

**MILAN AREA SCHOOLS
BOARD OF EDUCATION
REGULAR MEETING
WEDNESDAY, October 30, 2024
AGENDA**

I. Call to Order

II. Pledge of Allegiance

III. Communications / Community Engagement

This meeting is a meeting of the Board of Education in public for the purpose of conducting the School District's business and is not to be considered a public meeting. There are two times for public participation during the meeting as indicated in the agenda. When addressing the Board, you will be asked to state your name. The Board determines the amount of time granted to individuals or groups to speak. Each person shall be allowed to speak for up to 3 minutes. Board members may question speakers, but are not obligated to answer questions or make statements or commitments in response to issues raised by the public. In general, such items will be referred to the superintendent for advisement, investigation, study, and/or recommendation or designated as future agenda items for Board consideration.

A. Public Comments

IV. Routine Matters for Approval

A. Minutes of the Regular Meeting of October 9, 2024

B. Minutes of Regular Meeting Closed Session of October 9, 2024

V. Milan Area Schools Strategic Plan Business

A. Finance / Operations

1. 2024 Annual Audit – Attachment A

2. 2024 Sinking Fund Millage Proposal Update

B. Communications / Community Engagement

1. Public Comments

2. Student Board Member Comments

3. Assistant Superintendent Comments

4. Superintendent Comments

5. Board Member Comments

a. MASB Conference Updates

VI. Adjournment

**MILAN AREA SCHOOLS
BOARD OF EDUCATION
REGULAR MEETING
WEDNESDAY, October 30, 2024
RESOLUTIONS**

I. Call to Order

The regular meeting of the Milan Area Schools Board of Education was called to order in the District Office Boardroom located at 100 Big Red Drive, Milan MI, 48160, by President Cislo at _____ p.m. on October 30, 2024.

Board Members Present:

Board Members Absent:

Staff Present:

Guests Present:

II. Pledge of Allegiance

III. Communications / Community Engagement

This meeting is a meeting of the Board of Education in public for the purpose of conducting the School District's business and is not to be considered a public meeting. There are two times for public participation during the meeting as indicated in the agenda. When addressing the Board, you will be asked to state your name. The Board determines the amount of time granted to individuals or groups to speak. Each person shall be allowed to speak for up to 3 minutes. Board members may question speakers, but are not obligated to answer questions or make statements or commitments in response to issues raised by the public. In general, such items will be referred to the superintendent for advisement, investigation, study, and/or recommendation or designated as future agenda items for Board consideration.

A. Public Comments

IV. Routine Matters for Approval

A. Minutes of the Regular Meeting of October 9, 2024

Motion by _____ supported by _____ to approve the minutes of the regular meeting of October 9, 2024.

Heikka ____ Meray ____ Prior ____ Rosen-Leacher ____ Cislo ____ Faro ____ Gutierrez ____
Carried _____.

B. Minutes of Regular Meeting Closed Session of October 9, 2024

Motion by _____ supported by _____ to approve the minutes of the regular meeting closed session of October 9, 2024.

Meray ____ Prior ____ Rosen-Leacher ____ Cislo ____ Faro ____ Gutierrez ____ Heikka ____
Carried _____.

V. Milan Area Schools Strategic Plan Business

A. Finance / Operations

1. 2024 Annual Audit – Attachment A

Motion by _____ supported by _____ to accept the 2024 Annual Audit as presented in Attachment A.

Prior ____ Rosen-Leacher ____ Cislo ____ Faro ____ Gutierrez ____ Heikka ____ Meray ____
Carried _____.

2. 2024 Sinking Fund Millage Proposal Update

B. Communications / Community Engagement

1. Public Comments

2. Student Board Member Comments

3. Assistant Superintendent Comments

4. Superintendent Comments

5. Board Member Comments

a. MASB Conference Updates

VI. Adjournment - Time of Adjournment _____.

DRAFT

**MILAN AREA SCHOOLS
BOARD OF EDUCATION
REGULAR MEETING
Wednesday, October 9, 2024**

The regular meeting of the Milan Area Schools Board of Education was called to order in the Milan Area Schools District Boardroom located at 100 Big Red Drive, Milan MI, 48160, by President Cislo at 7:02 p.m. on October 9, 2024.

Board Members Present: Cislo, Heikka, Gutierrez, Prior, Faro, Meray

Board Members Absent: Rosen-Leacher

Signed in Staff: Bryan Girbach, Ryan McMahon, Katelin McLeod, Julianna Naccarato, Anna DiMelis, Margaret Durkee

Signed in Guests: Teresa Tomaszewski, Virginia Heikka, Daniel Clark

Pledge of Allegiance

New teachers Katelin McLeod, Julianna Naccarato, and Anna DiMelis, introduced themselves to the Board of Education.

Motion by Faro supported by Meray to thank the Milan Area Schools Administrators as recorded in Attachment A. All Ayes. Carried 6-0

Public Comment: None

Motion by Prior supported by Gutierrez to approve the minutes of the regular meeting of September 25, 2024. All Ayes. Carried 6-0

Motion by Faro supported by Gutierrez to approve the bills/reimbursement of expenses. All Ayes. Carried 6-0

Motion by Heikka supported by Faro to approve the 2025 Resolution to Levy Summer Taxes as included in Attachment B. All Ayes. Carried 6-0

The Board heard the First Reading of the 2024 Annual Audit from Daniel Clark of Rehmann as included in Attachment C

The Board heard an update on the 2024 Sinking Fund Millage Proposal presented by Superintendent Girbach

Public Comments: None

Student Board Member Comments:

- Virginia Heikka announced that two students were up for Monroe Athlete of the Week and encouraged people to vote. She also praised the Girls' Swim Team as they approached 25 years of undefeated competition in the Huron League.

Assistant Superintendent Comments:

- Grants
 - ARP II (McKinney-Vento)
 - 23G (Math Intervention)
- Congratulations to Gen Saylor for Presenting at a National ESL Conference
- Thank you top Tracy Terris for her work on the FAME Assessment Initiative and Training
- CommonLit Reading Assessment
- Congratulations to Sierra Moran for her STEM project involving the Washtenaw County Sheriff's Department
- DESSA SEL Screener Initiative

Superintendent Comments were heard on the following topics:

- Welcome to Teresa Tomaszewski and Virginia Heikka as our 2024-02025 Student Board Representatives
- Congratulations to our Fall Sports programs
- Congratulations to our MMS and MHS Choirs for a successful MSVMA Vocal Arts Day
- Recognition of Alicia Upton's contributions to Milan Area Schools
- New Teacher Orientation Session I
- Paddock's Safe Kids Award from the Washtenaw Council for Children

Board Member Comments:

- Faro praised Ms. Upton and described her as an incredible human being. He discussed the District finishing the 2023 - 2024 fiscal year with a net surplus of \$33,000. He thanked Ryan McMahon and team for their work to obtain grants and increase revenue. He discussed the upcoming vote to institute a sinking fund and explained its benefit to the general fund.
- Heikka asked if the audit findings would be available publicly to help combat misinformation in the community related to the District's finances. She praised Krista Hendrix for another clean audit. She also praised the District for finishing for the second year in a row with a surplus. Lastly, she welcomed the new Student Board Members.
- Prior offered her condolences to Ms. Upton's family. She encouraged the community to attend the FFA Hog Roast.
- Gutierrez discussed the budget and the audit findings. She also discussed the need for a sinking fund to help invest in the District's assets. She discussed the District's 11% Fund Balance and how it exceeds the District's goal of 10% and the State's requirements. She also discussed the desire to not hold resources that could be used to pay staff. She thanked Krista Hendrix for another clean audit and her financial leadership. She thanked Paddock Elementary for their Body+ program. She also offered her condolences to Ms. Upton's family and welcomed the Student Board Members.
- Meray offered her sympathies to Ms. Upton's family and expressed her gratitude for her service and described her as a treasured colleague. She praised the 7/8 grade Volleyball Team for supporting one another and credited the coaches for creating a supportive atmosphere. She also praised the student spectators for their support for the teams. She announced a Student Tech Forum at the Michigan Capitol in December.

- Cislo thanked the Girls' Swim Team for inviting the Board to their Educator's Appreciation Night. He also discussed the 11% Fund Balance and the District's balancing between our accountant's desire for 20% and the District's desire to pay staff as much as possible. He also stressed the importance of strong schools and the impact of such on the market value of homes in the community.

Motion by Heikka supported by Meray to enter into closed session pursuant to Section 8(1)(b) of the Michigan Open Meetings Act, and upon the request of the student's parent/guardian, for the purpose of conducting a hearing to consider the discipline of a student whose identity is known to the Board as student 2024-2025-1. All Ayes. Carried 6-0

Time entered closed session 8:32 p.m.

Time returned to open session 9:24 p.m.

Motion by Heikka supported by Prior to expel student 2024-2025-1 in accordance with the attached resolution as read by President Cislo. All Ayes. Carried 6-0

Time of Adjournment: 9:29 p.m.

Milan Area Schools



Year Ended
June 30, 2024

Financial
Statements and
Single Audit Act
Compliance

Rehmann

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MILAN AREA SCHOOLS

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INDEPENDENT AUDITORS' REPORT

October 4, 2024

Board of Education
Milan Area Schools
Milan, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of **Milan Area Schools** (the "District"), as of and for the year ended June 30, 2024, 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 general fund, and the aggregate remaining fund information of the District, as of June 30, 2024, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 plans, 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 dated October 4, 2024, 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.

Rehmann Johnson LLC

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MILAN AREA SCHOOLS

■ Management's Discussion and Analysis

As management of Milan Area 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, 2024.

Financial Highlights

· Total net position	\$ (54,177,235)
· Change in total net position	4,773,749
· Fund balances, governmental funds	7,169,400
· Change in fund balances, governmental funds	350,273
· Unassigned fund balance, general fund	3,499,801
· Change in fund balance, general fund	33,901
· Installment debt outstanding	79,658,043
· Change in installment debt	(3,268,158)

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise 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 net 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 government'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 vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, supporting services, community service, athletics, and food service. The District had no business-type activities during the current year.

MILAN AREA SCHOOLS

■ Management's Discussion and Analysis

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 are governmental 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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains various individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the general fund which is a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. The budgetary comparison statement has been provided for the general fund herein to demonstrate compliance with that budget.

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.

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 plan immediately following the notes to the financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$54.2 million at the close of the most recent fiscal year.

MILAN AREA SCHOOLS

Management's Discussion and Analysis

Net position invested in capital assets, net of related debt used to acquire those assets that are still outstanding, resulted in a net position of \$23.6 million at June 30, 2024. 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.

	Net Position	
	Governmental Activities	
	2024	2023
Current and other assets	\$ 14,728,970	\$ 11,508,969
Capital assets, net	63,174,788	65,346,221
Total assets	<u>77,903,758</u>	<u>76,855,190</u>
Deferred outflows of resources	<u>18,657,336</u>	<u>22,890,318</u>
Other liabilities	7,061,613	5,037,342
Long-term liabilities	131,160,466	145,271,474
Total liabilities	<u>138,222,079</u>	<u>150,308,816</u>
Deferred inflows of resources	<u>12,516,250</u>	<u>8,387,676</u>
Net position:		
Net investment in capital assets	23,574,631	21,226,863
Restricted	1,849,847	697,127
Unrestricted (deficit)	(79,601,713)	(80,874,974)
Total net position	<u>\$ (54,177,235)</u>	<u>\$ (58,950,984)</u>

The District reported a deficit in total net position of \$54.2 million as of year end. Restricted net position represents amounts subject to external restrictions such as amounts restricted for food service, debt service and the other postemployment benefit asset. The District also reported a deficit of \$79.6 million as unrestricted net position. The negative balance is mainly related to the District's proportionate share of the MPSERS net pension liability, other postemployment benefit asset, and related deferred amounts.

MILAN AREA SCHOOLS

Management's Discussion and Analysis

	Changes in Net Position	
	Governmental Activities	
	2024	2023
Program revenues:		
Charges for services	\$ 1,163,692	\$ 1,337,590
Operating grants and contributions	13,858,706	13,989,231
General revenues:		
Property taxes	10,638,697	10,034,063
Unrestricted state aid	14,279,629	13,817,214
Grants and contributions not restricted to specific programs	1,577,898	1,314,999
Unrestricted investment earnings	232,424	138,085
Total revenues	<u>41,751,046</u>	<u>40,631,182</u>
Expenses:		
Instruction	13,986,521	14,955,786
Supporting services	13,967,458	12,982,977
Community service	1,012,459	839,645
Athletics	671,111	651,396
Food service	908,417	751,082
Interest on long-term debt	3,713,109	3,409,652
Unallocated depreciation/amortization	2,718,222	2,685,690
Total expenses	<u>36,977,297</u>	<u>36,276,228</u>
Change in net position	4,773,749	4,354,954
Net position, beginning of year	<u>(58,950,984)</u>	<u>(63,305,938)</u>
Net position, end of year	<u>\$ (54,177,235)</u>	<u>\$ (58,950,984)</u>

The District's net position increased by \$4.8 million during the current year as compared to an increase of \$4.4 million in the previous year. The significant factors affecting this increase are as follows:

- Overall, revenue increased slightly during the year. The revenue increase was due in part to an increase in state aid revenue for new grant initiatives. The District also saw an increase in property tax revenue.
- Overall, expenses increased during the year. The District received a number of new grants from the State of Michigan that it had not received previously. Staff wages increased according to bargained agreements, the District also experienced an increase to insurance premiums and retirement rates increased during the 23/24 school year.

MILAN AREA SCHOOLS

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$7.2 million, an increase of \$0.4 million in comparison with the prior year. Approximately 49% of this total amount, \$3.5 million, is unassigned fund balance. The remainder of fund balance is nonspendable because the underlying assets are included in inventory and prepaid items, is committed or assigned because the amounts are constrained by the District's intent to be used for specific purposes, or is restricted for food service and debt service, and not available for current expenditure.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3.5 million while the total fund balance for the general fund is \$5.0 million. As a measure of the general fund's liquidity, it is useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 11% of total general fund expenditures. This percentage is approximately the same as 2022-2023. An unassigned fund balance of 10-12% of expenditures is generally recommended.

The fund balance of the District's general fund increased by approximately \$34,000 during the current fiscal year. The unassigned fund balance decreased by approximately \$59,000. The Board of Education has a stated goal to keep fund balance for the general fund at approximately 10% of expenditures. As a result, the District has developed its budget intentionally to meet that goal. When the District negotiated contracts with all bargaining units in the summer of 2021, the negotiated contracts included spending which would both benefit employees and bring fund balance in line with this goal. The District will attempt to continue to meet this goal as we enter into negotiations for the 2024-2025 school year.

General Fund Budgetary Highlights

There were several noteworthy changes between the original and final amended budgets:

- Revenues increased by \$4.7 million due to several things that were not known at the time of the original budget. The foundation allowance for fiscal year 2024 increased by \$458 per pupil, the original budget estimate was \$450. Property values increased leading to an increase in the local revenues collected. The inclusion of new grants/State of Michigan funding such as: Sec. 29(7) Enrollment Stabilization, Sec. 221 District Transportation Cost, Sec 271 Educator Compensation, MI Kids Back on Track and CTE grants, along with increases to other District grant allocations also led to major increases to the revenue budget. In the 2023-2024 fiscal year the District also experienced an increase in MPSERS UAAL contributions due to a one time UAAL payment, this caused a significant increase to District revenues related to 147(c)1.

MILAN AREA SCHOOLS

■ Management's Discussion and Analysis

- Expenditures were increased by \$3.4 million due to more current information being available. The increase was due, in part, to grant allocations or new grant funding that was unknown at the time of the original budget. The District also experienced a significant increase to its health insurance premiums. Also, in the 2023-2024 fiscal year the District also experienced an increase in MPSERS UAAL contributions, which resulted in a significant increase to retirement expenditures related to 147(c)1.

Once additional information was known, subsequent budget amendments recognized the additional revenue and changes in expenditure categories.

Budget to actual comparisons were generally favorable. Actual revenue was less than final budget by \$1.1 million, primarily due to revenue deferred as unearned for future periods. Revenue under budget was more than offset by expenditures coming in below budget by \$2.6 million due to the District carefully and conservatively responding to changing circumstances. Net change in fund balance was \$1.5 million better than what was shown in the final amended budget.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2024, amounted to \$63.2 million (net of accumulated depreciation/amortization). This investment in capital assets includes land, land improvements, buildings and improvements, equipment, vehicles, and subscription assets. This reflects a decrease of \$2.2 million from the previous year.

Major capital asset events during the year included:

- The purchase of equipment for food service, cleaning, and athletics totaling approximately \$93,000.
- The purchase of two school buses for approximately \$230,000.
- The construction of a barn for the FFA program for approximately \$108,000.

	Capital Assets (Net of Depreciation/Amortization)	
	2024	2023
Capital assets not being depreciated -		
Land	\$ 1,607,945	\$ 1,607,945
Capital assets being depreciated/amortized:		
Land improvements	1,376,748	1,722,052
Buildings and improvements	58,499,105	60,413,061
Equipment	865,190	810,774
Vehicles	641,836	528,382
Subscription assets	183,964	264,007
Total capital assets, net	\$ 63,174,788	\$ 65,346,221

Additional information on the District's capital assets can be found in the notes to financial statements.

MILAN AREA SCHOOLS

■ Management's Discussion and Analysis

Long-term Debt. At the end of the current fiscal year, the District had total bonded debt outstanding of \$37.5 million. The District's total bonded long-term debt decreased by \$4.2 million during the current fiscal year as a result of scheduled principal payments. Another significant change in long-term debt also reflects borrowings from the School Loan Revolving Fund of \$1.8 million.

Additional information on the District's long-term debt can be found in the notes to financial statements.

Factors Bearing on the District's Future

The following factors were also considered in preparing the District's budget for the 2024-2025 fiscal year:

- The State Aid Foundation Grant was unknown at the time of the original budget adoption. Based on information received from state organizations the District budgeted a \$241 per student increase due to the varying estimates given in State of Michigan budget projection conversations. When the state has adopted a budget revenues will be adjusted accordingly.
- The District projected a loss of students from the 2023-2024 audited February count for the preliminary 2024-2025 budget. This loss of students follows the trend for Milan and many districts across the state.
- The retirement rate was budgeted at each individual of the staff member's retirement rate based on their chosen retirement rate, plus an additional 16.89% that has to be included in the revenue and expenditure budgets for 2024-2025 to account for UAAL Stabilization costs that the District is charged and then the state is offsetting through state aid. The District's required contribution for defined contribution employees will remain the same in the 2024-2025 school year as in the previous year. These figures will be adjusted, if necessary, in future amendments.
- All employee groups eligible for health care coverage continue to contribute either 20% or 30% of the illustrative rates toward their health insurance premiums. Given the large increase to the premiums in the 2023-2024 school year, the District is planning for the possibility of another substantial increase to the health insurance premium for the 2024-2025 school year. Budget adjustments, if necessary, will be made in future amendments.
- The District, along with the Intermediate School District, will continue to explore cost savings through consolidation of services. The District has shared costs in many areas in the past including internet costs, software implementations, student databases, and other.
- In 2023-2024 the District was in the last year of three-year bargained labor agreements. At the time the 2024-2025 budget was adopted none of the labor agreements had been settled. Once negotiations have been completed and new contract amounts are known the budget will be amended to reflect any changes.
- During the 2024-2025 the District is considering asking voters to approve a Sinking Fund millage. The funds generated from a Sinking Fund will allow the District to maintain aging facilities.

MILAN AREA SCHOOLS

Management's Discussion and Analysis

- Because of conservative budgeting practices over the last several years, the District has been able to maintain a general fund balance in 2024-2025 of 15.3% total expenditures (unassigned fund balance constitutes 10.7% of total expenditures) while not having to ask for concessions or cuts to the classrooms or facilities. The District will continue to do its best to keep as much money in the classroom as possible and continue to enhance programs and facilities for students.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, 100 Big Red Drive, Milan, Michigan 48160.

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BASIC FINANCIAL STATEMENTS

MILAN AREA SCHOOLS

Statement of Net Position

June 30, 2024

	Governmental Activities
Assets	
Cash and investments	\$ 7,267,421
Receivables	6,166,737
Prepaid items and other assets	484,272
Net other postemployment benefit asset	810,540
Capital assets not being depreciated	1,607,945
Capital assets being depreciated/amortized, net	<u>61,566,843</u>
Total assets	<u>77,903,758</u>
Deferred outflows of resources	
Deferred charge on refunding	2,224,081
Deferred pension amounts	13,579,085
Deferred other postemployment benefit amounts	<u>2,854,170</u>
Total deferred outflows of resources	<u>18,657,336</u>
Liabilities	
Accounts payable and accrued liabilities	4,218,952
State aid note payable	1,551,756
Unearned revenue	1,290,905
Bonds, notes, and other long-term liabilities	
Due within one year	5,460,493
Due in more than one year	78,918,426
Net pension liability (due in more than one year)	<u>46,781,547</u>
Total liabilities	<u>138,222,079</u>
Deferred inflows of resources	
Deferred pension amounts	5,726,253
Deferred other postemployment benefit amounts	<u>6,789,997</u>
Total deferred inflows of resources	<u>12,516,250</u>
Net position	
Net investment in capital assets	23,574,631
Restricted for net other postemployment benefit asset	810,540
Restricted for food service	606,695
Restricted for debt service	432,612
Unrestricted (deficit)	<u>(79,601,713)</u>
Total net position	<u>\$ (54,177,235)</u>

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

MILAN AREA SCHOOLS

■ Statement of Activities For the Year Ended June 30, 2024

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 13,986,521	\$ -	\$ 12,730,897	\$ (1,255,624)
Supporting services	13,967,458	-	-	(13,967,458)
Community service	1,012,459	1,009,134	-	(3,325)
Athletics	671,111	65,872	-	(605,239)
Food service	908,417	88,686	1,127,809	308,078
Interest on long-term debt	3,713,109	-	-	(3,713,109)
Unallocated depreciation/amortization	2,718,222	-	-	(2,718,222)
Total governmental activities	<u>\$ 36,977,297</u>	<u>\$ 1,163,692</u>	<u>\$ 13,858,706</u>	<u>(21,954,899)</u>
General revenues				
Property taxes				10,638,697
Unrestricted state aid				14,279,629
Grants and contributions not restricted to specific programs				1,577,898
Unrestricted investment earnings				<u>232,424</u>
Total general revenues				<u>26,728,648</u>
Change in net position				4,773,749
Net position, beginning of year				<u>(58,950,984)</u>
Net position, end of year				<u><u>\$ (54,177,235)</u></u>

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

MILAN AREA SCHOOLS

Balance Sheet Governmental Funds June 30, 2024

	General	Nonmajor Governmental Funds	Totals
Assets			
Cash and investments	\$ 5,891,911	\$ 1,375,510	\$ 7,267,421
Accounts receivable	59,205	969	60,174
Due from other governments	6,085,403	21,160	6,106,563
Due from other funds	-	878,524	878,524
Inventory	16,561	9,993	26,554
Prepaid items	407,718	50,000	457,718
Total assets	<u>\$ 12,460,798</u>	<u>\$ 2,336,156</u>	<u>\$ 14,796,954</u>
Liabilities			
Accounts payable	\$ 793,254	\$ 13,387	\$ 806,641
Accrued liabilities	502,318	-	502,318
Salaries and benefits payable	2,595,166	2,244	2,597,410
State aid note payable	1,551,756	-	1,551,756
Due to other funds	778,753	99,771	878,524
Unearned revenue	1,231,821	59,084	1,290,905
Total liabilities	<u>7,453,068</u>	<u>174,486</u>	<u>7,627,554</u>
Fund balances			
Nonspendable:			
Inventory	16,561	9,993	26,554
Prepaid items	407,718	50,000	457,718
Restricted for:			
Food service	-	546,702	546,702
Debt service	-	745,195	745,195
Committed for -			
Student/school activity	-	809,780	809,780
Assigned for:			
Curriculum	90,000	-	90,000
Technology	75,000	-	75,000
Buses	90,000	-	90,000
Paddock Early Childhood Center	702,650	-	702,650
Athletics	1,000	-	1,000
Buildings and grounds	75,000	-	75,000
Harkness estate donation	50,000	-	50,000
Unassigned	3,499,801	-	3,499,801
Total fund balances	<u>5,007,730</u>	<u>2,161,670</u>	<u>7,169,400</u>
Total liabilities and fund balances	<u>\$ 12,460,798</u>	<u>\$ 2,336,156</u>	<u>\$ 14,796,954</u>

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

MILAN AREA SCHOOLS

■ Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2024

Fund balances - total governmental funds \$ 7,169,400

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

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

Capital assets	114,331,375
Accumulated depreciation/amortization	(51,156,587)

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	(79,658,043)
Unamortized deferred charge on refunding	2,224,081
Unamortized bond premium	(4,109,666)
Accrued interest on long-term debt	(312,583)
Compensated absences	(611,210)

Certain pension and other postemployment benefit-related amounts, such as the
net pension liability, 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	(46,781,547)
Net other postemployment benefit asset	810,540
Deferred outflows related to the net pension liability	13,579,085
Deferred inflows related to the net pension liability	(5,726,253)
Deferred outflows related to the net other postemployment benefit asset	2,854,170
Deferred inflows related to the net other postemployment benefit asset	(6,789,997)

Net position of governmental activities \$ (54,177,235)

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

MILAN AREA SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2024

	General	(Formerly Major Fund) 2016 Debt Service	Nonmajor Governmental Funds	Totals
Revenues				
Local sources	\$ 9,122,201		\$ 7,429,171	\$ 16,551,372
State sources	22,233,839		898,926	23,132,765
Federal sources	1,438,382		628,527	2,066,909
Total revenues	<u>32,794,422</u>		<u>8,956,624</u>	<u>41,751,046</u>
Expenditures				
Current:				
Instruction	15,766,851		-	15,766,851
Supporting services	16,015,426		590,811	16,606,237
Athletics	801,045		-	801,045
Food service	-		957,785	957,785
Debt service:				
Principal	115,693		4,953,009	5,068,702
Interest and fiscal charges	72,343		2,088,647	2,160,990
Capital outlay	39,163		-	39,163
Total expenditures	<u>32,810,521</u>		<u>8,590,252</u>	<u>41,400,773</u>
Revenues over (under) expenditures	<u>(16,099)</u>		<u>366,372</u>	<u>350,273</u>
Other financing sources (uses)				
Transfers in	50,000		-	50,000
Transfers out	-		(50,000)	(50,000)
Total other financing sources (uses)	<u>50,000</u>		<u>(50,000)</u>	<u>-</u>
Net change in fund balances	<u>33,901</u>		<u>316,372</u>	<u>350,273</u>
Fund balances, beginning of year as previously reported	4,973,829	\$ 318,593	1,526,705	6,819,127
Change within financial reporting entity (major to nonmajor fund)	<u>-</u>	<u>(318,593)</u>	<u>318,593</u>	<u>-</u>
Fund balances, beginning of year as adjusted	<u>4,973,829</u>	<u>\$ -</u>	<u>1,845,298</u>	<u>6,819,127</u>
Fund balances, end of year	<u>\$ 5,007,730</u>		<u>\$ 2,161,670</u>	<u>\$ 7,169,400</u>

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

MILAN AREA SCHOOLS

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2024

Net change in fund balances - total governmental funds	\$ 350,273
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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	546,789
Depreciation/amortization expense	(2,718,222)

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

Principal payments on bonds, notes, and other long-term liabilities	5,068,702
Accrued interest on School Loan Revolving Fund added to principal	(1,800,544)

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 governmental funds.

Change in net pension liability and related deferred amounts	440,169
Change in net other postemployment benefit asset and related deferred amounts	2,614,261
Change in accrued interest payable on long-term debt	34,917
Amortization of bond premium and deferred charge on refunding	213,508
Change in the accrual for compensated absences	23,896

Change in net position of governmental activities	<u>\$ 4,773,749</u>
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The accompanying notes are an integral part of these financial statements.

MILAN AREA SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenues				
Local sources	\$ 8,267,953	\$ 9,032,782	\$ 9,122,201	\$ 89,419
State sources	19,651,537	23,383,691	22,233,839	(1,149,852)
Federal sources	1,296,503	1,480,270	1,438,382	(41,888)
Total revenues	29,215,993	33,896,743	32,794,422	(1,102,321)
Expenditures				
Instruction:				
Basic programs	12,189,288	12,746,308	12,530,252	(216,056)
Added needs	3,262,808	3,851,297	2,977,281	(874,016)
Adult and continuing education	238,103	263,027	259,318	(3,709)
Total instruction	15,690,199	16,860,632	15,766,851	(1,093,781)
Supporting services:				
Pupil services	4,011,550	4,246,350	3,814,264	(432,086)
Instructional support	1,116,755	1,593,272	1,169,544	(423,728)
General administration	630,195	637,128	605,061	(32,067)
School administration	2,106,882	2,124,526	1,992,927	(131,599)
Business services	14,500	17,000	1,962	(15,038)
Operations and maintenance	3,925,888	4,814,540	4,776,591	(37,949)
Transportation	1,574,486	1,727,380	1,501,926	(225,454)
Central support	1,041,456	1,152,679	1,009,104	(143,575)
Community service	1,003,259	1,169,599	1,144,047	(25,552)
Total supporting services	15,424,971	17,482,474	16,015,426	(1,467,048)
Athletics	786,248	818,199	801,045	(17,154)
Debt service:				
Principal	115,693	115,693	115,693	-
Interest and fiscal charges	37,000	73,000	72,343	(657)
Total debt service	152,693	188,693	188,036	(657)
Capital outlay	-	75,000	39,163	(35,837)
Total expenditures	32,054,111	35,424,998	32,810,521	(2,614,477)
Revenues under expenditures	(2,838,118)	(1,528,255)	(16,099)	1,512,156
Other financing uses				
Transfers in	40,000	40,000	50,000	10,000
Net change in fund balance	(2,798,118)	(1,488,255)	33,901	1,522,156
Fund balance, beginning of year	4,973,829	4,973,829	4,973,829	-
Fund balance, end of year	\$ 2,175,711	\$ 3,485,574	\$ 5,007,730	\$ 1,522,156

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

NOTES TO FINANCIAL STATEMENTS

MILAN AREA SCHOOLS

■ Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Milan Area Schools (the “District”) 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 District had no business-type activities during the current year.

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. Major individual governmental 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 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, except for expenditure-driven grants, which use a period of one year. 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, are recorded only when payment is due.

MILAN AREA 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 the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

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 expenditures for specified purposes other than debt service or capital projects.

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted first, then unrestricted resources as they are needed.

The effect of interfund activity has been eliminated from the government-wide financial statements.

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 Liquid Assets Fund (MILAF) are recorded at amortized cost, and its investments in money market funds and in the Michigan CLASS government investment pool are stated at fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

Accounts payable and other payables reflected in the financial statements are based on when the liability is incurred.

MILAN AREA SCHOOLS

Notes to Financial Statements

Inventory and Prepaid Items

Inventory is valued at the lower of cost (first in, first out) or market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both 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 \$5,000 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/amortized using the straight-line method over the following estimated useful lives:

	Years
Land improvements	10-20
Buildings and improvements	25-50
Equipment	5-20
Vehicles	8

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.

MILAN AREA SCHOOLS

■ Notes to Financial Statements

Compensated Absences

It is the District's policy to permit employees to accumulate various earned but unused vacation and sick pay benefits. These are accrued when 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 or retirements.

Employees accrue 10-13 days of sick leave per year, which accumulates if not used. Sick time is paid upon termination only to employees who have ten or more years of service with the District. The maximum payout upon termination varies, depending on the employee's classification (teacher, administrator, etc.).

Administrators and other support staff working year-round accrue vacation time in varying amounts. Teachers and other personnel working less than twelve months during the year may receive paid vacation time, but are paid only for the number of days they are required to work each year. Upon termination, an employee may elect to receive the unused portion of their vacation time in cash.

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 straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Subscription-based Information Technology Arrangements (SBITA)

The District has noncancellable subscription-based information technology arrangements. The District recognizes a subscription liability and an intangible right-to-use subscription asset in the government-wide financial statements. The District recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

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

Key estimates and judgments related to subscriptions include how the District determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) subscription term, and (3) subscription payments. The District uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for SBITAs. The subscription term includes the noncancellable period of the subscription. subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price (if applicable) that the District is reasonably certain to exercise.

MILAN AREA SCHOOLS

Notes to Financial Statements

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

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. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District's deferred inflows of resources are related to the net pension liability and the net other postemployment benefit asset.

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*, if any, is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of 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* 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 delegated the authority to assign fund balance to the Superintendent or his/her designee. *Unassigned fund balance* is the residual classification for the general fund, as well as for any deficits reported in other governmental funds.

When the District incurs an expenditure for purposes for which various fund balance classifications 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 liability and the net other postemployment benefit asset, deferred outflows of resources, and deferred inflows of resources related to pension and other postemployment benefits, and pension and other postemployment benefit expense, 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.

MILAN AREA 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 annually 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. All annual appropriations lapse at fiscal year end. The District did not incur expenditures which were in excess of the amounts appropriated during the year ended June 30, 2024.

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 investments	\$ 7,267,421
Deposits and investments	
Cash on hand	\$ 8,655
Bank deposits (checking and savings accounts)	5,003,486
Investments	2,255,280
Total	\$ 7,267,421

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 five 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.

MILAN AREA SCHOOLS

Notes to Financial Statements

- 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 the above investment types.

Investments

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

Investment	Maturity	Amortized cost/fair value	Rating
Michigan Liquid Asset Fund	n/a	\$ 2,247,585	S&P AAAM
American Funds money market funds	n/a	5,484	S&P AAAM
Michigan CLASS government investment pool	n/a	<u>2,211</u>	S&P AAAM
		<u>\$ 2,255,280</u>	

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments 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 maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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. The ratings for each investment are identified above for investments held at year end.

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, \$4,507,030 of the District's bank balance of \$5,007,030 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. The investments listed above are not subject to custodial credit risk.

MILAN AREA SCHOOLS

Notes to Financial Statements

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 District's only recurring fair value measurements as of June 30, 2024 were related to its investments in money market funds. These investments are valued using quoted market pricing of the underlying securities (Level 1 inputs).

Investments in Entities that Calculate Net Asset Value per Share. The District holds shares 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 \$2,211. 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.

4. RECEIVABLES

Receivables as of year end for the District are as follows:

	General	Nonmajor Governmental Funds	Totals
Accounts receivable	\$ 59,205	\$ 969	\$ 60,174
Due from other governments	6,085,403	21,160	6,106,563
	<u>\$ 6,144,608</u>	<u>\$ 22,129</u>	<u>\$ 6,166,737</u>

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Notes to Financial Statements

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2024 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated -				
Land	\$ 1,607,945	\$ -	\$ -	\$ 1,607,945
Capital assets being depreciated/amortized:				
Land improvements	9,270,496	-	-	9,270,496
Buildings and improvements	97,947,567	107,870	-	98,055,437
Equipment	2,907,392	208,601	-	3,115,993
Vehicles	1,864,230	230,318	(158,028)	1,936,520
Subscription assets (note 11)	344,984	-	(24,334)	320,650
	<u>112,334,669</u>	<u>546,789</u>	<u>(182,362)</u>	<u>112,699,096</u>
Less accumulated depreciation/amortization for:				
Land improvements	(7,548,444)	(345,304)	-	(7,893,748)
Buildings and improvements	(37,534,506)	(2,021,826)	-	(39,556,332)
Equipment	(2,096,618)	(154,185)	-	(2,250,803)
Vehicles	(1,335,848)	(116,864)	158,028	(1,294,684)
Subscription assets (note 11)	(80,977)	(80,043)	24,334	(136,686)
	<u>(48,596,393)</u>	<u>(2,718,222)</u>	<u>182,362</u>	<u>(51,132,253)</u>
Total capital assets being depreciated/amortized, net	<u>63,738,276</u>	<u>(2,171,433)</u>	<u>-</u>	<u>61,566,843</u>
Governmental activities capital assets, net	<u>\$ 65,346,221</u>	<u>\$ (2,171,433)</u>	<u>\$ -</u>	<u>\$ 63,174,788</u>

Depreciation/amortization expense of \$2,718,222 is reported as unallocated depreciation/amortization, and not allocated to individual functions.

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Notes to Financial Statements

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of year end for the District are as follows:

	General	Nonmajor Governmental Funds	Totals
Fund Financial Statements:			
Accounts payable	\$ 793,254	\$ 13,387	\$ 806,641
Accrued liabilities	502,318	-	502,318
Salaries and benefits payable	2,595,166	2,244	2,597,410
	<u>\$ 3,890,738</u>	<u>\$ 15,631</u>	3,906,369
Government-wide Financial Statements -			
Accrued interest on long-term debt			<u>312,583</u>
			<u>\$ 4,218,952</u>

7. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

As of year end, interfund receivables and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General	\$ -	\$ 778,753
Nonmajor governmental funds	878,524	99,771
	<u>\$ 878,524</u>	<u>\$ 878,524</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.

For the year ended June 30, 2024, interfund transfers consisted of \$50,000 transferred from the nonmajor food service fund to the general fund to cover certain allocable costs.

MILAN AREA SCHOOLS

Notes to Financial Statements

8. SHORT-TERM DEBT

During the year, the District financed some of its operations through the issuance of State Aid Anticipation Notes. These notes were issued for terms of less than one year, and accordingly, are recorded as liabilities of the respective funds from which they were issued. At year end, outstanding notes consisted of \$1,551,756 with interest at 3.46%. The note has no set-aside payments and is due in full on August 20, 2024. Short-term note activity for the year ended June 30, 2024, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
State aid notes	\$ 218,132	\$ 1,551,756	\$ 218,132	\$ 1,551,756

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

Bonds, notes, and other long-term liabilities activity for the year ended June 30, 2024 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 41,700,000	\$ -	\$ 4,190,000	\$ 37,510,000	\$ 4,250,000
Direct borrowings:					
Installment purchase agreement	197,003	-	46,101	150,902	49,665
School loan revolving fund	40,905,936	1,800,544	763,009	41,943,471	-
Subscription liabilities (note 11)	123,262	-	69,592	53,670	20,101
Total installment debt	82,926,201	1,800,544	5,068,702	79,658,043	4,319,766
Unamortized bond premium	4,639,183	-	529,517	4,109,666	529,517
Compensated absences	635,106	1,226,640	1,250,536	611,210	611,210
Total bonds, notes and other long-term liabilities	\$ 88,200,490	\$ 3,027,184	\$ 6,848,755	\$ 84,378,919	\$ 5,460,493

Compensated absences are typically liquidated by the general fund.

MILAN AREA SCHOOLS

Notes to Financial Statements

Bonds payable consist of the following issues:

General obligation bonds

2018 Refunding Bonds, due in annual installments of \$2,070,000 to \$2,345,000 through 2030, interest at 5.00% \$ 13,585,000

2019 Refunding Bonds, due in annual installments of \$1,525,000 to \$2,940,000 through 2034, interest at 5.00% 23,925,000

Total general obligation bonds \$ 37,510,000

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

Year Ending June 30,	Principal	Interest	Total
2025	\$ 4,250,000	\$ 1,875,500	\$ 6,125,500
2026	4,315,000	1,663,000	5,978,000
2027	4,370,000	1,447,250	5,817,250
2028	4,445,000	1,228,750	5,673,750
2029	4,540,000	1,006,500	5,546,500
2030-2034	<u>15,590,000</u>	<u>2,182,500</u>	<u>17,772,500</u>
Totals	<u><u>\$ 37,510,000</u></u>	<u><u>\$ 9,403,500</u></u>	<u><u>\$ 46,913,500</u></u>

Installment Purchase Agreement

The District has entered into an installment purchase agreement for financing the acquisition of copiers. The original amount of installment purchase agreement still outstanding at year end was \$150,902 with interest at 7.47%. The District's total debt service obligation for the installment purchase agreement is \$4,938 per month (including principal and interest).

Annual debt service requirements to maturity for installment purchase agreement are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 49,665	\$ 9,595	\$ 59,260
2026	53,504	5,755	59,259
2027	<u>47,733</u>	<u>1,649</u>	<u>49,382</u>
	<u><u>\$ 150,902</u></u>	<u><u>\$ 16,999</u></u>	<u><u>\$ 167,901</u></u>

MILAN AREA SCHOOLS

Notes to Financial Statements

School Loan Revolving Fund

The School Loan Revolving Fund balance represents amounts borrowed from the State of Michigan School Bond Loan Program to supplement property tax revenue for making payments on the District's general obligation bonds. Although interest accrues each year, no payment is due until such time as the District's property tax revenue is sufficient to support the debt service requirements on the general obligation bonds. Changes to the School Loan Revolving Fund for the year ended June 30, 2024, are as follows:

	School Loan Revolving Fund		
	Principal	Interest	Total
Beginning balance	\$ 38,601,727	\$ 2,304,209	\$ 40,905,936
Additions	-	1,800,544	1,800,544
Deductions	(383,704)	(379,305)	(763,009)
Ending balance	\$ 38,218,023	\$ 3,725,448	\$ 41,943,471

10. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District is involved in nine arrangements that qualify as long-term subscription-based information technology ("SBITA") arrangements. Below is a summary of the nature of these arrangements. These arrangements qualify as intangible, right-to-use subscription assets as the District has the control of the right to use another party's IT software and the noncancelable term of the arrangement surpasses one year. The present values are discounted using an interest rate of 3.5 percent based on the District's incremental borrowing rate.

The right-to-use-assets and the related activity are included in Note 5, Capital Assets. The subscription liability and related activity is presented in Note 9, Bonds, Notes, and Other Long-term Liabilities.

	Remaining Term of Arrangements
Asset Type	
Subscription assets	1-4 years

MILAN AREA SCHOOLS

Notes to Financial Statements

The net present value of future minimum payments as of June 30, 2024, were as follows:

Year Ending June 30,	Principal	Interest
2025	\$ 20,101	\$ 1,878
2026	10,805	1,175
2027	11,183	797
2028	11,581	405
Total	\$ 53,670	\$ 4,255

11. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2024, was as follows:

Capital assets, net	\$ 63,174,788
Capital related bonds payable outstanding	(37,510,000)
Installment purchase agreement	(150,902)
Subscription liabilities	(53,670)
Unamortized bond premium	(4,109,666)
Deferred charge on refunding	2,224,081
Net investment in capital assets	\$ 23,574,631

12. 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. The District has a flexible benefit plan for group medical, disability, and dental/vision insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

An independent third party administers the District's flexible benefit program.

Changes in the balances of claims liabilities during the past two years are as follows:

	2024	2023
Accrued claims, beginning of year	\$ 32,000	\$ 32,000
Incurred claims	487,024	430,573
Claim payments	(487,024)	(430,573)
Accrued claims, end of year	\$ 32,000	\$ 32,000

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Notes to Financial Statements

13. 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 60 days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.

14. TAX ABATEMENTS

The District received reduced property tax revenues during 2024 as a result of industrial facilities tax exemptions (IFT's) entered into by cities, villages, townships, and authorities within the District boundaries.

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Developments Districts Act (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property within the District boundaries. The abatements amounted to approximately \$93,000 in reduced District tax revenues for 2024.

15. 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.

MILAN AREA 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 MPSERS 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.

MILAN AREA 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, 2022 valuation will be amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

MILAN AREA SCHOOLS

Notes to Financial Statements

The table below summarizes pension contribution rates in effect for fiscal year 2024:

Benefit Structure	Member Rate	Employer Rate
Basic	0.00% - 4.00%	20.16% - 23.03%
Member Investment Plan (MIP)	3.00% - 7.00%	20.16% - 23.03%
Pension Plus	3.00% - 6.40%	17.24% - 19.17%
Pension Plus 2	6.20%	19.95% - 20.10%
Defined Contribution	0.00%	13.75% - 13.90%

For the year ended June 30, 2024, required and actual contributions from the District to the pension plan were \$5,869,519, which included \$2,832,708, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

The table below summarizes OPEB contribution rates in effect for fiscal year 2024:

Benefit Structure	Member Rate	Employer Rate
Premium Subsidy	3.00%	8.07% - 8.31%
Personal Healthcare Fund (PHF)	0.00%	7.06% - 7.21%

For the year ended June 30, 2024, required and actual contributions from the District to the OPEB plan were \$1,132,829.

The table below summarizes defined contribution rates in effect for fiscal year 2024:

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, 2024, required and actual contributions from the District for those members with a defined contribution benefit were \$296,042.

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

At June 30, 2024, the District reported a liability of \$46,781,547 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. 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, 2023, the District's proportion was 0.14454%, which was an increase of 0.00104% from its proportion measured as of September 30, 2022.

MILAN AREA SCHOOLS

Notes to Financial Statements

For the year ended June 30, 2024, the District recognized pension expense of \$5,310,195. At June 30, 2024, 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	\$ 1,476,751	\$ 71,662	\$ 1,405,089
Changes in assumptions	6,339,112	3,654,988	2,684,124
Net difference between projected and actual earnings on pension plan investments	-	957,302	(957,302)
Changes in proportion and differences between employer contributions and proportionate share of contributions	248,030	1,042,301	(794,271)
	<u>8,063,893</u>	<u>5,726,253</u>	<u>2,337,640</u>
District contributions subsequent to the measurement date	5,515,192	-	5,515,192
Total	<u><u>\$ 13,579,085</u></u>	<u><u>\$ 5,726,253</u></u>	<u><u>\$ 7,852,832</u></u>

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, 2025. 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
2025	\$ 575,083
2026	430,529
2027	1,990,001
2028	<u>(657,973)</u>
Total	<u><u>\$ 2,337,640</u></u>

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Notes to Financial Statements

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

At June 30, 2024, the District reported an asset of \$810,540 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2022. 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, 2023, the District's proportion was 0.14328% which was a decrease of 0.00323% from its proportion measured as of September 30, 2022.

For the year ended June 30, 2024, the District recognized an OPEB benefit of \$1,532,279. At June 30, 2024, 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	\$ -	\$ 6,124,855	\$ (6,124,855)
Changes in assumptions	1,804,403	217,284	1,587,119
Net difference between projected and actual earnings on OPEB plan investments	2,471	-	2,471
Changes in proportion and differences between employer contributions and proportionate share of contributions	54,187	447,858	(393,671)
	<u>1,861,061</u>	<u>6,789,997</u>	<u>(4,928,936)</u>
District contributions subsequent to the measurement date	993,109	-	993,109
Total	<u>\$ 2,854,170</u>	<u>\$ 6,789,997</u>	<u>\$ (3,935,827)</u>

MILAN AREA SCHOOLS

Notes to Financial Statements

The amount reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset/liability in the year ended June 30, 2025. 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
2024	\$ (1,614,188)
2025	(1,483,602)
2026	(629,025)
2027	(551,899)
2028	(430,088)
Thereafter	<u>(220,134)</u>
Total	<u>\$ (4,928,936)</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, 2022 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: 7.50% Year 1 graded to 3.5% Year 15 Post-65: 6.25% 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.

MILAN AREA 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 2012 through 2017 and 2017 through 2022 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 and September 30, 2023 valuations, respectively. The total pension and OPEB liabilities as of September 30, 2023, are based on the results of an actuarial valuation date of September 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4406 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.5099 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 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%.

MILAN AREA 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, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.43%	1.36%
Private equity pools	16.00%	8.99%	1.44%
International equity pools	15.00%	6.37%	0.95%
Fixed income pools	13.00%	1.22%	0.16%
Real estate and infrastructure pools	10.00%	5.99%	0.60%
Absolute return pools	9.00%	4.49%	0.40%
Real return/opportunistic pools	10.00%	6.83%	0.68%
Short-term investment pools	2.00%	0.28%	0.01%
	<u>100.00%</u>		5.60%
Inflation			2.70%
Risk adjustment			<u>-2.30%</u>
Investment rate of return			<u><u>6.00%</u></u>

Rate of Return

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

MILAN AREA SCHOOLS

Notes to Financial Statements

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.

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	\$ 63,201,732	\$ 46,781,547	\$ 33,111,148

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) liability calculated using the discount rate of 6.00%, as well as what the District's proportionate share of the net OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's proportionate share of the net OPEB (asset) liability	\$ 840,287	\$ (810,540)	\$ (2,229,263)

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) liability calculated using the assumed trend rates, as well as what the District's proportionate share of the net OPEB (asset) liability 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) liability	\$ (2,232,800)	\$ (810,540)	\$ 728,812

MILAN AREA 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, 2024, the District reported a payable of \$851,286 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2024.

Payable to the OPEB Plan

At June 30, 2024, the District reported a payable of \$121,245 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2024.

16. SUBSEQUENT EVENTS

State Aid Anticipation Notes

On August 20, 2024, the District received proceeds of \$1,000,000 for a State of Michigan School Aid anticipation note due August 20, 2025. The note bears interest at 3.31%.

17. REPORTING UNITS AFFECTED BY ADJUSTMENTS TO BEGINNING BALANCES

For the year ended June 30, 2024, the District had the following adjustments to beginning fund balance:

	2016 Debt Service	Nonmajor Governmental Funds
Fund balances, beginning of year, as previously reported		
Change within the financial reporting entity:	\$ 318,593	\$ 1,526,705
Change from major to nonmajor fund	(318,593)	318,593
Fund balances, beginning of year, as adjusted:	\$ -	\$ 1,845,298

The District previously reported the 2016 debt service fund as major. The 2016 debt service fund no longer met the quantitative threshold for major funds in accordance with GAAP, for the fiscal year ended June 30, 2024.



**REQUIRED SUPPLEMENTARY
INFORMATION**

MILAN AREA 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,			
	2024	2023	2022	2021
District's proportionate share of the net pension liability	\$ 46,781,547	\$ 53,967,899	\$ 34,803,749	\$ 51,299,289
District's proportion of the net pension liability	0.14454%	0.14350%	0.14700%	0.14934%
District's covered payroll	\$ 14,338,776	\$ 14,229,463	\$ 13,143,080	\$ 13,297,556
District's proportionate share of the net pension liability as a percentage of its covered payroll	326.26%	379.27%	264.81%	385.78%
Plan fiduciary net position as a percentage of the total pension liability	65.91%	60.77%	72.60%	59.72%

See notes to required supplementary information.

Year Ended June 30,					
2020	2019	2018	2017	2016	2015
\$ 49,933,998	\$ 45,450,765	\$ 38,627,656	\$ 36,305,226	\$ 36,052,978	\$ 29,774,310
0.15078%	0.15119%	0.14906%	0.14552%	0.14761%	0.13517%
\$ 13,148,995	\$ 13,025,486	\$ 12,745,796	\$ 12,305,228	\$ 12,462,109	\$ 11,568,938
379.76%	348.94%	303.06%	295.04%	289.30%	257.36%
60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

MILAN AREA SCHOOLS

Required Supplementary Information MPERS Cost-Sharing Multiple Employer Plan Schedule of the District's Pension Contributions

	Year Ended June 30,			
	2024	2023	2022	2021
Statutorily required contributions	\$ 5,869,519	\$ 5,194,502	\$ 5,027,630	\$ 4,372,092
Contributions in relation to the statutorily required contributions	(5,869,519)	(5,194,502)	(5,027,630)	(4,372,092)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 14,551,477	\$ 14,321,949	\$ 14,135,685	\$ 12,926,948
Contributions as a percentage of covered payroll	40.34%	36.27%	35.57%	33.82%

See notes to required supplementary information.

Year Ended June 30,					
2020	2019	2018	2017	2016	2015
\$ 4,127,176	\$ 4,002,215	\$ 4,098,079	\$ 3,477,521	\$ 3,475,003	\$ 2,586,933
<u>(4,127,176)</u>	<u>(4,002,215)</u>	<u>(4,098,079)</u>	<u>(3,477,521)</u>	<u>(3,475,003)</u>	<u>(2,586,933)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 13,457,804	\$ 13,081,656	\$ 12,901,049	\$ 12,140,365	\$ 12,816,320	\$ 11,859,819
30.67%	30.59%	31.77%	28.64%	27.11%	21.81%

MILAN AREA SCHOOLS



Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

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

	Year Ended June 30,			
	2024	2023	2022	2021
District's proportionate share of the net OPEB (asset) liability	\$ (810,540)	\$ 3,103,085	\$ 2,215,746	\$ 8,018,686
District's proportion of the net OPEB asset/liability	0.14328%	0.14651%	0.14516%	0.14968%
District's covered payroll	\$ 14,338,776	\$ 14,229,463	\$ 13,143,080	\$ 13,297,556
District's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	-5.65%	21.81%	16.86%	60.30%
Plan fiduciary net position as a percentage of the total OPEB liability	105.04%	83.09%	87.33%	59.44%

See notes to required supplementary information.

Year Ended June 30,		
2020	2019	2018
\$ 10,778,002	\$ 12,140,099	\$ 13,245,271
0.15016%	0.15273%	0.14957%
\$ 13,148,995	\$ 13,025,486	\$ 12,745,796
81.97%	93.20%	103.92%
48.46%	42.95%	36.39%

MILAN AREA SCHOOLS

Required Supplementary Information MPSERS Cost-Sharing Multiple Employer Plan Schedule of the District's Other Postemployment Benefit Contributions

	Year Ended June 30,			
	2024	2023	2022	2021
Statutorily required contributions	\$ 1,132,829	\$ 1,117,876	\$ 964,354	\$ 1,056,715
Contributions in relation to the statutorily required contributions	<u>(1,132,829)</u>	<u>(1,117,876)</u>	<u>(964,354)</u>	<u>(1,056,715)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 14,551,477	\$ 14,321,949	\$ 14,135,685	\$ 12,926,948
Contributions as a percentage of covered payroll	7.78%	7.81%	6.82%	8.17%

See notes to required supplementary information.

www.barrick.com | Barrick Gold Corporation

Year Ended June 30,		
2020	2019	2018
\$ 1,067,693	\$ 1,015,895	\$ 952,287
<u>(1,067,693)</u>	<u>(1,015,895)</u>	<u>(952,287)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 13,457,804	\$ 13,081,656	\$ 12,901,049
7.93%	7.77%	7.38%

MILAN AREA 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:

- 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.

MILAN AREA 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:

- 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**

MILAN AREA SCHOOLS

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2024

	Special Revenue		Debt Service			Totals
	Food Service	Student/School Activity	2016 Debt Service	2018 Debt Service	2019 Debt Service	
Assets						
Cash and investments	\$ 74,697	\$ 809,780	\$ -	\$ 118,180	\$ 372,853	\$ 1,375,510
Accounts receivable	-	-	-	495	474	969
Due from other governments	21,160	-	-	-	-	21,160
Due from other funds	525,560	-	318,593	34,371	-	878,524
Inventory	9,993	-	-	-	-	9,993
Prepaid items	50,000	-	-	-	-	50,000
Total assets	<u>\$ 681,410</u>	<u>\$ 809,780</u>	<u>\$ 318,593</u>	<u>\$ 153,046</u>	<u>\$ 373,327</u>	<u>\$ 2,336,156</u>
Liabilities						
Accounts payable	\$ 13,387	\$ -	\$ -	\$ -	\$ -	\$ 13,387
Salaries and benefits payable	2,244	-	-	-	-	2,244
Due to other funds	-	-	-	-	99,771	99,771
Unearned revenue	59,084	-	-	-	-	59,084
Total liabilities	<u>74,715</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,771</u>	<u>174,486</u>
Fund balances						
Nonspendable:						
Inventory	9,993	-	-	-	-	9,993
Prepaid items	50,000	-	-	-	-	50,000
Restricted:						
Food service	546,702	-	-	-	-	546,702
Debt service	-	-	318,593	153,046	273,556	745,195
Committed -						
Student/school activity	-	809,780	-	-	-	809,780
Total fund balances	<u>606,695</u>	<u>809,780</u>	<u>318,593</u>	<u>153,046</u>	<u>273,556</u>	<u>2,161,670</u>
Total liabilities and fund balances	<u>\$ 681,410</u>	<u>\$ 809,780</u>	<u>\$ 318,593</u>	<u>\$ 153,046</u>	<u>\$ 373,327</u>	<u>\$ 2,336,156</u>

MILAN AREA SCHOOLS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2024

	Special Revenue		Debt Service			Totals
	Food Service	Student/School Activity	2016 Debt Service	2018 Debt Service	2019 Debt Service	
Revenues						
Local sources	\$ 88,686	\$ 599,920	\$ -	\$ 3,250,398	\$ 3,490,167	\$ 7,429,171
State sources	499,282	-	-	192,649	206,995	898,926
Federal sources	628,527	-	-	-	-	628,527
Total revenues	<u>1,216,495</u>	<u>599,920</u>	<u>-</u>	<u>3,443,047</u>	<u>3,697,162</u>	<u>8,956,624</u>
Expenditures						
Current:						
Supporting services	-	590,811	-	-	-	590,811
Food service	957,785	-	-	-	-	957,785
Debt service:						
Principal	-	-	-	2,615,000	2,338,009	4,953,009
Interest and fiscal charges	-	-	-	798,276	1,290,371	2,088,647
Total expenditures	<u>957,785</u>	<u>590,811</u>	<u>-</u>	<u>3,413,276</u>	<u>3,628,380</u>	<u>8,590,252</u>
Revenues over (under) expenditures	258,710	9,109	-	29,771	68,782	366,372
Other financing uses						
Transfers out	(50,000)	-	-	-	-	(50,000)
Net change in fund balances	<u>208,710</u>	<u>9,109</u>	<u>-</u>	<u>29,771</u>	<u>68,782</u>	<u>316,372</u>
Fund balances, beginning of year as previously reported	397,985	800,671	-	123,275	204,774	1,526,705
Change within financial reporting entity (major to nonmajor fund)	-	-	318,593	-	-	318,593
Fund balances, beginning of year as adjusted	<u>397,985</u>	<u>800,671</u>	<u>318,593</u>	<u>123,275</u>	<u>204,774</u>	<u>1,845,298</u>
Fund balances, end of year	<u>\$ 606,695</u>	<u>\$ 809,780</u>	<u>\$ 318,593</u>	<u>\$ 153,046</u>	<u>\$ 273,556</u>	<u>\$ 2,161,670</u>

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SINGLE AUDIT ACT COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE

October 4, 2024

Board of Education
Milan Area Schools
Milan, Michigan

We have audited the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of **Milan Area Schools** (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 4, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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MILAN AREA SCHOOLS

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2024

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Approved Award Amount
U.S. Department of Agriculture				
Local Food for Schools:				
2022-2023	10.185	MDE	230985	\$ 8,706
2023-2024	10.185	MDE	230985	8,124
Child Nutrition Cluster:				
School Breakfast Program:				
2022-2023	10.553	MDE	231970	69,500
2023-2024	10.553	MDE	241970	93,542
School Lunch Program:				
2022-2023	10.555	MDE	231960	371,300
2023-2024	10.555	MDE	241960	335,553
Supply Chain Assistance:				
2021-2022	10.555	MDE	220910	73,839
2022-2023	10.555	MDE	230910	20,789
2023-2024	10.555	MDE	240910	47,996
Non-Cash Assistance -				
Entitlement Commodities	10.555	MDE	-n/a-	77,748
Bonus Commodities	10.555	MDE	-n/a-	452
Total Child Nutrition Cluster				
Child and Adult Care Food Program:				
2022-2023	10.558	MDE	231920	3,126
2023-2024	10.558	MDE	241920	3,683
Child Nutrition Discretionary Grants Limited Availability -				
NSLP Equipment Assistance Grant	10.579	MDE	211991-EAG23	21,262
Total U.S. Department of Agriculture				
U.S. Department of Treasury				
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund -				
Grow Your Own Program	21.027	MDE	232423-20231	6,480
U.S. Department of Education				
Adult Basic Education Instruction:				
2022-2023	84.002	MDE	231130-231667	18,845
2023-2024	84.002	MDE	241130-231667	21,205
Institutional Adults:				
2022-2023	84.002	MDE	231190-231667	66,924
2023-2024	84.002	MDE	241190-231667	69,086
Title I, Part A - Improving Basic Programs:				
2022-2023	84.010	MDE	231530-2223	185,499
2023-2024	84.010	MDE	241530-2324	173,737

continued...

MILAN AREA SCHOOLS

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2024

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Approved Award Amount
U.S. Department of Education (Concluded)				
Special Education Cluster:				
IDEA Flow-through:				
2022-2023	84.027A	WISD	230450-2223	\$ 456,814
2022-2023 - Carryover	84.027A	WISD	230450-2223	24,750
2023-2024	84.027A	WISD	240450-2324	528,433
IDEA Preschool:				
2022-2023	84.173A	WISD	230460-2223	7,075
2023-2024	84.173A	WISD	240460-2324	12,730
Total Special Education Cluster				
Title III, Part A - English Language Acquisition:				
2022-2023	84.365A	WISD	231700-2223	5,214
2023-2024	84.365A	WISD	240580-2324	3,611
Title II, Part A - Supporting Effective Instruction:				
2022-2023	84.367	MDE	230520-2223	43,500
2023-2024	84.367	MDE	240520-2324	34,251
Title IV, Part A - Student Support and Academic Enrichment:				
2022-2023	84.424	MDE	230750-2223	12,820
2023-2024	84.424	MDE	240750-2324	14,312
COVID-19 - Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief				
Learning Loss	84.425D	MDE	213782-2223	100,777
ESSER III Program -				
Formula Funding	84.425U	MDE	213713-2122	1,280,537
Section 11t	84.425U	MDE	213723-2122	1,047,149
ARP ESSER				
American Rescue Plan - Homeless II	84.425W	MDE	211012-2122	12,131
Total COVID-19 - Education Stabilization Fund				
Total U.S. Department of Education				
Total Federal Financial Assistance				

See notes to schedule of expenditures of federal awards.

(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue at July 1, 2023	Current Year Receipts	Current Year Expenditures	Accrued (Unearned) Revenue at June 30, 2024
\$ 456,814	\$ 456,814	\$ 456,814	\$ -	\$ -
-	-	24,750	24,750	-
-	-	-	528,433	528,433
456,814	456,814	481,564	553,183	528,433
7,075	7,075	7,075	-	-
-	-	12,730	12,730	-
7,075	7,075	19,805	12,730	-
463,889	463,889	501,369	565,913	528,433
5,214	5,214	5,214	-	-
-	-	-	3,611	3,611
5,214	5,214	5,214	3,611	3,611
43,500	1,500	1,500	-	-
-	-	32,000	34,251	2,251
43,500	1,500	33,500	34,251	2,251
12,820	12,820	12,820	-	-
-	-	-	14,312	14,312
12,820	12,820	12,820	14,312	14,312
100,777	26,777	26,777	-	-
1,169,179	395,179	491,000	111,358	15,537
624,948	204,948	576,000	422,201	51,149
-	-	-	12,131	12,131
1,894,904	626,904	1,093,777	545,690	78,817
2,691,595	1,152,595	1,936,948	1,427,805	643,452
\$ 3,148,021	\$ 1,154,018	\$ 2,617,565	\$ 2,066,909	\$ 603,362

concluded

MILAN AREA SCHOOLS

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Milan Area Schools (the "District") under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

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

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

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

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts reported on the Grant Auditor Report reconcile with this Schedule.

2. 10% DE MINIMIS COST RATE

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

3. PASS-THROUGH AGENCIES

The District receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDE	Michigan Department of Education
WISD	Washtenaw Intermediate School District



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

October 4, 2024

Board of Education
Milan Area Schools
Milan, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of **Milan Area Schools** (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 4, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Rehmann Loborn LLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

October 4, 2024

Board of Education
Milan Area Schools
Milan, Michigan

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the compliance of **Milan Area Schools** (the "District") with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2024. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Independent Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Independent Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Independent Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

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

A handwritten signature in black ink that reads "Rehmann Johnson LLC". The signature is written in a cursive, flowing style.

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MILAN AREA SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2024

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs and type of auditor's report issued on compliance for each major program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
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84.027 & 84.173	Special Education Cluster	Unmodified
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Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

MILAN AREA SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported

MILAN AREA SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2024

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported



MILAN AREA SCHOOLS

 Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2024

No matters were reported

