmental Funds.....	32	
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	33	
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 <i>Government Auditing Standards</i>		34 - 35



WILLIS & JURASEK

CPAS AND CONSULTANTS

Independent Auditors' Report

Board of Education
Athens Area Schools
Athens, Michigan

Opinions

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, 2025, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Athens Area Schools as of June 30, 2025, 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.

Basis for Opinions

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

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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of

internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

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.

Supplementary 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. Such 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are 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 dated September 20, 2025, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Athens Area Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Athens Area Schools' internal control over financial reporting and compliance.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

September 20, 2025

Athens Area Schools
Management's Discussion and Analysis
Year Ended June 30, 2025

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, 2025.

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, 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 \$6,781,712 for the year. Program revenues (charges for services, operating grants and contributions) totaled \$2,951,260, leaving a net unfunded cost for the year of \$3,830,452. 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 unrestricted net position due to the recording of the net pension liability in accordance with Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions*. The purpose of this standard and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, is to improve accounting and financial reporting for pension and OPEB assets/liabilities. They established standards for measuring and recognizing pension and OPEB assets/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.

Athens Area Schools
Management's Discussion and Analysis
Year Ended June 30, 2025

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.

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 Sinking 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 \$3,077,670 at June 30, 2025. Of this amount, (\$6,500,063) 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, 2025

The School District as a Whole (Continued)

TABLE 1 - Net Position
June 30, 2025 and 2024

	<u>Governmental Activities</u>	
	<u>2025</u>	<u>2024</u>
Assets:		
Current assets	\$ 5,169,709	\$ 4,207,280
Non-current assets	8,999,317	7,361,483
Total assets	<u>14,169,026</u>	<u>11,568,763</u>
 Deferred Outflows of Resources	 <u>2,477,496</u>	 <u>3,228,733</u>
 Liabilities:		
Current liabilities	2,671,015	1,104,317
Non-current liabilities	7,070,336	9,190,319
Total liabilities	<u>9,741,351</u>	<u>10,294,636</u>
 Deferred Inflows of Resources	 <u>3,827,501</u>	 <u>2,785,237</u>
 Net Position:		
Invested in capital assets - net of related debt	7,740,680	7,203,522
Restricted	1,837,053	816,378
Unrestricted	(6,500,063)	(6,302,278)
Total net position	<u>\$ 3,077,670</u>	<u>\$ 1,717,622</u>

Athens Area Schools
Management's Discussion and Analysis
Year Ended June 30, 2025

The School District as a Whole (Continued)

TABLE 2 - Changes in Net Position

Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Program Revenue:		
Charges for services	\$ 126,634	\$ 115,652
Operating grants and contributions	2,824,626	3,554,871
General Revenue:		
Property taxes - general	1,229,914	1,189,531
Property taxes - restricted	673,714	637,018
State School Aid	3,012,558	3,294,366
Other	274,314	197,089
Total revenues	<u>8,141,760</u>	<u>8,988,527</u>
Expenses:		
Instruction	3,286,560	3,651,446
Support services	2,493,403	2,141,092
Food service activities	297,424	363,782
Student activities	84,985	87,627
Community service	2,672	2,106
Payments to other districts	67,381	-
Interest on long-term debt	1,797	-
Depreciation - unallocated	545,937	442,614
Capital outlay	1,553	149,726
Total expenses	<u>6,781,712</u>	<u>6,838,393</u>
Increase (decrease) in net position	1,360,048	2,150,134
Net position beginning of year	<u>1,717,622</u>	<u>(432,512)</u>
Ending net position	<u><u>\$ 3,077,670</u></u>	<u><u>\$ 1,717,622</u></u>

As reported in the Statement of Activities on page 2, the cost of all of our governmental activities this year was \$6,781,712.

Athens Area Schools
Management's Discussion and Analysis
Year Ended June 30, 2025

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, 2025, the School District amended the General Fund Budget two times.

General Fund

The actual revenue of the General Fund was \$6,753,589, below the original budget estimate of \$7,728,515, and below the final amended budget of \$6,858,478. The decrease in revenue between the original and final budget was due to a slightly larger decrease in State Aid per pupil and additional federal grants awarded.

The actual expenditures of the General Fund were \$7,209,608, below the original budget estimate of \$7,748,549 and below the final amended budget of \$7,387,900. The differences between the actual expenditures and the original and final budgets were due to cost containment in all areas and federal grant activity. The final amended budget included an increase in transfers out to establish a capital projects fund using earmarked resources from the general fund for future needs.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of fiscal year 2025, the School District had \$15,699,658 invested in land and buildings, furniture and equipment, and vehicles. We have estimated that these assets have depreciated by \$7,921,658 through June 30, 2025; therefore, we currently have a net book value of \$7,778,000.

Capital assets at year-end were as follows:

Land	\$ 109,800
Buses and other vehicles	801,861
Furniture and equipment	425,639
Buildings and improvements	14,318,366
Right-to-use - leased copiers	43,992
Less: accumulated depreciation	<u>(7,921,658)</u>
Total capital assets, net of depreciation	<u>\$ 7,778,000</u>

Significant capital additions during the year included HVAC upgrades at East Leroy Elementary, security systems, and a right-of-use lease.

The debt of the District increased during the year with the commencement of a lease for copiers. In accordance with professional standards, the full amount of the lease has been recorded as a liability. Debt as of year-end was as follows:

Governmental Activities

	<u>2025</u>	<u>2024</u>
Lease payable	\$ 37,320	\$ -
Compensated absences	122,000	99,500
Total assets	<u>\$ 159,320</u>	<u>\$ 99,500</u>

Athens Area Schools
Management's Discussion and Analysis
Year Ended June 30, 2025

FACTORS BEARING ON THE DISTRICT'S FUTURE

We continue to balance fiscal responsibility with our commitment to providing the best possible education for our children. Many school districts, local governments, non-profits, and businesses mistakenly believe they can maintain "business as usual" despite declining revenues and rising costs. However, this approach is unsustainable, as fund equity will eventually be depleted.

The responsible path forward requires keeping expenditures below revenues through sound budget planning, forecasting known future costs, and minimizing financial impacts through proactive preparation. We have already begun this process by implementing a five-year budget projection, transferring funds to financial institutions that better support public sector needs, and increasing our use of grant funding.

By adopting this approach, we can ensure long-term fiscal stability while continuing to invest in high-quality education for our students.

Athens Area Schools remains dedicated to providing the highest quality education for our community's children, ensuring a safe and supportive learning environment, and upholding accountability to our voters and taxpayers. We've demonstrated this commitment through ongoing infrastructure improvements, hiring skilled personnel, and investing in instructional services. Moving forward, we plan to continue supporting both infrastructure and instructional goals through thoughtful financial allocation.

Our cost-reduction efforts have included reviewing and optimizing our transportation needs, evaluating borrowing requirements, and implementing fuel cost control measures. This is exemplified by our successful bus grant, which has helped reduce fuel usage and allowed us to fund vehicle purchases without resorting to bonding.

We have also expanded our funding sources by securing previously untapped grants, planning to utilize Title VI funds, and exploring impact aid opportunities. While we have drawn down our fund balance this year, this was necessary to address unforeseen issues and to close the gap on deferred maintenance needs.

By carefully balancing fiscal responsibility with a steadfast commitment to educational excellence, Athens Area Schools is well-positioned to meet future challenges and continue delivering outstanding educational opportunities for the children of our community.

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, 2025

	Governmental Activities
Assets:	
Cash and investments	\$ 4,252,328
Receivables	19,728
Due from other governmental units	882,813
Inventories	7,040
Prepaid expenses	7,800
Net OPEB asset	1,221,317
Capital assets:	
Cost of capital assets	15,699,658
Less: accumulated depreciation	(7,921,658)
Net capital assets	7,778,000
Total assets	14,169,026
Deferred Outflows of Resources:	
Pension related	1,946,059
OPEB related	531,437
Total deferred outflows of resources	2,477,496
Liabilities:	
Accounts payable and accrued expenses	480,368
Due to other governmental units	35,825
Unearned revenue	2,154,822
Long-term liabilities:	
Due within one year:	
Lease liability payable	7,999
Due in more than one year:	
Lease liability payable	29,321
Compensated absences	122,000
Net pension liability	6,911,016
Total liabilities	9,741,351
Deferred Inflows of Resources:	
Pension related	2,242,964
OPEB related	1,584,537
Total deferred inflows of resources	3,827,501
Net Position:	
Net investment in capital assets	7,740,680
Restricted for:	
Student activities	145,005
Capital projects	470,731
Net other post employment benefits	1,221,317
Unrestricted	(6,500,063)
Total net position	\$ 3,077,670

Athens Area Schools
Statement of Activities
Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenue		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenues and Change in Net Position
Primary Government				
Governmental activities				
Instruction	\$ 3,286,560	\$ -	\$ 1,735,006	\$ (1,551,554)
Support services	2,493,403	121,037	495,405	(1,876,961)
Food service activities	297,424	5,597	384,286	92,459
Student activities	84,985	-	87,514	2,529
Community services	2,672	-	56,049	53,377
Payments to other districts	67,381	-	-	(67,381)
Interest on long-term debt	1,797	-	-	(1,797)
Capital outlay	1,553	-	66,366	64,813
Depreciation (unallocated)	545,937	-	-	(545,937)
Total governmental activities	<u>\$ 6,781,712</u>	<u>\$ 126,634</u>	<u>\$ 2,824,626</u>	<u>(3,830,452)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				1,229,914
Property taxes, levied for restricted purposes				673,714
State aid not restricted to specific purposes				3,012,558
Unrestricted investment earnings				64,267
Other				210,047
Total general revenues				<u>5,190,500</u>
Change in Net Position				1,360,048
Net Position - Beginning of Year				<u>1,717,622</u>
Net Position - End of Year				<u>\$ 3,077,670</u>

Athens Area Schools

Balance Sheet
Governmental Funds
June 30, 2025

	General Fund	Sinking Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash and investments	\$ 2,861,735	\$ 470,731	\$ 665,290	\$ 254,572	\$ 4,252,328
Due from other governments	879,818	-	-	2,995	882,813
Other receivables	17,743	-	-	1,985	19,728
Due from other funds	26,884	-	-	-	26,884
Inventories	-	-	-	7,040	7,040
Prepaid expenditures	7,800	-	-	-	7,800
Total assets	<u>\$ 3,793,980</u>	<u>\$ 470,731</u>	<u>\$ 665,290</u>	<u>\$ 266,592</u>	<u>\$ 5,196,593</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 21,077	\$ -	\$ -	\$ 1,344	\$ 22,421
Due to other governmental units	35,825	-	-	-	35,825
Due to other funds	-	-	-	26,884	26,884
Unearned revenue	2,152,202	-	-	2,620	2,154,822
Salaries payable	402,134	-	-	-	402,134
Accrued expenditures	55,813	-	-	-	55,813
Total liabilities	<u>2,667,051</u>	<u>-</u>	<u>-</u>	<u>30,848</u>	<u>2,697,899</u>
Fund Balances:					
Nonspendable:					
Inventories	-	-	-	7,040	7,040
Prepaid expenditures	7,800	-	-	-	7,800
Restricted:					
Capital projects	-	470,731	-	-	470,731
Food service	-	-	-	83,699	83,699
Student activities	-	-	-	145,005	145,005
Committed	-	-	665,290	-	665,290
Assigned	1,534,870	-	-	-	1,534,870
Unassigned	(415,741)	-	-	-	(415,741)
Total fund balances	<u>1,126,929</u>	<u>470,731</u>	<u>665,290</u>	<u>235,744</u>	<u>2,498,694</u>
Total liabilities and fund balances	<u>\$ 3,793,980</u>	<u>\$ 470,731</u>	<u>\$ 665,290</u>	<u>\$ 266,592</u>	<u>\$ 5,196,593</u>

Athens Area Schools

Reconciliation of the Balance Sheet for Governmental Funds to the Statement of Net Position June 30, 2025

Total Fund Balances - Governmental Funds		\$	2,498,694
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.			7,778,000
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Assets.			
Net OPEB asset			1,221,317
Long-term liabilities not due and payable in the current period are not reported in the funds:			
Lease liability payable	\$	(37,320)	
Net pension liability		(6,911,016)	
Compensated absences		(122,000)	
			(7,070,336)
Deferred inflows and outflows related to pension/OPEB assets/liabilities are long-term and thus not reported in the funds.			
Deferred outflows related to pensions		1,946,059	
Deferred outflows related to OPEB		531,437	
Deferred inflows related to pensions		(2,242,964)	
Deferred inflows related to OPEB		(1,584,537)	
			(1,350,005)
Total Net Position - Governmental Activities		\$	<u><u>3,077,670</u></u>

Athens Area Schools
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2025

	General Fund	Sinking Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 1,607,765	\$ 710,370	\$ 5,290	\$ 94,388	\$ 2,417,813
State sources	4,655,957	-	-	90,053	4,746,010
Federal sources	297,072	-	-	294,233	591,305
Interdistrict and other	148,803	-	-	-	148,803
Total revenues	<u>6,709,597</u>	<u>710,370</u>	<u>5,290</u>	<u>478,674</u>	<u>7,903,931</u>
Expenditures:					
Instruction	4,151,354	-	-	-	4,151,354
Support services	2,912,366	-	-	-	2,912,366
Food service activities	-	-	-	344,057	344,057
Community services	2,672	-	-	-	2,672
Student activities	-	-	-	84,985	84,985
Payments to other districts	67,381	-	-	-	67,381
Debt service:					
Principal and interest	8,469	-	-	-	8,469
Capital outlay	67,366	913,541	-	-	980,907
Total expenditures	<u>7,209,608</u>	<u>913,541</u>	<u>-</u>	<u>429,042</u>	<u>8,552,191</u>
Revenues Over (Under) Expenditures	<u>(500,011)</u>	<u>(203,171)</u>	<u>5,290</u>	<u>49,632</u>	<u>(648,260)</u>
Other Financing Sources (Uses):					
Proceeds from long-term debt	43,992	-	-	-	43,992
Transfers in	25,437	-	660,000	636	686,073
Transfers out	(660,636)	-	-	(25,437)	(686,073)
Total other financing sources (uses)	<u>(591,207)</u>	<u>-</u>	<u>660,000</u>	<u>(24,801)</u>	<u>43,992</u>
Net Changes in Fund Balance	<u>(1,091,218)</u>	<u>(203,171)</u>	<u>665,290</u>	<u>24,831</u>	<u>(604,268)</u>
Fund Balances - Beginning of Year	<u>2,218,147</u>	<u>673,902</u>	<u>-</u>	<u>210,913</u>	<u>3,102,962</u>
Fund Balances - End of Year	<u>\$ 1,126,929</u>	<u>\$ 470,731</u>	<u>\$ 665,290</u>	<u>\$ 235,744</u>	<u>\$ 2,498,694</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, 2025

Net Change in Fund Balances - Total Governmental Funds	\$	(604,268)
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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 \$545,937 was exceeded by capital expenditures \$1,124,501 in the current period.
Loss on disposal of capital assets

\$	578,564	
	(4,086)	
	<u>574,478</u>	

Compensated absences are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds.

Change in compensated absences	(22,500)
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Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not effect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position.

Proceeds from issuance of lease liability payable
Principal repayments on lease liability payable

(43,992)	
<u>6,672</u>	
	(37,320)

Governmental funds report the required pension/OPEB contributions for the current fiscal year 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
Changes in OPEB related (assets)/liabilities and deferrals

750,383	
<u>699,275</u>	
	<u>1,449,658</u>

Change in Net Position of Governmental Activities	\$	<u>1,360,048</u>
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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. 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. General capital asset acquisitions are reported as expenditures in governmental funds; issuance of long-term debt and acquisitions of lease and SBITA assets are reported as other financing sources.

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.

Sinking 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 Sinking Fund, which has restricted property taxes as its source of revenues. For the Sinking Fund, the School District has complied with the applicable provisions of Section 1212 of the Revised School Code.

Capital Projects Fund – This fund is used to track funds set aside by the board for ongoing needs of the District. This fund received a transfer from the General Fund as authorized by the board to earmark funds for future projects.

Additionally, the government reports the following fund types:

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, 2025, 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. The local portion also includes 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, 2025, 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
Sinking Fund – All taxable values	3.0000

Tax abatements provided to property taxpayers, 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 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. Group purchases are evaluated on a case-by-case basis. 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.

Right-to-use assets, if any, are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. Capital assets are depreciated/amortized 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
Right-to-use – leased copiers	5 years

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Leases and Subscription-Based IT Arrangements (SBITAs) – The District recognizes lease/subscription-based IT arrangement liabilities and the related intangible right-to-use assets in the government-wide financial statements with an initial individual value of \$10,000 or more.

At the commencement of a lease/subscription, the District initially measures the liability at the present value of payments expected to be made during the lease/SBITA term. Subsequently, the lease/SBITA liability is reduced by the principal portion of the lease/SBITA payments made. The lease/SBITA right-to-use asset is initially measured as the initial amount of the lease/SBITA liability, adjusted for lease/subscription payments made at or before the lease/subscription commencement date, plus certain initial direct costs. Subsequently, the lease/SBITA asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases/SBITAs include how the District determines (1) the discount rate it uses to discount the expected lease/SBITA payments to present value, (2) lease/SBITA terms, and (3) lease/SBITA payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITAs.
- The lease/SBITA term includes the noncancelable period of the lease/subscription. Lease/SBITA payments included in the measurement of the lease/SBITA liability are composed of fixed payments and any purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease/SBITA liabilities and remeasures lease/SBITA assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease/SBITA liabilities.

Lease/SBITA assets are reported with other capital assets, and lease/SBITA liabilities are reported with long-term obligations on the Statement of Net Position.

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

Long-Term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. 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.

Athens Area Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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 asset/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 asset/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 asset/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 10 for detailed information.

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.

Athens Area Schools
Notes to Financial Statements

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.

Note 3 – Deposits and Investments

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

	<u>Governmental Activities</u>
Cash and investments	<u>\$ 4,252,328</u>
The breakdown between deposits and investments for the School District is as follows:	
Deposits (checking and savings accounts, certificates of deposits)	\$ 175,751
Investments in MILAF investment fund	<u>4,076,577</u>
Total	<u>\$ 4,252,328</u>

Athens Area Schools
Notes to Financial Statements

Note 3 – Deposits and Investments (Continued)

The District holds investments in a pooled Michigan Investment Liquid Asset Fund (MILAF) account which is a qualified local government investment pool for Michigan School Districts and is considered an external investment pool as defined by GASB and as such is recorded as amortized cost which approximates fair value. The District's investments under the interlocal agreement (MILAF – Michigan CLASS) in the amount of \$4,076,577 at year-end, are regulated by the Urban Cooperation Act.

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper, and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. There are no limitations or restrictions on withdrawals from the investments held in the MILAF account except for a one-day minimum investment period on the MILAF cash management funds and a fourteen-day redemption limitation on MILAF MAX Class funds.

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, none of the District's bank balance of \$211,000 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. The MILAF investments are not insured by FDIC or other protections. Standard & Poor's rating for the MILAF investments is AAAM.

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 \$903,000 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	938,775	-	(938,775)	-
	<u>1,048,575</u>	<u>-</u>	<u>(938,775)</u>	<u>109,800</u>
Capital assets being depreciated:				
Buildings and improvements	12,370,302	1,948,064	-	14,318,366
Buses and other vehicles	878,139	-	(76,278)	801,861
Furniture and equipment	613,351	71,220	(258,932)	425,639
Right-to-use - leased copiers	-	43,992	-	43,992
Subtotal	<u>13,861,792</u>	<u>2,063,276</u>	<u>(335,210)</u>	<u>15,589,858</u>
Accumulated depreciation:				
Buildings and improvements	6,713,222	440,800	-	7,154,022
Buses and other vehicles	605,575	65,581	(76,278)	594,878
Furniture and equipment	388,048	30,758	(254,846)	163,960
Right-to-use - leased copiers	-	8,798	-	8,798
Subtotal	<u>7,706,845</u>	<u>545,937</u>	<u>(331,124)</u>	<u>7,921,658</u>
Net capital assets being depreciated	<u>6,154,947</u>	<u>1,517,339</u>	<u>(4,086)</u>	<u>7,668,200</u>
Net capital assets	<u>\$ 7,203,522</u>	<u>\$ 1,517,339</u>	<u>\$ (942,861)</u>	<u>\$ 7,778,000</u>

Depreciation expense, which totaled \$545,937, was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

Note 6 – 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.

Athens Area Schools
Notes to Financial Statements

Note 6 – Interfund Receivables, Payables and Transfers (Continued)

Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service Fund	<u>\$ 26,884</u>

A transfer of \$25,437 was made from the Food Service Fund to the General Fund as reimbursement for indirect costs. There was also a transfer of \$636 from General Fund to the Food Service Fund to pay for services received under a grant.

Note 7 – 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:					
Lease liability payable	\$ -	\$ 43,992	\$ 6,672	\$ 37,320	\$ 7,999
Compensated absences	99,500	22,500	-	122,000	-
Total governmental activities	<u>\$ 99,500</u>	<u>\$ 66,492</u>	<u>\$ 6,672</u>	<u>\$ 159,320</u>	<u>\$ 7,999</u>

The lease liability payable consists of:

Lease payable to AOS due in monthly installments of \$789 through October, 2029, interest at 4.35%	<u>\$ 37,320</u>
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Annual debt service requirements to maturity on the above lease liability payable are as follows:

	<u>Lease Liability Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 7,999	\$ 1,469	\$ 9,468
2027	8,355	1,113	9,468
2028	8,725	743	9,468
2029	9,114	354	9,468
2030	3,127	29	3,156
	<u>\$ 37,320</u>	<u>\$ 3,708</u>	<u>\$ 41,028</u>

Athens Area Schools
Notes to Financial Statements

Note 8 – Committed Fund Balance

Portions of fund equity are segregated for specific future use and are, therefore, not available for future general appropriations or expenditure. The Board has allocated approximately \$660,000 to a capital projects fund to cover future needs of the District.

Note 9 – 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.

Note 10 – 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 688 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 plus 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.

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Organization (Continued)

Pension/OPEB Plan Description (Continued) – The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Annual Comprehensive Financial Report and are available on the ORS website at 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. Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. 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.

Based on current benefits provisions, new hires can opt between two plans. The first plan, called Pension Plus 2, is a hybrid plan that contains a pension component with a required employee contribution and a flexible and transferable defined contribution tax-deferred investment account component that contains a 50/50 contribution share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. The second option is a Defined Contribution plan under which a participant receives a 4% employer contribution to a tax-deferred 401(k) account and can choose to make employee contributions up to the maximum allowed per IRS regulations to a tax-deferred 457 account.

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.

Athens Area Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Organization (Continued)

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.

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) accounts.

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. Required employer pension contributions are comprised of pension normal cost, pension unfunded actuarial accrued liability (UAAL), and pension early retirement incentive contributions. Required employer pension contributions also include the UAAL rate stabilization contributions. Required employer OPEB contributions are comprised of OPEB normal cost and OPEB UAAL.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The normal cost is the annual cost assigned under the actuarial funding method to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability will be amortized over a declining period ending September 30, 2038.

Pension Plan Contributions – The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2024:

<u>Benefit Type</u>	<u>Member Rates</u>	<u>Employer Rates</u>	<u>Status</u>
Basic (Defined Benefit)	0.0% - 4.0%	13.90 – 23.03%	Closed
MIP (Defined Benefit)	3.0% - 7.0%	13.90 – 23.03%	Closed
Pension Plus (Hybrid)	3.0% - 6.4%	19.17%	Closed
Pension Plus 2 (Hybrid)	6.2%	20.10%	Open
Defined Contribution	0.0%	13.90%	Open

Athens Area Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Organization (Continued)

Pension Plan Contributions (Continued) - Employer contributions range from 13.90% to 23.03% for the plan year ending September 30, 2024 and are determined based on employee elections. The District's required and actual contributions to the pension plan for the year ended September 30, 2024 were \$1,180,210. The District's required and actual pension contributions include an allocation of \$549,180 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, 2024.

OPEB Contributions – OPEB employee contributions in effect for the fiscal year ending September 30, 2022 range from 0% - 3%. Employer contributions range from 0% - 8.31% for the plan year ended September 30, 2024 and are determined based on employee elections. Required contributions to the OPEB plan from the District were \$235,844 for the year ended September 30, 2024. 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, 2024.

Pension Liability/OPEB Asset, 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, 2025, the District reported a liability of \$6,911,016 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2023. 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, 2024, the District's proportionate share was .02822895 percent, an increase of .00014145 percent from its proportion measured as of September 30, 2023.

Pension Expense - For the plan year ended June 30, 2025, the District's pension expense was \$1,116,497 inclusive of payments to fund the MPSERS UAAL stabilization rate.

Proportionate Share of District's Net OPEB Asset/Liability - At June 30, 2025, the District reported an asset of \$1,221,317 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2024, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 30, 2023. The District's proportionate share of the net OPEB asset 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, 2024, the District's proportionate share was .02837371 percent, an increase of .00045052 percent from its proportion measured as of September 30, 2023.

OPEB Expense - For the plan year ended June 30, 2025, the District's OPEB benefit was \$437,157 inclusive of payments to fund the MPSERS UAAL stabilization rate.

Athens Area Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Pension Liability/OPEB Asset, 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, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	<u>Pension</u>	<u>OPEB</u>	<u>Pension</u>	<u>OPEB</u>
Difference between expected and actual experience	\$ 187,501	\$ -	\$ 75,089	\$ 1,294,223
Changes of assumptions	720,514	266,753	506,359	30,661
Net difference between projected and actual earnings on pension/OPEB plan investments	-	-	1,318,915	231,209
Changes in proportion and differences between the School District's contributions and its proportionate share of contributions	33,371	28,519	35,336	28,444
School District contributions subsequent to the measurement date	<u>1,004,673</u>	<u>236,165</u>	<u>307,265</u>	<u>-</u>
Total	<u>\$ 1,946,059</u>	<u>\$ 531,437</u>	<u>\$ 2,242,964</u>	<u>\$ 1,584,537</u>

\$1,004,673 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, 2026. \$236,165 reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as an increase/reduction of the net OPEB asset/liability in the year ended June 30, 2026.

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>
2026	\$(221,230)	\$(418,222)
2027	47,075	(260,429)
2028	(480,810)	(246,193)
2029	(339,348)	(222,087)
2030	-	(119,966)
Thereafter	-	(22,368)

Athens Area Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

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

Payables to the Pension/OPEB Plan - The District reported an accrued pension/OPEB plan payable at June 30, 2025 of \$79,836. This amount represents employee withholdings and the employer amount payable for wages earned at June 30, 2025 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).

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, 2023
Actuarial cost method	Entry age, normal
Asset valuation method	Fair value
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans	6.00%, net of investment expenses
Pension Plus Plan and Plus 2 Plan	6.00%, net of investment expenses
OPEB	6.00%, net of investment expenses
Projected salary increases	2.75 – 11.55%, including wage inflation at 2.75%
Healthcare cost trend rate	Pre-65: 7.25% Year 1 graded to 3.50% Year 15 Post-65: 6.50% Year 1 graded to 3.50% Year 15
Cost of living pension adjustments	3.0 % annual non-compounded for MIP members
Mortality: Retirees:	PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Active Members:	PubT-2010 Male and Female Employee Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Athens Area Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Actuarial Assumptions (Continued)

Disabled Retirees	PubNS-2010 Male and Female Disabled Retiree Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.
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 electing two-person coverage are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement	Of those opting out, 75% of male and 60% of female future retirees who elect coverage are assumed to elect coverage for 1 or more dependents.

Additional assumption information includes the following:

- Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2023 valuation. The total pension/OPEB liability as of September 30, 2024 is based on the results of an actuarial valuation date of September 30, 2023, 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 – 4.4612 for pension plan employers and 6.2834 for OPEB plan employers.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2024 MPSERS Annual Comprehensive Financial Report found on the ORS website at 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.

Athens Area Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Actuarial Assumptions (Continued)

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, 2024, 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%	5.3%
Private equity pools	16.0%	9.0%
International equity pools	15.0%	6.5%
Fixed income pools	13.0%	2.2%
Real estate and infrastructure pools	10.0%	7.1%
Absolute return pools	9.0%	5.2%
Real return/opportunistic pools	10.0%	6.9%
Short-term investment pools	2.0%	1.4%
Total	<u>100.0%</u>	

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

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

Discount Rate – A discount rate of 6.00% was used to measure the total pension liability and OPEB asset/liability. This discount rate was based on the long-term expected rates of return on pension and OPEB plan investments of 6.00%. The projection of cash flows used to determine these discount rates assumed that future 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 table presents the School District's proportionate share of the net pension liability calculated using a single discount rate of 6.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher:

1% Decrease	Current Single Discount Rate	1% Increase
5.00%	Assumption	7.00%
	6.00%	
<u>\$10,131,624</u>	<u>\$6,911,016</u>	<u>\$4,229,241</u>

Athens Area Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Actuarial Assumptions (Continued)

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate - The following table presents the School District's proportionate share of the net OPEB asset calculated using the discount rate of 6.00%, as well as what the District's proportionate share of the net OPEB asset 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:

1% Decrease	Current	1% Increase
5.00%	Discount Rate	7.00%
	6.00%	
<u>(\$943,844)</u>	<u>(\$1,221,317)</u>	<u>(\$1,461,222)</u>

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rate - The following table presents the School District's proportionate share of the net OPEB asset calculated using the assumed healthcare cost trend rates, as well as what the District's proportionate share of the net OPEB asset 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:

1% Decrease	Current Healthcare	1% Increase
	Cost Trend Rate	
<u>(\$1,461,225)</u>	<u>(\$1,221,317)</u>	<u>(\$964,018)</u>

Note 11 – 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 12 – Adoption of New Accounting Standard

For the year ended June 30, 2025, the District implemented GASB Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The adoption of this standard had no material impact on the financial statements of the District and thus, beginning balances have not been adjusted.

Required Supplementary Information

Athens Area Schools
 Budgetary Comparison Schedule - General Fund
 Year Ended June 30, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Local sources	\$ 1,532,650	\$ 1,595,733	\$ 1,607,765	\$ 12,032
State sources	5,053,620	4,701,143	4,655,957	(45,186)
Federal sources	858,505	330,753	297,072	(33,681)
Interdistrict and other	283,740	186,857	148,803	(38,054)
Total revenues	<u>7,728,515</u>	<u>6,814,486</u>	<u>6,709,597</u>	<u>(104,889)</u>
Expenditures:				
Instruction:				
Basic programs	3,543,156	3,435,940	3,353,477	82,463
Added needs	1,038,347	853,733	797,877	55,856
Support services:				
Pupil	86,012	130,365	129,428	937
Instructional staff	156,267	129,092	135,996	(6,904)
General administration	244,317	278,015	275,206	2,809
School administration	403,830	409,550	405,562	3,988
Business	172,230	237,682	230,919	6,763
Operation & maintenance	748,776	897,491	838,378	59,113
Pupil transportation	518,728	472,295	444,424	27,871
Central services	173,077	196,743	185,276	11,467
Athletic activities	264,858	265,758	267,177	(1,419)
Community services:				
Community activities	13,298	5,401	2,401	3,000
Other	-	-	271	(271)
Payments to other public schools	-	-	67,381	(67,381)
Debt service:				
Principal and interest	-	8,469	8,469	-
Capital outlay	385,653	67,366	67,366	-
Total expenditures	<u>7,748,549</u>	<u>7,387,900</u>	<u>7,209,608</u>	<u>178,292</u>
Revenues Over (Under) Expenditures	<u>(20,034)</u>	<u>(573,414)</u>	<u>(500,011)</u>	<u>73,403</u>
Other Financing Sources (Uses):				
Proceeds from capital leases	-	-	43,992	43,992
Transfers in	22,000	25,000	25,437	437
Transfers out	(600)	(726,420)	(660,636)	65,784
Total other financing sources (uses)	<u>21,400</u>	<u>(701,420)</u>	<u>(591,207)</u>	<u>110,213</u>
Net Changes in Fund Balances	1,366	(1,274,834)	(1,091,218)	<u>\$ 183,616</u>
Fund Balances - Beginning of Year	<u>2,218,147</u>	<u>2,218,147</u>	<u>2,218,147</u>	
Fund Balances - End of Year	<u>\$ 2,219,513</u>	<u>\$ 943,313</u>	<u>\$ 1,126,929</u>	

Athens Area Schools

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of net pension liability (%)	<u>0.028229%</u>	<u>0.028088%</u>	<u>0.028113%</u>	<u>0.028217%</u>	<u>0.028428%</u>	<u>0.027907%</u>	<u>0.028504%</u>	<u>0.029549%</u>	<u>0.029666%</u>	<u>0.029370%</u>
District's proportionate share of net pension liability	<u>\$ 6,911,016</u>	<u>\$ 9,090,819</u>	<u>\$ 10,572,796</u>	<u>\$ 6,680,534</u>	<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>
District's covered payroll	<u>\$ 2,963,474</u>	<u>\$ 2,772,059</u>	<u>\$ 2,727,647</u>	<u>\$ 2,531,952</u>	<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>
District's proportionate share of net pension liability as a percentage of its covered payroll	<u>233.21%</u>	<u>327.94%</u>	<u>387.62%</u>	<u>263.85%</u>	<u>380.72%</u>	<u>374.01%</u>	<u>360.08%</u>	<u>310.78%</u>	<u>289.95%</u>	<u>287.28%</u>
Plan fiduciary net position as a percentage of total pension liability	<u>74.44%</u>	<u>65.91%</u>	<u>60.77%</u>	<u>72.60%</u>	<u>59.72%</u>	<u>60.31%</u>	<u>62.36%</u>	<u>64.21%</u>	<u>63.27%</u>	<u>63.17%</u>

Athens Area Schools

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required pension contributions	\$ 1,082,087	\$ 1,176,717	\$ 1,010,350	\$ 953,191	\$ 841,828	\$ 777,581	\$ 739,336	\$ 703,243	\$ 691,857	\$ 661,526
Contributions in relation to statutorily required contributions	<u>1,082,087</u>	<u>1,176,717</u>	<u>1,010,350</u>	<u>953,191</u>	<u>841,828</u>	<u>777,581</u>	<u>739,336</u>	<u>703,243</u>	<u>691,857</u>	<u>661,526</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's employee payroll	<u>\$ 2,825,553</u>	<u>\$ 2,988,865</u>	<u>\$ 2,835,939</u>	<u>\$ 2,690,334</u>	<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>
Contributions as a percentage of covered-employee payroll	<u>38.30%</u>	<u>39.37%</u>	<u>35.63%</u>	<u>35.43%</u>	<u>33.57%</u>	<u>30.42%</u>	<u>30.41%</u>	<u>29.81%</u>	<u>26.24%</u>	<u>27.06%</u>

Athens Area Schools
Schedule of the District's Proportionate Share of the Net OPEB (Asset)/Liability of the MPSERS Plan
Last Eight Fiscal Years (Amounts Determined as of September 30)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of net OPEB liability (asset) (%)	<u>0.028374%</u>	<u>0.027923%</u>	<u>0.028029%</u>	<u>0.027939%</u>	<u>0.028866%</u>	<u>0.028234%</u>	<u>0.027913%</u>	<u>0.02964427%</u>
District's proportionate share of net OPEB liability (asset)	<u>\$ (1,221,317)</u>	<u>\$ (157,961)</u>	<u>\$ 593,665</u>	<u>\$ 426,459</u>	<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>\$ 2,963,474</u>	<u>\$ 2,772,059</u>	<u>\$ 2,727,647</u>	<u>\$ 2,531,952</u>	<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 (asset) as a percentage of its covered payroll	<u>-41.21%</u>	<u>-5.70%</u>	<u>21.76%</u>	<u>16.84%</u>	<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 (asset)	<u>143.08%</u>	<u>105.04%</u>	<u>83.09%</u>	<u>87.33%</u>	<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 Eight Fiscal Years (Amounts Determined as of June 30)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required OPEB contributions	\$ 48,622	\$ 236,493	\$ 216,670	\$ 215,175	\$ 204,392	\$ 203,598	\$ 193,988	\$ 188,756
OPEB contributions in relation to statutorily required contributions	48,622	236,493	216,670	215,175	204,392	203,598	193,988	188,756
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll (OPEB)	<u>\$ 2,825,553</u>	<u>\$ 2,988,865</u>	<u>\$ 2,835,939</u>	<u>\$ 2,690,334</u>	<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>1.72%</u>	<u>7.91%</u>	<u>7.64%</u>	<u>8.00%</u>	<u>8.15%</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, 2025

Changes of Benefit Terms: There were no changes of benefit terms in 2024.

Changes of Assumptions: For the State's fiscal year ended September 30, 2024:

The recognition period for liabilities, an average of the expected remaining service lives of all employees, changed to 4.4612 from 4.4406 for pension plan employers and to 6.2834 from 6.5099 for OPEB plan employers.

The healthcare cost trend rate was adjusted as follows:

Pre-65: From 7.50% to 7.25% for Year 1

Post-65: From 6.25% to 6.50% for Year 1

Other Supplementary Information

Athens Area Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Student Activities Fund	
<u>Assets</u>			
Cash and investments	\$ 109,567	\$ 145,005	\$ 254,572
Due from other governments	2,995	-	2,995
Other receivables	1,985	-	1,985
Inventories	7,040	-	7,040
Total assets	<u>\$ 121,587</u>	<u>\$ 145,005</u>	<u>\$ 266,592</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 1,344	\$ -	\$ 1,344
Due to other funds	26,884	-	26,884
Unearned revenue	2,620	-	2,620
Total liabilities	<u>30,848</u>	<u>-</u>	<u>30,848</u>
Fund Balances:			
Nonspendable	7,040	-	7,040
Restricted:			
Food service activities	83,699	-	83,699
Student activities	-	145,005	145,005
Capital projects	-	-	-
Total fund balances	<u>90,739</u>	<u>145,005</u>	<u>235,744</u>
Total liabilities and fund balances	<u>\$ 121,587</u>	<u>\$ 145,005</u>	<u>\$ 266,592</u>

Athens Area Schools
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2025

	Special Revenue Funds		
	Food Service Fund	Student Activities Fund	Total Nonmajor Governmental Funds
Revenues:			
Local sources	\$ 6,874	\$ 87,514	\$ 94,388
State sources	90,053	-	90,053
Federal sources	294,233	-	294,233
Total revenues	<u>391,160</u>	<u>87,514</u>	<u>478,674</u>
Expenditures:			
Food service activities	344,057	-	344,057
Student activities	-	84,985	84,985
Total expenditures	<u>344,057</u>	<u>84,985</u>	<u>429,042</u>
Revenues Over (Under) Expenditures	<u>47,103</u>	<u>2,529</u>	<u>49,632</u>
Other Financing Sources (Uses):			
Transfers in	636	-	636
Transfers out	(25,437)	-	(25,437)
Total other financing sources (uses)	<u>(24,801)</u>	<u>-</u>	<u>(24,801)</u>
Net Changes in Fund Balance	22,302	2,529	24,831
Fund Balances - Beginning of Year	<u>68,437</u>	<u>142,476</u>	<u>210,913</u>
Fund Balances - End of Year	<u>\$ 90,739</u>	<u>\$ 145,005</u>	<u>\$ 235,744</u>



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
East Leroy, 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, 2025, 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, 2025.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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, 2025



WILLIS & JURASEK

CPAS AND CONSULTANTS

September 20, 2025

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, 2025. 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. For the year ended June 30, 2025, the District changed accounting policies related to recognizing compensated absences by adopting GASB Statement No. 101, *Compensated Absences*. The cumulative effect of the accounting change as of the beginning of the year was not material and thus, has not been reported in the financial statements. There were no other changes to the application of existing policies during the year. 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 assets/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 liability. 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 asset 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.

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

Restriction on Use

This information is intended solely for the use of the 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.