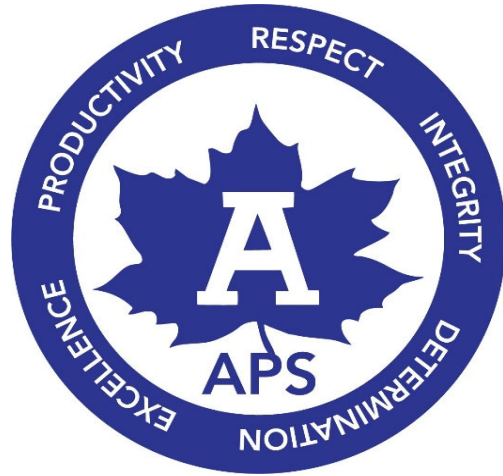


Adrian Public
Schools



Year Ended
June 30, 2025

Financial
Statements

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ADRIAN PUBLIC SCHOOLS

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	19
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet - Governmental Funds	22
Reconciliation - Fund Balances of Governmental Funds to Net Position of Governmental Activities	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	24
Reconciliation - Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	25
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	26
Statement of Net Position - Proprietary Funds	28
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	29
Statement of Cash Flows - Proprietary Funds	30
Notes to Financial Statements	31
Required Supplementary Information	
MPSERS Cost-Sharing Multiple-Employer Plan:	
Schedule of the District's Proportionate Share of the Net Pension Liability	58
Schedule of the District's Pension Contributions	60
Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit (OPEB) (Asset) Liability	62
Schedule of the District's Other Postemployment Benefit (OPEB) Contributions	64
Notes to Required Supplementary Information	66
Combining Fund Financial Statements	
Combining Balance Sheet - Nonmajor Governmental Funds	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	72



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INDEPENDENT AUDITORS' REPORT

October 23, 2025

Board of Education
Adrian Public Schools
Adrian, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Adrian Public Schools** (the "District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison of the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 101

As described in Note 14, the District implemented the provisions of GASB Statement No. 101, *Compensated Absences*, in the current year. Accordingly, beginning net position of the governmental activities was restated. Our opinion is not modified with respect to this matter.

Basis for Opinions

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



Responsibilities of Management for the Financial Statements

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

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

Independent 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate 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 fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, under separate cover, dated October 23, 2025, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



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MANAGEMENT'S DISCUSSION AND ANALYSIS

ADRIAN PUBLIC SCHOOLS

Management's Discussion and Analysis

As management of Adrian Public Schools (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025.

Financial Highlights

• Total net position	\$ (33,152,026)
• Change in total net position	9,405,949
• Fund balances, governmental funds	15,046,005
• Change in fund balances, governmental funds	1,175,537
• Unassigned fund balance, general fund	8,659,377
• Change in fund balance, general fund	794,100
• Capital assets, net	49,471,850
• General obligation bonds outstanding	43,585,000
• Change in general obligation bonds	(2,435,000)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the residual reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing* of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, supporting services, food service, athletics, community services, facilities acquisition, construction, and improvements, and student service activity.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

ADRIAN PUBLIC SCHOOLS

Management's Discussion and Analysis

Proprietary Funds. The District maintains two types of proprietary funds. The District uses the catering fund to track activity that is business like in nature. Catering by the food service employees is done with the intention of earning a profit at the end of the year. The District uses an unemployment internal service fund to hold and disburse unemployment expenses. The fund captures a percentage on all salaries in all funds to assist in making the potential unemployment liability as minimal as possible.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the fund financial statement section of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the MPSERS pension and other postemployment benefit plans immediately following the notes to the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Fund Accounting Format

Districts use fund accounting instead of the traditional accounting method used by most private businesses. The reason schools and other governmental organizations use the fund accounting method is that they receive their money from taxes, governmental agencies, grants, sale of bonds, contributions and donations, all of which require that the money be used for the specific purpose for which it is being provided. Each fund becomes a different entity. For example, the operations fund of the District receives the majority of money from the State; the rest comes from local taxes, the federal government, transfers from other governmental units and some donations. All of this money must be used for the operation of the District only. The capital projects fund must use money raised through the sale of bonds for building facilities and development of property only. The debt fund must use money which comes from taxes to pay for bonds that were sold to build/remodel facilities and develop property. Another common fund in a District is the food service fund.

The above is somewhat simplified to make a point because there are local, state and federal laws statutes, and regulations that come with the establishment of each fund.

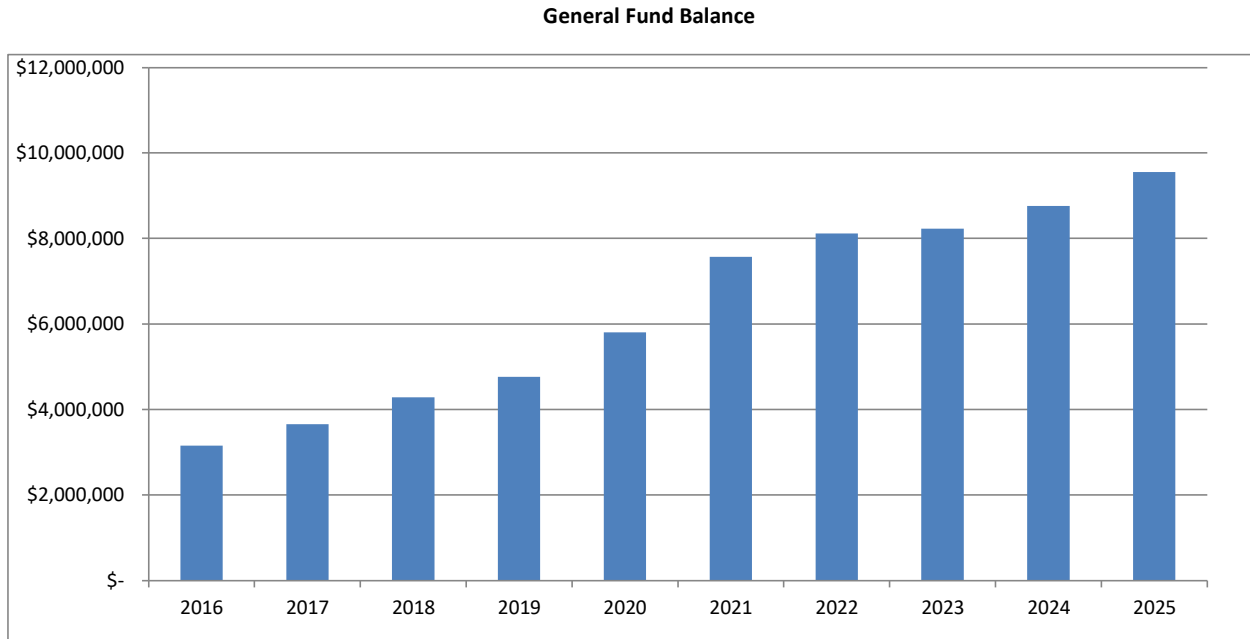
Fund Balance for the General Fund

The worth or the measurement of a District's financial health is based on the District's fund balance. The District implemented numerous cost saving measures in recent years showing a fund balance in the general fund of \$8,762,964 in 2024. In 2025, the fund balance increased to \$9,557,064.

ADRIAN PUBLIC SCHOOLS

Management's Discussion and Analysis

The following chart provides a ten year comparison of the District's general fund fund balance.



Government-wide Statements

The District is required to report its proportionate share of the MPSERS net pension liability and net other postemployment benefits asset on the statement of net position. This results in a negative total net position of governmental activities of \$33,203,580. Of this amount, \$(43,523,740) is unrestricted net position (deficit) and \$9,132,047 represents resources that are subject to external restrictions on how they may be used. The operating results of the general fund will have a significant impact on the change in unrestricted net position from year to year.

A portion of the District's net position, \$1,188,113, reflects its investment in capital assets net of related debt (e.g., construction in progress, land improvement, buildings and improvements, furniture and equipment, licenses vehicles, and lease equipment, less any related debt used to acquire those assets that is still outstanding). The District uses these capital assets to provide services to the students it serves; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Statement of Activities presented in these financial statements provides greater detail on the District's annual activity. The District also reports an internal service fund to account for unemployment, which is a governmental activity. This fund is shown separately in the financial statements.

ADRIAN PUBLIC SCHOOLS

Management's Discussion and Analysis

The differences between governmental activities as reported in the Statement of Net Position and the governmental funds is reconciled on a separate page following the fund level balance sheet. Another reconciliation following the Statement of Revenues, Expenditures and Changes in Fund Balances explains the difference between Net Change in Fund Balances represented in the total column of governmental funds of \$1,175,537 and the Change in Net Position of \$9,406,927.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	\$ 29,587,442	\$ 21,640,254	\$ 51,554	\$ 52,532	\$ 29,638,996	\$ 21,692,786
Capital assets, net	49,471,850	51,593,909	-	-	49,471,850	51,593,909
Total assets	79,059,292	73,234,163	51,554	52,532	79,110,846	73,286,695
Deferred outflows of resources						
	16,935,823	22,922,728	-	-	16,935,823	22,922,728
Liabilities						
Long-term liabilities	98,701,755	112,052,938	-	-	98,701,755	112,052,938
Other liabilities	7,098,155	7,106,431	-	-	7,098,155	7,106,431
Total liabilities	105,799,910	119,159,369	-	-	105,799,910	119,159,369
Deferred inflows of resources						
	23,398,785	14,986,441	-	-	23,398,785	14,986,441
Net position						
Net investment in capital assets	1,188,113	496,968	-	-	1,188,113	496,968
Restricted	9,132,047	2,511,348	-	-	9,132,047	2,511,348
Unrestricted (deficit)	(43,523,740)	(40,997,235)	51,554	52,532	(43,472,186)	(40,944,703)
Total net position	\$ (33,203,580)	\$ (37,988,919)	\$ 51,554	\$ 52,532	\$ (33,152,026)	\$ (37,936,387)

ADRIAN PUBLIC SCHOOLS

Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Program revenues:						
Charges for services	\$ 2,719,374	\$ 2,657,815	\$ 16,867	\$ 10,840	\$ 2,736,241	\$ 2,668,655
Operating grants and contributions	19,095,005	19,626,621	-	-	19,095,005	19,626,621
General revenues:						
Property taxes	9,483,431	9,125,520	-	-	9,483,431	9,125,520
Grants and contributions not restricted for specific purposes	20,511,316	20,892,645	-	-	20,511,316	20,892,645
Unrestricted interest and investment earnings	132,624	149,017	2,368	2,660	134,992	151,677
Gain on sale of capital assets	-	15,240	-	-	-	15,240
Other	938,602	549,423	-	-	938,602	549,423
	<u>52,880,352</u>	<u>53,016,281</u>	<u>19,235</u>	<u>13,500</u>	<u>52,899,587</u>	<u>53,029,781</u>
Expenses:						
Instruction	20,020,150	22,370,683	-	-	20,020,150	22,370,683
Supporting services	14,427,755	15,587,726	-	-	14,427,755	15,587,726
Food service	2,230,700	2,256,421	-	-	2,230,700	2,256,421
Athletics	1,057,554	1,131,763	-	-	1,057,554	1,131,763
Community services	334,772	393,622	-	-	334,772	393,622
Facilities acquisition, construction, and improvements	17,456	129,290	-	-	17,456	129,290
Student service activity	387,850	423,699	-	-	387,850	423,699
Interest on long-term liabilities	1,983,480	2,100,543	-	-	1,983,480	2,100,543
Other	106,252	58,918	-	-	106,252	58,918
Unallocated depreciation/amortization	2,907,456	2,880,564	-	-	2,907,456	2,880,564
Catering	-	-	20,213	19,769	20,213	19,769
Total expenses	<u>43,473,425</u>	<u>47,333,229</u>	<u>20,213</u>	<u>19,769</u>	<u>43,493,638</u>	<u>47,352,998</u>
Change in net position	9,406,927	5,683,052	(978)	(6,269)	9,405,949	5,676,783
Net position:						
Beginning of year	(37,988,919)	(43,671,971)	52,532	58,801	(37,936,387)	(43,613,170)
Restatement for implementation of GASB 101	(4,621,588)	-	-	-	(4,621,588)	-
End of year	<u>\$ (33,203,580)</u>	<u>\$ (37,988,919)</u>	<u>\$ 51,554</u>	<u>\$ 52,532</u>	<u>\$ (33,152,026)</u>	<u>\$ (37,936,387)</u>

ADRIAN PUBLIC SCHOOLS

Management's Discussion and Analysis

Financial Analysis

Governmental Activities

Net position increased \$9,406,927, compared to a \$5,683,052 increase in the prior year. This is primarily due to decreases of \$3,510,504 in instruction and supporting services costs.

Business-type Activities

Net position decreased by \$978, compared to a \$6,269 decrease in the prior year. This is primarily due to charges for services increasing by \$6,027.

Fund Balance

Fund balance is an accounting concept reflecting the current financial resources measurement focus (modified accrual basis of accounting). On June 30, 2025, the District's general fund fund balance was \$9,557,064, an increase of \$794,100 from the prior year. This is primarily due to unspent department budgets, and various times that District positions were vacant which saved on salary and benefits costs.

Capital Projects and Technology Fund. Fund balance for this fund was \$3,371,466, an increase of by \$478,313 from the prior year. The increase is related to budgeted, Board approved transfers from the General Fund.

Assets

Total assets in the general fund are \$16,256,227, as shown in the Governmental Funds Balance Sheet. Investments made on behalf of the District are in accordance with restrictions imposed by State law. Cash in non-interest bearing accounts is kept at a minimum, with funds in excess of that needed to cover outstanding checks moved to an investment pool account designed specifically for Districts.

Revenues

Since the enactment of Proposal A in 1994, the State of Michigan is the primary source of funds for the District (see the following chart). The State of Michigan provides schools with a foundation grant per student which is used for overall operations of the District. For 2024-2025, the District received \$9,608 per student. The State also provides other grants or categorical dollars that are to be used for specific purposes. These types of allocations are provided as stated amounts of money instead of on a per student basis. The total revenues from the State are shown in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances.

Local taxes for residential homes in the District were reduced by approximately 80% when Proposal A was enacted. Property taxes collected for residential home owners are transferred directly to the State while non residential property owners' education related taxes are transferred to the District. The total local taxes collected for 2024-2025 are shown in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances.

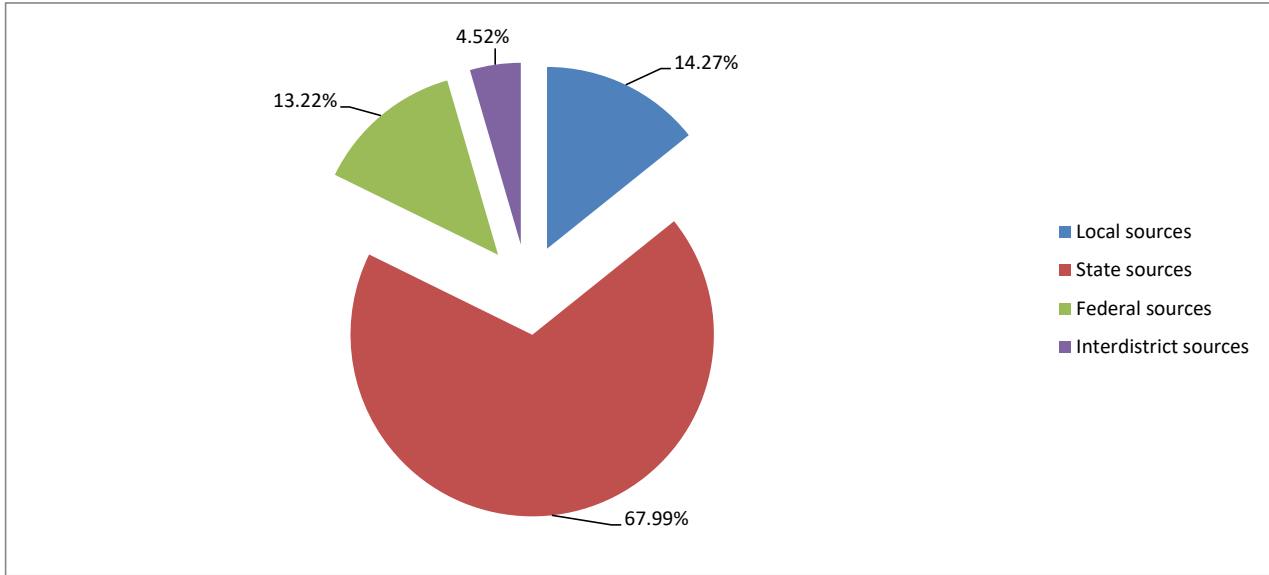
Federal funds are dedicated to specific program purposes. Federal dollars are reported in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances.

ADRIAN PUBLIC SCHOOLS

Management's Discussion and Analysis

The District revenues mentioned above are the three main sources of revenue as indicated on the following chart. General fund revenues are also illustrated in the following chart.

Sources of Funds - General Fund



Foundation Grant/State Aid

A major determinant of the amount of State foundation grant money received from the State is the student enrollment. Foundation grant amounts are based on a “blended count” of students. Districts have two student count days, one is in October of the current fiscal year and the other is in February. The computation is based on 90% of the current year October count, and 10% weight for the prior fiscal year February count. The blended enrollment for 2024-2025 was 2,656. Projections for 2025-2026 are estimated at 2,605. Students have the right to attend a school of their choice within the District subject to the availability of space in the classrooms. They can also apply to a different district, and, if accepted, can attend school in that district. For the October 2024 student count, 1,849 students left the District by school of choice.

ADRIAN PUBLIC SCHOOLS

Management's Discussion and Analysis

Special Education Funding

Special Education funding consists of the foundation grant per student, a categorical amount of \$1,328,240 in 2025, Medicaid payments for “fee for service” and distributions from the Lenawee Intermediate School District (LISD) from a special levy collected by the LISD for special education authorized by Act 18 of 1954. The total Special Education funding fell short of the total Special Education direct expenditures in 2024-2025. See table below. The expenditures in the Special Education programs are difficult to control, given the requirements for outreach and for identification of students with special needs, class size, and teacher case load under the Federal Individuals with Disabilities Education Act (IDEA) and the State mandates that flow from that federal act.

The District cooperates with LISD for the more intensive Special Education services, including the Laura Haviland program for the severely emotionally impaired.

	2017-18	2018-19	2019-20	2020-21
Special Education Foundation grant	\$ 759,239	\$ 756,908	\$ 797,150	\$ 769,458
State categorical	201,429	193,098	202,062	210,699
LISD Act 18 funds	1,378,066	1,336,318	1,589,099	1,614,342
Medicaid FFS/Outreach	91,318	96,041	99,123	88,486
Total reimbursements	2,430,052	2,382,365	2,687,434	2,682,985
Total Special Education costs	2,539,055	2,661,384	2,823,624	2,850,190
Unreimbursed costs	\$ (109,003)	\$ (279,019)	\$ (136,190)	\$ (167,205)
Percentage reimbursement	95.7%	89.5%	95.2%	94.1%
	2021-22	2022-23	2023-24	2024-25
Special Education Foundation grant	\$ 720,273	\$ 789,188	\$ 896,811	\$ 914,778
State categorical	210,700	844,611	1,183,282	1,328,240
LISD Act 18 funds	1,763,181	1,595,284	1,764,630	1,770,366
Medicaid FFS/Outreach	73,546	90,882	115,710	119,799
Total reimbursements	2,767,700	3,319,965	3,960,433	4,133,183
Total Special Education costs	3,267,685	3,723,082	4,190,078	4,434,223
Unreimbursed costs	\$ (499,985)	\$ (403,117)	\$ (229,645)	\$ (301,040)
Percentage reimbursement	84.7%	89.2%	94.5%	93.2%

Expenses

Salaries and Benefits

Compensation of employees in the form of salaries and benefits are a significant portion of the District’s expenses (approximately 75%). The District is challenged in keeping its employees’ salaries competitive with neighboring Districts which have higher foundation allowances per pupil or which are not experiencing declines in student enrollment. Health insurance costs to the District have slowed as the employees are picking up more of the costs. During the 2012-2013 school year, the State mandated a hard cap for health insurance and all employees pay the costs above the hard cap. Contribution rates to the Michigan Public School Employees’ Retirement System (MPERS) for fiscal years 2025 and 2024 ranged from 20.96% - 31.36%.

ADRIAN PUBLIC SCHOOLS

Management's Discussion and Analysis

Budget Factors

Public Act 621 commonly known as the "The Uniform Budget Act of the State of Michigan" requires that the local board of education approve an operating budget by July 1st of each year. The budget is based on the best available information at that time. As a matter of practice, however, the District amends its budget during the school year, usually in December or January. In fact, all Michigan school districts must complete a second full budget after the State's official student membership count date because only then do they know their Foundation grant's income level and other significant factors, such as staffing. These revisions are made in order to deal with unexpected changes in revenues and expenditures.

Each year's expenditure plan includes restricted funds "carried over" from the past year in various state or federal grants. Because the amount of these carryovers cannot be reasonably estimated at the time the original budget for the year is prepared in June, these amounts are added to the revised budgets adopted at mid-year and at the end of the year.

The resolution adopting the budget specifies that whenever the District becomes aware of issues that will affect the budget by \$50,000, either positively or negatively, the budget must be amended to reflect that change.

In comparing original budget, final budget, and actual figures for the year in the general fund, budgeted revenues from federal and state sources were not used in total, causing \$167,815 and \$1,984,541, respectively, to be carried over to the next school year.

General Fund Budgetary Highlights

The original budget as compared to the final amended budget was changed primarily due to state and federal revenues. Once these sources were known, subsequent budget amendments recognized additional revenue and the related expenditure needs were adjusted accordingly.

Final budgeted revenues exceeded original budgeted amounts by \$1,815,313. State revenue increased by \$1,091,547 due to increased State categorical funding in 24-25.

Final budgeted expenditures were more than original budgeted amounts by \$1,435,958, largely due to confirmation of increased grant funding (equal revenue and expenditures) which wasn't known at the time the original budget was adopted.

Actual revenues and expenditures were less than final budgeted amounts by \$1,889,569 and \$2,522,232, respectively. This is largely due to 31a at risk revenue being less than budgeted after the State calculation on the State Aid report, and salary and benefits costs that were lower than budgeted in instruction and support due to positions being unfilled and retirements.

Actual results were better than expected and the ending fund balance exceeded the anticipated final amended budget amounts by \$749,275, as compared with the prior year difference of \$180,107.

Capital Assets and Debt Administration

The District had capital assets of \$49,471,850, which was comprised of \$90,996,131 invested in assets, less accumulated depreciation/amortization of \$41,524,281. Significant additions included a donated building, 2 new District vans, food service equipment, and playground equipment upgrades and replacements. Refer to Note 5 for additional information regarding capital assets.

For the fiscal year ending June 30, 2025, the District's long-term debt obligations included \$4,958,431 in compensated absences including accrued vacation and sick pay leave, \$307,237 of early retirement incentives, \$186,482 in lease liability, \$21,905,000 from the 2016 bond project, \$3,099,081 of bond premiums from the 2016 bonds, \$21,680,000 of refunded building and site bonds from the 2017 refunding of the 2007 refunding of the 2004 building and site bonds, and \$2,488,243 of bond premiums from the 2017 refunding bonds. More detail is presented in Note 8 in the Notes to Financial Statements.

ADRIAN PUBLIC SCHOOLS

Management's Discussion and Analysis

Proprietary Fund

During the 2007-2008 fiscal year, a portion of the food service fund was branched off to a new fund, the catering fund. This fund is used to track activity that is business-like in nature. Catering by the food service employees is done with the intention of earning a profit at the end of the year. This type of activity is more like the business sector, therefore, it is classified as a Proprietary Fund. Net position at the end of the year was \$51,554, which was a decrease of \$978 compared to the prior year.

Internal Service Fund

During 2010-11, an unemployment internal service fund was established. This fund was set up to hold and disburse unemployment expenses. The fund captures, on an as needed basis, a percentage of salaries in all funds to assist in making the potential unemployment liability as minimal as possible. Over the last several years, the District has not had significant unemployment and as such, has not been capturing any salary amounts. The District plans to continue to monitor this fund and replenish, via salary captures, as needed.

Economic Factors

Future revenues of the District are uncertain due to the economy in the State of Michigan, statewide declining enrollment, and the uncertainty of funding within future State budgets.

The budget for the year ended June 30, 2026 was adopted in June 2025 when there was a high degree of uncertainty related to the funding and operations for districts in the State of Michigan. The State Foundation Allowance was unknown at the time of the Budget Hearing. There continues to be a high degree of uncertainty regarding potential changes to state and federal funding, and the renewal of one-time state categorical funding. These factors will have a significant impact on the operational and financial performance and decisions of the District.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, please contact:

Daniel Peña, Chief Financial Officer
Adrian Public Schools
785 Riverside Avenue, Suite 1
Adrian, MI 49221
517-264-6647
dppena@adrian.k12.mi.us

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ADRIAN PUBLIC SCHOOLS

Statement of Net Position

June 30, 2025

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 12,998,271	\$ 51,554	\$ 13,049,825
Investments	981,514	-	981,514
Receivables	7,297,002	-	7,297,002
Other assets	537,437	-	537,437
Net other postemployment benefit asset	7,773,218	-	7,773,218
Capital assets not being depreciated/amortized	14,667	-	14,667
Capital assets being depreciated/amortized, net	49,457,183	-	49,457,183
Total assets	79,059,292	51,554	79,110,846
Deferred outflows of resources			
Deferred charge on advance bond refunding	1,075,069	-	1,075,069
Deferred pension amounts	13,748,244	-	13,748,244
Deferred other postemployment benefit amounts	2,112,510	-	2,112,510
Total deferred outflows of resources	16,935,823	-	16,935,823
Liabilities			
Accounts payable and accrued liabilities	4,755,855	-	4,755,855
Unearned revenue	2,342,300	-	2,342,300
Bonds, notes, and other long-term liabilities:			
Due within one year	3,188,713	-	3,188,713
Due in more than one year	51,435,761	-	51,435,761
Net pension liability (due in more than one year)	44,077,281	-	44,077,281
Total liabilities	105,799,910	-	105,799,910
Deferred inflows of resources			
Deferred pension amounts	13,128,449	-	13,128,449
Deferred other postemployment benefit amounts	10,270,336	-	10,270,336
Total deferred inflows of resources	23,398,785	-	23,398,785
Net position			
Net investment in capital assets	1,188,113	-	1,188,113
Restricted for food service	818,431	-	818,431
Restricted for student scholarships	55,695	-	55,695
Restricted for debt service	484,703	-	484,703
Restricted for other postemployment benefits	7,773,218	-	7,773,218
Unrestricted (deficit)	(43,523,740)	51,554	(43,472,186)
Total net position	\$ (33,203,580)	\$ 51,554	\$ (33,152,026)

The accompanying notes are an integral part of these financial statements.

ADRIAN PUBLIC SCHOOLS

Statement of Activities

For the Year Ended June 30, 2025

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 20,020,150	\$ -	\$ 16,275,210	\$ (3,744,940)
Supporting services	14,427,755	2,572,293	449,265	(11,406,197)
Food service	2,230,700	56,768	2,370,530	196,598
Athletics	1,057,554	90,313	-	(967,241)
Community services	334,772	-	-	(334,772)
Facilities acquisition, construction, and improvements	17,456	-	-	(17,456)
Student service activity	387,850	-	-	(387,850)
Interest on long-term liabilities	1,983,480	-	-	(1,983,480)
Other	106,252	-	-	(106,252)
Unallocated depreciation/amortization	2,907,456	-	-	(2,907,456)
Total governmental activities	43,473,425	2,719,374	19,095,005	(21,659,046)
Business-type activities				
Catering	20,213	16,867	-	(3,346)
Total	\$ 43,493,638	\$ 2,736,241	\$ 19,095,005	\$ (21,662,392)

continued...

ADRIAN PUBLIC SCHOOLS

Statement of Activities

For the Year Ended June 30, 2025

	Governmental Activities	Business-type Activities	Total
Changes in net position			
Net expense	\$ (21,659,046)	\$ (3,346)	\$ (21,662,392)
General revenues:			
Property taxes levied for general purposes	4,944,393	-	4,944,393
Property taxes levied for debt service	4,539,038	-	4,539,038
Grants and contributions not restricted for specific purposes	20,511,316	-	20,511,316
Unrestricted interest and investment earnings	132,624	2,368	134,992
Other	938,602	-	938,602
Total general revenues	31,065,973	2,368	31,068,341
Change in net position	9,406,927	(978)	9,405,949
Net position, beginning of year, as previously reported	(37,988,919)	52,532	(37,936,387)
Restatement for change in accounting principle	(4,621,588)	-	(4,621,588)
Net position, beginning of year, as restated	(42,610,507)	52,532	(42,557,975)
Net position, end of year	<u>\$ (33,203,580)</u>	<u>\$ 51,554</u>	<u>\$ (33,152,026)</u>

concluded

The accompanying notes are an integral part of these financial statements.

ADRIAN PUBLIC SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2025

	General	Capital Projects and Technology	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 7,880,422	\$ 3,371,466	\$ 1,713,111	\$ 12,964,999
Investments	624,744	-	356,770	981,514
Accounts receivable	113,499	-	-	113,499
Due from other governments	7,103,986	-	79,517	7,183,503
Due from other funds	-	-	1,650	1,650
Inventory	-	-	3,861	3,861
Prepays	533,576	-	-	533,576
Total assets	\$ 16,256,227	\$ 3,371,466	\$ 2,154,909	\$ 21,782,602
Liabilities				
Accounts payable	\$ 90,106	\$ -	\$ 3,849	\$ 93,955
Accrued payroll	3,276,842	-	12,852	3,289,694
Other liabilities	988,265	-	20,733	1,008,998
Due to other funds	1,650	-	-	1,650
Unearned revenue	2,342,300	-	-	2,342,300
Total liabilities	6,699,163	-	37,434	6,736,597
Fund balances				
Nonspendable:				
Inventory	-	-	3,861	3,861
Prepays	533,576	-	-	533,576
Restricted:				
Food service	-	-	814,570	814,570
Student scholarships	-	-	55,695	55,695
Debt service	-	-	847,911	847,911
Committed:				
Community service	-	-	21,143	21,143
Student service activities	-	-	374,295	374,295
Assigned:				
Sick leave	348,417	-	-	348,417
Retiree health and early retirement incentive	15,694	-	-	15,694
Capital projects	-	3,371,466	-	3,371,466
Unassigned	8,659,377	-	-	8,659,377
Total fund balances	9,557,064	3,371,466	2,117,475	15,046,005
Total liabilities and fund balances	\$ 16,256,227	\$ 3,371,466	\$ 2,154,909	\$ 21,782,602

The accompanying notes are an integral part of these financial statements.

ADRIAN PUBLIC SCHOOLS

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2025

Fund balances - total governmental funds \$ 15,046,005

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets not being depreciated/amortized	14,667
Capital assets being depreciated/amortized, net	49,457,183

Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

Net position of governmental activities accounted for in the internal service fund	33,272
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds, notes, and other long-term liabilities	(43,771,482)
Premium on bonds payable	(5,587,324)
Accrued interest on bonds, notes, and other long-term liabilities	(363,208)
Deferred charge on advance bond refunding	1,075,069
Compensated absences and early retirement incentive	(5,265,668)

Certain pension and other postemployment benefit-related amounts, such as the net pension liability, the net other postemployment benefit asset, and deferred amounts, are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.

Net pension liability	(44,077,281)
Deferred outflows of resources related to the net pension liability	13,748,244
Deferred inflows of resources related to the net pension liability	(13,128,449)
Net other postemployment benefit asset	7,773,218
Deferred outflows of resources related to the net other postemployment benefit asset	2,112,510
Deferred inflows of resources related to the net other postemployment benefit asset	<u>(10,270,336)</u>

Net position of governmental activities \$ (33,203,580)

The accompanying notes are an integral part of these financial statements.

ADRIAN PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2025

	General	Capital Projects and Technology	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 6,423,031	\$ 133,220	\$ 5,233,749	\$ 11,790,000
State sources	30,600,774	-	270,798	30,871,572
Federal sources	5,948,658	-	2,236,707	8,185,365
Interdistrict sources	2,033,415	-	-	2,033,415
Total revenues	45,005,878	133,220	7,741,254	52,880,352
Expenditures				
Current:				
Instruction	24,953,559	-	-	24,953,559
Supporting services	16,659,282	-	31,420	16,690,702
Food service	-	-	2,440,856	2,440,856
Athletics	1,249,715	-	-	1,249,715
Community services	359,577	-	17,608	377,185
Facilities acquisition, construction, and improvements	17,456	-	-	17,456
Payments to other governments	96,000	-	-	96,000
Student service activity	-	-	387,850	387,850
Other	-	106,252	-	106,252
Debt service:				
Principal	73,609	-	2,435,000	2,508,609
Interest and fiscal charges	4,583	-	2,303,784	2,308,367
Capital outlay	342,609	228,655	-	571,264
Total expenditures	43,756,390	334,907	7,616,518	51,707,815
Revenues over (under) expenditures	1,249,488	(201,687)	124,736	1,172,537
Other financing sources (uses)				
Proceeds from sale of capital assets	3,000	-	-	3,000
Transfers in	223,473	680,000	1,861	905,334
Transfers out	(681,861)	-	(223,473)	(905,334)
Total other financing sources (uses)	(455,388)	680,000	(221,612)	3,000
Net change in fund balances	794,100	478,313	(96,876)	1,175,537
Fund balances, beginning of year	8,762,964	2,893,153	2,214,351	13,870,468
Fund balances, end of year	\$ 9,557,064	\$ 3,371,466	\$ 2,117,475	\$ 15,046,005

The accompanying notes are an integral part of these financial statements.

ADRIAN PUBLIC SCHOOLS

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2025

Net change in fund balances - total governmental funds \$ 1,175,537

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.

Capital assets purchased/constructed	804,173
Depreciation/amortization expense	(2,907,456)
Proceeds from sale of capital assets	(3,000)
Loss on sale/disposal of capital assets	(15,776)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term debt in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.

Principal payments on bonds, notes, and other long-term liabilities	2,508,609
Amortization of bond premiums	424,047
Amortization of charge on bond refunding	(119,452)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and in the statement of activities when interest accrues.

Change in accrued interest payable on bonds	20,292
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in the accrual for compensated absences and early retirement incentive	80,785
Change in the net pension liability and related deferred amounts	4,272,233
Change in the net other postemployment benefit asset and related deferred amounts	3,165,450

Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

Operating income from governmental activities accounted for in internal service funds	<u>1,485</u>
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Change in net position of governmental activities \$ 9,406,927

The accompanying notes are an integral part of these financial statements.

ADRIAN PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 5,764,744	\$ 6,188,548	\$ 6,423,031	\$ 234,483
State sources	31,493,768	32,585,315	30,600,774	(1,984,541)
Federal sources	5,951,739	6,116,473	5,948,658	(167,815)
Interdistrict sources	1,869,883	2,005,111	2,033,415	28,304
Total revenues	45,080,134	46,895,447	45,005,878	(1,889,569)
Expenditures				
Current:				
Instruction:				
Basic programs	18,322,745	18,336,838	18,384,869	48,031
Added needs	7,335,797	7,979,252	6,437,353	(1,541,899)
Adult and continuing education	146,646	184,771	131,337	(53,434)
	<u>25,805,188</u>	<u>26,500,861</u>	<u>24,953,559</u>	<u>(1,547,302)</u>
Supporting services:				
Pupil services	3,582,543	3,559,721	3,242,656	(317,065)
Instructional staff	2,476,620	2,600,767	2,332,143	(268,624)
General administration	537,512	529,158	543,395	14,237
School administration	2,458,310	2,391,563	2,427,772	36,209
Business office	1,173,956	1,193,095	850,399	(342,696)
Operations and maintenance	4,087,145	4,632,289	4,454,658	(177,631)
Pupil transportation	1,798,248	1,846,143	1,734,207	(111,936)
Central services	1,133,090	1,015,128	1,017,098	1,970
Other support services	63,571	90,806	56,954	(33,852)
	<u>17,310,995</u>	<u>17,858,670</u>	<u>16,659,282</u>	<u>(1,199,388)</u>
Athletics	<u>1,300,761</u>	<u>1,261,702</u>	<u>1,249,715</u>	<u>(11,987)</u>
Community services	<u>361,607</u>	<u>428,153</u>	<u>359,577</u>	<u>(68,576)</u>
Facilities acquisition, construction, and improvements	<u>2,551</u>	<u>20,045</u>	<u>17,456</u>	<u>(2,589)</u>
Payments to other governments	<u>-</u>	<u>96,000</u>	<u>96,000</u>	<u>-</u>
Debt service:				
Principal	40,927	73,609	73,609	-
Interest and fiscal charges	5,635	4,583	4,583	-
	<u>46,562</u>	<u>78,192</u>	<u>78,192</u>	<u>-</u>
Capital outlay	<u>15,000</u>	<u>34,999</u>	<u>342,609</u>	<u>307,610</u>
Total expenditures	44,842,664	46,278,622	43,756,390	(2,522,232)

continued...

ADRIAN PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues over (under) expenditures	\$ 237,470	\$ 616,825	\$ 1,249,488	\$ 632,663
Other financing sources (uses)				
Proceeds from sale of capital assets	-	3,000	3,000	-
Transfers in	105,000	105,000	223,473	118,473
Transfers out	(400,000)	(680,000)	(681,861)	1,861
Total other financing sources (uses)	(295,000)	(572,000)	(455,388)	116,612
Net change in fund balance	(57,530)	44,825	794,100	749,275
Fund balance, beginning of year	8,762,964	8,762,964	8,762,964	-
Fund balance, end of year	\$ 8,705,434	\$ 8,807,789	\$ 9,557,064	\$ 749,275

concluded

The accompanying notes are an integral part of these financial statements.

ADRIAN PUBLIC SCHOOLS

Statement of Net Position

Proprietary Funds

June 30, 2025

	Nonmajor Enterprise Fund	Governmental Activities
	Catering Fund	Internal Service Fund
Assets		
Current assets -		
Cash and cash equivalents	\$ 51,554	\$ 33,272
Net position, unrestricted	<u>\$ 51,554</u>	<u>\$ 33,272</u>

The accompanying notes are an integral part of these financial statements.

ADRIAN PUBLIC SCHOOLS

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2025

	Nonmajor Enterprise Fund	Governmental Activities
	Catering Fund	Internal Service Fund
Operating revenues		
Charges for services	\$ 16,867	\$ 1,485
Operating expenses		
Salaries	1,715	-
Employee benefits	794	-
Contracted services	6	-
Supplies	17,644	-
Office expense	54	-
Total operating expenses	20,213	-
Operating income (loss)	(3,346)	1,485
Nonoperating revenue		
Interest income	2,368	-
Change in net position	(978)	1,485
Net position, beginning of year	52,532	31,787
Net position, end of year	\$ 51,554	\$ 33,272

The accompanying notes are an integral part of these financial statements.

ADRIAN PUBLIC SCHOOLS

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2025

	Nonmajor Enterprise Fund	Governmental Activities
	Catering Fund	Internal Service Fund
Cash flows from operating activities		
Cash received from customers and others	\$ 17,704	\$ 1,485
Cash payments to employees	(2,509)	-
Cash payments to suppliers for goods and services	(17,704)	-
	<u>(2,509)</u>	<u>1,485</u>
Net cash provided by (used in) operating activities	(2,509)	1,485
Cash flows from investing activities		
Interest received	2,368	-
	<u>2,368</u>	<u>-</u>
Net change in cash and cash equivalents	(141)	1,485
Cash and cash equivalents, beginning of year	51,695	31,787
	<u>51,695</u>	<u>31,787</u>
Cash and cash equivalents, end of year	<u>\$ 51,554</u>	<u>\$ 33,272</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ (3,346)	\$ 1,485
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Accounts receivable	225	-
Inventory	612	-
	<u>225</u>	<u>-</u>
	<u>612</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ (2,509)</u>	<u>\$ 1,485</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

ADRIAN PUBLIC SCHOOLS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Adrian Public Schools (the "District") has followed the guidelines of the Governmental Accounting Standards Board and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

Government-wide and Fund Financial Statements

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

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 or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

ADRIAN PUBLIC SCHOOLS

Notes to Financial Statements

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

The District reports the following major governmental funds:

The *general fund* is used to account for all financial resources except those accounted for and reported in another fund.

The *capital projects and technology fund* is used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of certain capital assets.

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account for and report the proceeds of *specific revenue sources* that are *restricted or committed* to expenditure for *specific purposes* other than debt service or capital projects.

The *debt service funds* are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest.

The *catering nonmajor enterprise fund* accounts for the catering services performed by food service employees.

The *internal service fund* is used to account for and report unemployment expenses. The fund captures a percentage on all salaries in all funds to assist in making the potential unemployment liability as minimal as possible.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The District's investments in the Michigan CLASS government investment pool are stated at net asset value per share ("NAV").

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". These interfund balances, as applicable, result 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.

ADRIAN PUBLIC SCHOOLS

Notes to Financial Statements

Inventory and Prepaids

Inventory is valued at the lower of cost (first in, first out) or market. Inventory in the food service and catering funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased. Inventory reported in governmental funds are equally offset by a nonspendable fund balance which indicates that they do not constitute “available spendable resources” even though they are a component of fund balance.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight line method over the following estimated useful lives:

	Years
Land improvements	5-20
Buildings and improvements	50
Furniture and equipment	5-20
Licensed vehicles	6

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows for the charge on refunding. This amount represents the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also reports deferred outflows of resources related to the net pension liability and the net other postemployment benefit asset. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

ADRIAN PUBLIC SCHOOLS

Notes to Financial Statements

Unearned revenues

Unearned revenue is comprised of amounts received prior to the delivery of goods/service or expenditure on allowable costs.

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. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences - vacation and sick. The liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources related to pension and other postemployment benefit costs in the government-wide statement of net position.

Leases

Lessee. The District is a lessee for noncancellable leases of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$2,000 or more.

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

ADRIAN PUBLIC SCHOOLS

Notes to Financial Statements

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease 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. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price (if applicable) that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Fund Equity

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action if the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. The District reports *assigned fund balance*, when applicable, for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education has given authority to the Assistant Superintendent to assign fund balances. *Unassigned fund balance* is the residual classification for the general fund.

When the District incurs an expenditure for purposes for which various fund balance classification can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Pensions and Other Postemployment Benefits

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ADRIAN PUBLIC SCHOOLS

Notes to Financial Statements

2. BUDGETARY INFORMATION

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the general and special revenue funds are adopted on a functional basis.

During the year, the District incurred expenditures in the general fund, which were in excess of amounts budgeted, as follows:

	Final Budget	Actual	Over Budget
General fund			
Instruction -			
Basic programs	\$ 18,336,838	\$ 18,384,869	\$ 48,031
Supporting Services:			
General administration	529,158	543,395	14,237
School administration	2,391,563	2,427,772	36,209
Central services	1,015,128	1,017,098	1,970
Capital outlay	34,999	342,609	307,610
Transfers out	680,000	681,861	1,861

All annual appropriations lapse at fiscal year end.

3. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown on the Statement of Net Position follows:

Statement of Net Position	
Cash and cash equivalents	\$ 13,049,825
Investments	<u>981,514</u>
Total	<u><u>\$ 14,031,339</u></u>
Deposits and investments	
Bank deposits -	
Checking and savings accounts	\$ 13,049,795
Investments	981,514
Cash on hand	<u>30</u>
Total	<u><u>\$ 14,031,339</u></u>

ADRIAN PUBLIC SCHOOLS

Notes to Financial Statements

Statutory Authority

State statutes authorize the District to invest in:

Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.

Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.

Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.

Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for all of these types of investments.

Investments

The District chooses to disclose its investments by specific identification. As of year end, the District had the following investment:

Investment	Maturity	Fair Value	Rating
Michigan CLASS government investment pool	n/a	<u>\$ 981,514</u>	S&P - AAAM

Deposit and Investment Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

ADRIAN PUBLIC SCHOOLS

Notes to Financial Statements

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 ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings on investments are noted above.

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. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$13,438,871 of the District's bank balance of \$13,688,871 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk 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. State law does not require and the District does not have a policy for investment custodial credit risk. None of the District's investments are subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

Fair Value. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The investments in the Michigan CLASS government investment pool are not categorized as they are measured at net asset value per share or its equivalent.

Investments in Entities that Calculate Net Asset Value per Share. The District holds share in Michigan CLASS whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

At year end, the net asset value of the District's investment in Michigan CLASS was \$981,514. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

ADRIAN PUBLIC SCHOOLS

Notes to Financial Statements

4. RECEIVABLES

Receivables as of year end for the District's governmental activities, are as follows:

	Governmental Activities
Accounts	\$ 113,499
Due from other governments	<u>7,183,503</u>
	<u>\$ 7,297,002</u>

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated/amortized - Construction in progress	\$ -	\$ 14,667	\$ -	\$ 14,667
Capital assets being depreciated/amortized:				
Land improvements	3,190,395	-	-	3,190,395
Buildings and improvements	69,718,832	302,838	-	70,021,670
Furniture and equipment	16,810,038	377,822	(308,435)	16,879,425
Licensed vehicles	436,512	108,846	-	545,358
Lease equipment (Note 9)	344,616	-	-	344,616
	<u>90,500,393</u>	<u>789,506</u>	<u>(308,435)</u>	<u>90,981,464</u>
Less accumulated depreciation/amortization for:				
Land improvements	(1,643,407)	(257,615)	-	(1,901,022)
Buildings and improvements	(31,246,758)	(1,568,264)	-	(32,815,022)
Furniture and equipment	(5,617,615)	(960,445)	289,659	(6,288,401)
Licensed vehicles	(286,748)	(52,209)	-	(338,957)
Lease equipment (Note 9)	(111,956)	(68,923)	-	(180,879)
	<u>(38,906,484)</u>	<u>(2,907,456)</u>	<u>289,659</u>	<u>(41,524,281)</u>
Total capital assets being depreciated/amortized, net	<u>51,593,909</u>	<u>(2,117,950)</u>	<u>(18,776)</u>	<u>49,457,183</u>
Governmental activities capital assets, net	<u>\$ 51,593,909</u>	<u>\$ (2,103,283)</u>	<u>\$ (18,776)</u>	<u>\$ 49,471,850</u>

Depreciation/amortization expense of \$2,907,456 was not allocated to specific functions and is reported as "unallocated depreciation/amortization" on the statement of activities.

ADRIAN PUBLIC SCHOOLS

Notes to Financial Statements

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	Governmental Activities
Fund Financial Statements:	
Accounts payable	\$ 93,955
Accrued payroll	3,289,694
Other liabilities	<u>1,008,998</u>
	4,392,647
Government-wide Financial Statements -	
Accrued interest on bonds, notes, and other long-term liabilities	<u>363,208</u>
	<u><u>\$ 4,755,855</u></u>

7. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

At June 30, 2025, interfund receivables and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General fund	\$ -	\$ 1,650
Nonmajor governmental funds	<u>1,650</u>	<u>-</u>
	<u><u>\$ 1,650</u></u>	<u><u>\$ 1,650</u></u>

The District often reports interfund balances between many of its 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.

ADRIAN PUBLIC SCHOOLS

Notes to Financial Statements

For the year ending June 30, 2025, interfund transfers consisted of the following:

	Transfers In	Transfers Out
General fund	\$ 223,473	\$ 681,861
Capital projects and technology fund	680,000	-
Nonmajor governmental funds	1,861	223,473
	<u>\$ 905,334</u>	<u>\$ 905,334</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. For the year ended June 30, 2025, the District transferred funds from the general fund to the capital projects and technology and food service funds. In addition, the District transferred costs from the food service fund to the general fund for indirect cost recovery.

8. BONDS, NOTES, AND OTHER LONG-TERM LIABILITIES

Bonds payable consist of the following issues:

2016 School Building and Site Bonds, due in annual installments of \$440,000 to \$1,605,000 through 2046, interest at 4.0% to 5.0%	\$ 21,905,000
2017 Refunding Bonds, due in annual installments of \$440,000 to \$1,605,000 through 2034, interest at 4.0% to 5.0%	<u>21,680,000</u>
	<u>\$ 43,585,000</u>

ADRIAN PUBLIC SCHOOLS

Notes to Financial Statements

Changes in Long-term Liabilities. Long-term liability activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds:					
2016 bonds	\$ 22,490,000	\$ -	\$ 585,000	\$ 21,905,000	\$ 605,000
2017 refunding bonds	23,530,000	-	1,850,000	21,680,000	1,955,000
Total general obligation bonds	46,020,000	-	2,435,000	43,585,000	2,560,000
Lease liability (Note 9)	260,091	-	73,609	186,482	69,568
Bond premium	6,011,371	-	424,047	5,587,324	424,047
Compensated absences*	4,947,103	11,328	-	4,958,431	72,404
Early retirement incentive	399,350	30,403	122,516	307,237	62,694
Total	\$ 57,637,915	\$ 41,731	\$ 3,055,172	\$ 54,624,474	\$ 3,188,713

* The change in compensated absences above is a net change for the year.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2026	\$ 2,560,000	\$ 2,179,250	\$ 4,739,250
2027	2,685,000	2,051,250	4,736,250
2028	2,820,000	1,917,000	4,737,000
2029	2,960,000	1,776,000	4,736,000
2030	3,110,000	1,628,000	4,738,000
2031-2035	15,045,000	5,646,000	20,691,000
2036-2040	5,635,000	3,065,250	8,700,250
2041-2045	7,165,000	1,509,750	8,674,750
2046	1,605,000	80,250	1,685,250
Totals	\$ 43,585,000	\$ 19,852,750	\$ 63,437,750

ADRIAN PUBLIC SCHOOLS

Notes to Financial Statements

9. LEASES

Lessee - The District is involved in two agreements as lessee that qualify as a long-term lease agreements. Below is a summary of the nature of these agreements. These agreements qualify as intangible, right-to-use assets and not financed purchases, as the District will not own the assets at the end of the contract terms and the noncancelable terms of the agreements surpasses one year.

The right-to-use assets and the related activity are included in Note 5, Capital Assets. The lease liability and related activity are presented in Note 8, Bonds, Notes, and Other Long-term Liabilities.

Asset Type	Remaining Term of Agreements
Equipment	3 years

The net present value of future minimum payments as of June 30, 2025, were as follows:

Year Ended June 30,	Principal	Interest
2026	\$ 69,568	\$ 2,427
2027	70,739	1,256
2028	<u>46,175</u>	<u>178</u>
Totals	<u>\$ 186,482</u>	<u>\$ 3,861</u>

10. NET INVESTMENT IN CAPITAL ASSETS

As of June 30, 2025, net investment in capital assets was comprised of the following:

Invested in capital assets	
Capital assets not being depreciated/amortized	\$ 14,667
Capital assets being depreciated/amortized, net	49,457,183
General obligation bonds	(43,585,000)
Lease liability	(186,482)
Bond premium	(5,587,324)
Deferred charge on refunding	<u>1,075,069</u>
Net investment in capital assets	<u>\$ 1,188,113</u>

ADRIAN PUBLIC SCHOOLS

Notes to Financial Statements

11. RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for general liability, property and casualty claims and workers compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

12. PROPERTY TAXES

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of July 1 and December 1, and are due upon receipt of the billing by the taxpayer. 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. District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.

13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Plan Description

The Michigan Public School Employees' Retirement System (the "System" or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (the "State") originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available at the ORS website at www.michigan.gov/orsschools.

ADRIAN PUBLIC SCHOOLS

Notes to Financial Statements

Pension Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights 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.

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

ADRIAN PUBLIC SCHOOLS

Notes to Financial Statements

Other Postemployment 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 Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2023 valuation will be amortized over a 15-year period beginning October 1, 2023 and ending September 30, 2038.

ADRIAN PUBLIC SCHOOLS

Notes to Financial Statements

The table below summarizes pension contribution rates in effect for fiscal year 2025:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	23.03% - 30.11%
Member Investment Plan (MIP)	3.00% - 7.00%	23.03% - 30.11%
Pension Plus	3.00% - 6.40%	19.17% - 26.27%
Pension Plus 2	6.20%	20.10% - 27.16%
Defined Contribution	0.00%	13.90% - 20.96%

For the year ended June 30, 2025, required and actual contributions from the District to the pension plan were \$7,386,437, which included \$1,974,659, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate. In addition, the District had additional contributions of \$448,848, which was a one-time, state payment toward the MPSERS unfunded liability.

The table below summarizes OPEB contribution rates in effect for fiscal year 2025:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	1.25% - 8.31%
Personal Healthcare Fund (PHF)	0.00%	0.00% - 7.06%

For the year ended June 30, 2025, required and actual contributions from the District to the OPEB plan were \$334,024.

The table below summarizes defined contribution rates in effect for fiscal year 2025:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the year ended June 30, 2025, required and actual contributions from the District for those members with a defined contribution benefit were \$374,730.

ADRIAN PUBLIC SCHOOLS

Notes to Financial Statements

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

At June 30, 2025, the District reported a liability of \$44,077,281 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 2023. The District's proportion 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 pension contributions required from all applicable employers during the measurement period. At September 30, 2024, the District's proportion was 0.18004%, which was a decrease of 0.00236% from its proportion measured as of September 30, 2023.

For the year ended June 30, 2025, the District recognized pension expense of \$3,456,502. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 1,195,848	\$ 478,906	\$ 716,942
Changes in assumptions	4,595,318	3,229,471	1,365,847
Net difference between projected and actual earnings on pension plan investments	-	8,411,814	(8,411,814)
Changes in proportion and differences between employer contributions and proportionate share of contributions	598,573	1,008,258	(409,685)
	<u>6,389,739</u>	<u>13,128,449</u>	<u>(6,738,710)</u>
District contributions subsequent to the measurement date	7,358,505	-	7,358,505
Total	<u>\$ 13,748,244</u>	<u>\$ 13,128,449</u>	<u>\$ 619,795</u>

ADRIAN PUBLIC SCHOOLS

Notes to Financial Statements

The amount reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2026	\$ (1,326,816)
2027	198,924
2028	(3,328,230)
2029	<u>(2,282,588)</u>
Total	<u>\$ (6,738,710)</u>

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

At June 30, 2025, the District reported an asset of \$7,773,218 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 liability used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2023. The District's proportion 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 OPEB contributions required from all applicable employers during the measurement period. At September 30, 2024, the District's proportion was 0.18059% which was an increase of 0.00115% from its proportion measured as of September 30, 2023.

For the year ended June 30, 2025, the District recognized OPEB benefit of \$2,864,496. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 8,237,237	\$ (8,237,237)
Changes in assumptions	1,697,783	195,146	1,502,637
Net difference between projected and actual earnings on OPEB plan investments	-	1,471,559	(1,471,559)
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>265,739</u>	<u>366,394</u>	<u>(100,655)</u>
	1,963,522	10,270,336	(8,306,814)
District contributions subsequent to the measurement date	<u>148,988</u>	-	<u>148,988</u>
Total	<u>\$ 2,112,510</u>	<u>\$ 10,270,336</u>	<u>\$ (8,157,826)</u>

ADRIAN PUBLIC SCHOOLS

Notes to Financial Statements

The amount reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as an adjustment to the net OPEB asset in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2026	\$ (2,710,031)
2027	(1,617,814)
2028	(1,566,863)
2029	(1,462,124)
2030	(802,860)
Thereafter	<u>(147,122)</u>
Total	<u>\$ (8,306,814)</u>

Actuarial 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. The total pension and OPEB liabilities in the September 30, 2023 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.00%
Pension Plus plan (hybrid)	6.00%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.00%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	Pre-65: 7.25% Year 1 graded to 3.5% Year 15 Post-65: 6.50% Year 1 graded to 3.5% Year 15
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: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

ADRIAN PUBLIC SCHOOLS

Notes to Financial Statements

Other OPEB assumptions:

Opt-out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan.
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 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 and OPEB liabilities as of September 30, 2024, are 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. The recognition period for pension liabilities is 4.4612 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.2834 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Changes in assumptions. The method for amortizing UAAL transitioned from the level percent of payroll to the level dollar method. In addition, healthcare cost trend rates for pre-65 decreased from 7.50% to 7.25% and post-65 increased from 6.25% to 6.50%.

ADRIAN PUBLIC SCHOOLS

Notes to Financial Statements

Long-term Expected Return on Pension and OPEB Plan Assets

The long-term expected rate of return on pension and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension/OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension and OPEB plans' target asset allocation as of September 30, 2024, are summarized in the following table:

Pension

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.02%	1.26%
Private equity pools	16.00%	8.53%	1.36%
International equity pools	15.00%	6.16%	0.92%
Fixed income pools	13.00%	2.08%	0.27%
Real estate and infrastructure pools	10.00%	6.73%	0.67%
Absolute return pools	9.00%	4.93%	0.44%
Real return/opportunistic pools	10.00%	6.54%	0.65%
Short-term investment pools	2.00%	1.33%	0.03%
	<u>100.00%</u>		5.60%
Inflation			2.30%
Risk adjustment			-1.90%
Investment rate of return			6.00%

ADRIAN PUBLIC SCHOOLS

Notes to Financial Statements

OPEB

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.02%	1.26%
Private equity pools	16.00%	8.53%	1.36%
International equity pools	15.00%	6.16%	0.92%
Fixed income pools	13.00%	1.88%	0.24%
Real estate and infrastructure pools	10.00%	6.73%	0.67%
Absolute return pools	9.00%	4.93%	0.44%
Real return/opportunistic pools	10.00%	6.54%	0.65%
Short-term investment pools	2.00%	1.33%	0.03%
	100.00%		5.57%
Inflation			2.30%
Risk adjustment			-1.87%
Investment rate of return			6.00%

Rate of Return

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

Discount Rate

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

ADRIAN PUBLIC SCHOOLS

Notes to Financial Statements

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the 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 discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's proportionate share of the net pension liability	\$ 64,617,768	\$ 44,077,281	\$ 26,973,374

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate

The following presents the 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 1 percentage point lower or 1 percentage point higher:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's proportionate share of the net OPEB asset	\$ (6,007,207)	\$ (7,773,218)	\$ (9,300,121)

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Healthcare Cost Trend Rate

The following presents the District's proportionate share of the net OPEB asset calculated using the assumed trend rates, as well as what the District's proportionate share of the net OPEB asset would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ (9,300,138)	\$ (7,773,218)	\$ (6,135,605)

ADRIAN PUBLIC SCHOOLS

Notes to Financial Statements

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plan’s fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At June 30, 2025, the District reported a payable of \$1,151,779 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2025.

Payable to the OPEB Plan

At June 30, 2025, the District reported a payable of \$29,514 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2025.

14. RESTATEMENT TO BEGINNING BALANCES

During the current year, the District implemented GASB Statement No. 101, *Compensated Absences*. The effects of the change in accounting principle are summarized below:

	Governmental Activities
Net position, beginning of year, as previously reported	\$ (37,988,919)
Restatement - GASB 101 implementation	<u>(4,621,588)</u>
Net position, beginning of year, as restated	<u>\$ (42,610,507)</u>

15. SUBSEQUENT EVENTS

On August 19, 2025, the District issued 2025 School Improvement Bonds in the amount of \$3,700,000 with interest at 4.000% - 5.000%. Principal payments, ranging from \$95,000 - \$280,000, are due May 1, annually, beginning May 1, 2026 through May 1, 2045.



REQUIRED SUPPLEMENTARY INFORMATION

ADRIAN PUBLIC SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Proportionate Share of the Net Pension Liability

	Year Ended June 30,			
	2025	2024	2023	2022
District's proportionate share of the net pension liability	\$ 44,077,281	\$ 59,036,611	\$ 68,589,180	\$ 41,677,656
District's proportion of the net pension liability	0.18004%	0.18240%	0.18238%	0.17604%
District's covered payroll	\$ 19,033,993	\$ 17,923,790	\$ 17,979,551	\$ 16,030,526
District's proportionate share of the net pension liability as a percentage of its covered payroll	231.57%	329.38%	381.48%	259.99%
Plan fiduciary net position as a percentage of the total pension liability	74.44%	65.91%	60.77%	72.60%

See notes to required supplementary information.



Year Ended June 30,					
2021	2020	2019	2018	2017	2016
\$ 61,783,629	\$ 60,032,238	\$ 55,225,604	\$ 46,584,326	\$ 45,627,116	\$ 45,625,347
0.17986%	0.18128%	0.18371%	0.17976%	0.18288%	0.18680%
\$ 15,930,173	\$ 15,873,331	\$ 15,528,343	\$ 14,976,852	\$ 15,339,854	\$ 16,275,763
387.84%	378.20%	355.64%	311.04%	297.44%	280.34%
59.72%	60.31%	62.36%	64.21%	63.27%	63.17%

ADRIAN PUBLIC SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan
Schedule of the District's Pension Contributions

	Year Ended June 30,			
	2025	2024	2023	2022
Statutorily required contribution	\$ 7,386,437	\$ 7,471,068	\$ 6,610,891	\$ 6,074,117
Contributions in relation to the statutorily required contribution	(7,386,437)	(7,471,068)	(6,610,891)	(6,074,117)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 19,823,814	\$ 18,807,308	\$ 17,996,255	\$ 17,224,690
Contributions as a percentage of covered payroll	37.26%	39.72%	36.73%	35.26%

See notes to required supplementary information.



Year Ended June 30,					
2021	2020	2019	2018	2017	2016
\$ 5,321,214	\$ 4,955,097	\$ 4,817,730	\$ 5,021,894	\$ 4,352,093	\$ 4,208,554
(5,321,214)	(4,955,097)	(3,294,801)	(5,021,894)	(4,352,093)	(4,208,554)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 16,194,910	\$ 16,026,922	\$ 15,851,079	\$ 15,467,012	\$ 15,711,618	\$ 16,020,133
32.86%	30.92%	30.39%	32.47%	27.70%	26.27%

ADRIAN PUBLIC SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit (OPEB) (Asset) Liability

	Year Ended June 30,			
	2025	2024	2023	2022
District's proportionate share of the net OPEB (asset) liability	\$ (7,773,218)	\$ (1,015,068)	\$ 3,927,343	\$ 2,712,499
District's proportion of the net OPEB (asset) liability	0.18059%	0.17944%	0.18542%	0.17771%
District's covered payroll	\$ 19,033,993	\$ 17,923,790	\$ 17,979,551	\$ 16,030,526
District's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	-40.84%	-5.66%	21.84%	16.92%
Plan fiduciary net position as a percentage of the total OPEB liability	143.08%	105.04%	83.09%	87.33%

See notes to required supplementary information.



Year Ended June 30,			
2021	2020	2019	2018
\$ 9,635,592	\$ 13,049,805	\$ 14,511,539	\$ 15,936,749
0.17986%	0.18181%	0.18256%	0.17997%
\$ 15,930,173	\$ 15,873,331	\$ 15,528,343	\$ 14,976,852
60.49%	82.21%	93.45%	106.41%
59.44%	48.46%	42.95%	36.39%

ADRIAN PUBLIC SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Other Postemployment Benefit (OPEB) Contributions

	Year Ended June 30,			
	2025	2024	2023	2022
Statutorily required contribution	\$ 334,024	\$ 1,485,657	\$ 1,405,077	\$ 1,361,014
Contributions in relation to the statutorily required contribution	<u>(334,024)</u>	<u>(1,485,657)</u>	<u>(1,405,077)</u>	<u>(1,361,014)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 19,823,814	\$ 18,807,308	\$ 17,996,255	\$ 17,224,690
Contributions as a percentage of covered payroll	1.68%	7.90%	7.81%	7.90%

See notes to required supplementary information.



Year Ended June 30,			
2021	2020	2019	2018
\$ 1,330,207	\$ 1,276,762	\$ 1,243,075	\$ 1,150,372
<u>(1,330,207)</u>	<u>(1,276,762)</u>	<u>(1,243,075)</u>	<u>(1,150,372)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 16,194,910	\$ 16,026,922	\$ 15,851,079	\$ 15,467,012
8.21%	7.97%	7.84%	7.44%

ADRIAN PUBLIC SCHOOLS

Notes to Required Supplementary Information

Pension Information

The amounts presented in the schedule of the District's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2025 - The method for amortizing UAAL transitioned from the level percent of payroll to the level dollar method.
- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation.
- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, and 6.00% for the Pension Plus Plan.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

ADRIAN PUBLIC SCHOOLS

Notes to Required Supplementary Information

OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the District's Proportionate Share of the Net OPEB (Asset) Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2025 - The method for amortizing UAAL transitioned from the level percent of payroll to the level dollar method. In addition, healthcare cost trend rates for pre-65 decreased from 7.50% to 7.25% and post-65 increased from 6.25% to 6.50%.
- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation. Finally, healthcare cost trend rates for pre-65 decreased from 7.75% to 7.50% and post-65 increased from 5.25% to 6.25%.
- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00%.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

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**COMBINING FUND FINANCIAL
STATEMENTS**

ADRIAN PUBLIC SCHOOLS

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2025

	Special Revenue			
	Food Service	Community Service	Student Scholarship	Student Service Activity
Assets				
Cash and cash equivalents	\$ 509,329	\$ 21,143	\$ 55,695	\$ 372,645
Investments	263,158	-	-	-
Due from other governments	79,517	-	-	-
Due from other funds	-	-	-	1,650
Inventory	3,861	-	-	-
Total assets	<u>\$ 855,865</u>	<u>\$ 21,143</u>	<u>\$ 55,695</u>	<u>\$ 374,295</u>
Liabilities				
Accounts payable	\$ 3,849	\$ -	\$ -	\$ -
Accrued payroll	12,852	-	-	-
Other liabilities	20,733	-	-	-
Total liabilities	<u>37,434</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Nonspendable	3,861	-	-	-
Restricted	814,570	-	55,695	-
Committed	-	21,143	-	374,295
Total fund balances	<u>818,431</u>	<u>21,143</u>	<u>55,695</u>	<u>374,295</u>
Total liabilities and fund balances	<u>\$ 855,865</u>	<u>\$ 21,143</u>	<u>\$ 55,695</u>	<u>\$ 374,295</u>



Debt Service		
2016 Debt	2017 Debt Refunding	Total
\$ 303,725	\$ 450,574	\$ 1,713,111
-	93,612	356,770
-	-	79,517
-	-	1,650
-	-	3,861
<u>\$ 303,725</u>	<u>\$ 544,186</u>	<u>\$ 2,154,909</u>
\$ -	\$ -	\$ 3,849
-	-	12,852
-	-	20,733
<u>-</u>	<u>-</u>	<u>37,434</u>
-	-	3,861
303,725	544,186	1,718,176
-	-	395,438
<u>303,725</u>	<u>544,186</u>	<u>2,117,475</u>
<u>\$ 303,725</u>	<u>\$ 544,186</u>	<u>\$ 2,154,909</u>

ADRIAN PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue			
	Food Service	Community Service	Student Scholarship	Student Service Activity
Revenues				
Local sources	\$ 97,723	\$ 21,459	\$ 38,994	\$ 444,866
State sources	133,823	-	-	-
Federal sources	2,236,707	-	-	-
Total revenues	2,468,253	21,459	38,994	444,866
Expenditures				
Current:				
Supporting services	-	-	31,420	-
Food service	2,440,856	-	-	-
Community service	-	17,608	-	-
Student service activity	-	-	-	387,850
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	2,440,856	17,608	31,420	387,850
Revenues over (under) expenditures	27,397	3,851	7,574	57,016
Other financing sources (uses)				
Transfers in	1,861	-	-	-
Transfers out	(223,473)	-	-	-
Total other financing sources (uses)	(221,612)	-	-	-
Net change in fund balances	(194,215)	3,851	7,574	57,016
Fund balances, beginning of year	1,012,646	17,292	48,121	317,279
Fund balances, end of year	\$ 818,431	\$ 21,143	\$ 55,695	\$ 374,295

Debt Service		
2016 Debt	2017 Debt Refunding	Total
\$ 1,718,280	\$ 2,912,427	\$ 5,233,749
-	136,975	270,798
-	-	2,236,707
1,718,280	3,049,402	7,741,254
-	-	31,420
-	-	2,440,856
-	-	17,608
-	-	387,850
585,000	1,850,000	2,435,000
1,125,500	1,178,284	2,303,784
1,710,500	3,028,284	7,616,518
7,780	21,118	124,736
-	-	1,861
-	-	(223,473)
-	-	(221,612)
7,780	21,118	(96,876)
295,945	523,068	2,214,351
\$ 303,725	\$ 544,186	\$ 2,117,475

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