

Milan Area Schools



Year Ended
June 30, 2023

Financial
Statements and
Single Audit Act
Compliance

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MILAN AREA SCHOOLS

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INDEPENDENT AUDITORS' REPORT

October 16, 2023

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, each major fund, and the aggregate remaining fund information of **Milan Area Schools** (the "District"), as of and for the year ended June 30, 2023, 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, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, 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 16, 2023, 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.

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

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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, 2023.

Financial Highlights

· Total net position	\$ (58,950,984)
· Change in total net position	4,354,954
· Fund balances, governmental funds	6,819,127
· Change in fund balances, governmental funds	383,199
· Unassigned fund balance, general fund	3,558,320
· Change in fund balance, general fund	41,883
· Installment debt outstanding	82,926,201
· Change in installment debt	(2,587,307)

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.

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.

MILAN AREA SCHOOLS

Management's Discussion and Analysis

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 balances for the general fund and 2016 debt service fund which are major funds. 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 \$58,950,984 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 \$21,226,863 at June 30, 2023. 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	
	2023	2022
Current and other assets	\$ 11,508,969	\$ 10,378,195
Capital assets, net	65,346,221	67,124,150
Total assets	<u>76,855,190</u>	<u>77,502,345</u>
Deferred outflows of resources	<u>22,890,318</u>	<u>13,121,783</u>
Other liabilities	5,037,342	4,362,351
Long-term liabilities	145,271,474	128,355,156
Total liabilities	<u>150,308,816</u>	<u>132,717,507</u>
Deferred inflows of resources	<u>8,387,676</u>	<u>21,212,559</u>
Net position:		
Net investment in capital assets	21,226,863	18,940,752
Restricted	697,127	405,545
Unrestricted (deficit)	(80,874,974)	(82,652,235)
Total net position	<u>\$ (58,950,984)</u>	<u>\$ (63,305,938)</u>

The District reported a deficit in total net position of \$58,950,984 as of year end. Restricted net position represents amounts subject to external restrictions such as amounts restricted for food service and debt service. The District also reported a deficit of \$80,874,974 as unrestricted net position. The negative balance is mainly related to the District's proportionate share of the MPSERS net pension and other postemployment benefit liabilities.

MILAN AREA SCHOOLS

Management's Discussion and Analysis

	Changes in Net Position	
	Governmental Activities	
	2023	2022
Program revenues:		
Charges for services	\$ 1,337,590	\$ 787,498
Operating grants and contributions	13,989,231	10,973,777
General revenues:		
Property taxes	10,034,063	10,011,417
Unrestricted state aid	13,817,214	13,254,573
Grants and contributions not restricted to specific programs	1,314,999	1,461,907
Unrestricted investment earnings	138,085	6,289
Total revenues	<u>40,631,182</u>	<u>36,495,461</u>
Expenses:		
Instruction	14,955,786	13,529,910
Supporting services	12,982,977	11,356,493
Community service	839,645	734,538
Athletics	651,396	577,510
Food service	751,082	758,381
Interest on long-term debt	3,409,652	3,217,276
Unallocated depreciation/amortization	2,685,690	2,583,304
Total expenses	<u>36,276,228</u>	<u>32,757,412</u>
Change in net position	4,354,954	3,738,049
Net position, beginning of year	<u>(63,305,938)</u>	<u>(67,043,987)</u>
Net position, end of year	<u>\$ (58,950,984)</u>	<u>\$ (63,305,938)</u>

The District's net position increased by \$4,354,954 during the current year as compared to an increase of \$3,738,049 in the previous year. The significant factors affecting this increase are as follows:

- Overall, revenue increased during the year. The revenue increase is primarily due to the increase in state aid revenue and additional grant funding due to the COVID-19 pandemic. The District also saw a small increase in property tax revenue.
- Overall, expenses increased during the year. This was primarily the result of increased expenses for grant funding due to the COVID-19 pandemic. Staff wages increased according to bargained agreements, the District experienced an increase to insurance premiums and retirement rates increased during the 2022/2023 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 \$6,819,127, an increase of \$383,199 in comparison with the prior year. Approximately 52% of this total amount, \$3,558,320, 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 \$3,558,320, while the total fund balance for the general fund is \$4,973,829. 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 slightly lower than in 2021-2022. An unassigned fund balance of 10-12% is generally recommended.

The fund balance of the District's general fund increased by \$41,883 during the current fiscal year. The unassigned fund balance decreased by \$325,674. 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 District negotiated contracts that included spending which would both benefit employees and bring fund balance in line with this goal.

The fund balance of the 2016 debt service fund increased by \$115,186 during the current fiscal year. A larger portion of the District's tax revenues were received after the May 1st principal/interest due date than in the previous year. This in turn caused the tax receipts after the May 1st payments, which contribute to the fund balance to be greater than last year.

MILAN AREA SCHOOLS

Management's Discussion and Analysis

General Fund Budgetary Highlights

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

- Revenues increased by \$4,887,961 due to several things that were not known at the time of the original budget. The foundation allowance for fiscal year 2023 increased by \$450 per pupil, the original budget estimate was \$400. Property values increased leading to an increase in the local revenues collected. The inclusion of new grants such as: ESSER III, Section 11t and ARP Childcare, along with increases to other District grant allocations also led to major increases to the revenue budget. In the 2022/2023 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 our revenues.
- Expenditures were increased by \$3,735,462 due to more current information being available. The increase was due, in part, to grant allocations that were unknown at the time of the original budget. The District also experienced a significant increase to its health insurance premiums. Expenditures also increased due to the use of increased of grant funds allocated to the District. Also, in the 2022/2023 fiscal year the District also experienced an increase in MPSERS UAAL contributions due to a one time UAAL payment, which resulted in a significant increase to retirement expenditures.

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 \$794,212, primarily due to revenue deferred as unearned for future periods. Revenue under budget was more than offset by expenditures coming in below budget by \$1,323,974 due to the District carefully and conservatively responding to changing circumstances. Net change in fund balance was \$957,262 more 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, 2023, amounted to \$65,346,221 (net of accumulated depreciation/amortization). This investment in capital assets includes land, land improvements, buildings and improvements, equipment, and vehicles. This reflects a decrease of \$1,777,929 from the previous year.

Major capital asset events during the year included:

- The purchase of equipment for food service, cleaning, and athletics totaling approximately \$76,000.
- The purchase of a school bus for approximately \$97,000.
- The purchase of new chromebooks for approximately \$232,000.
- Entering into a new financed purchase agreement of copiers for approximately \$203,000.
- The District entering into new long-term subscription arrangements for approximately \$286,000.

Depreciation/amortization expense was recognized in the amount of \$2,685,690.

MILAN AREA SCHOOLS

Management's Discussion and Analysis

	Capital Assets (Net of Depreciation/Amortization)	
	2023	2022
Capital assets not being depreciated -		
Land	\$ 1,607,945	\$ 1,607,945
Capital assets being depreciated/amortized:		
Land improvements	1,722,052	2,075,723
Buildings and improvements	60,413,061	62,426,072
Equipment	810,774	406,999
Vehicles	528,382	548,822
Subscription assets	264,007	58,589
Total capital assets, net	\$ 65,346,221	\$ 67,124,150

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

Long-term Debt. At the end of the current fiscal year, the District had total bonded debt outstanding of \$41,700,000. The District's total bonded long-term debt decreased by \$13,180,000 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 Bond Loan Fund of \$10,363,225.

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 2023-24 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 \$450 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 22/23 audited February count for the preliminary 23/24 budget. This loss of students follows the trend for Milan and many districts across the state.
- The District will continue to utilize American Rescue Plan/ESSER III and Section 11t funds during the 23/24 school year. These funds will be used according to grant guidelines. This will be the last year for both of these grants. Once these grants are expended, the District should be done receiving COVID related funding.
- 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 23/24 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 23/24 school year as in the previous year. These figures will be adjusted, if necessary, in future amendments.

MILAN AREA SCHOOLS

Management's Discussion and Analysis

- 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 22/23 school year, the District is planning for the possibility of another substantial increase to the health insurance premium for the 23/24 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 the 22/23 school year, the District made the final payment on its 2016 Debt Obligations. During the 23/24 school year, the District will be able to begin repaying the School Bond Loan Fund instead of having to borrow from it.
- In 23/24, the District will be in the last year of three-year bargained labor agreements. Staff wages will increase according to the negotiated contracts. The District will begin the negotiation process for new contracts that will be effective in the 24/25 school year.
- Because of conservative budgeting practices over the last several years, the District has been able to maintain a healthy fund balance in 2022-2023 of 15.12% total expenditures (unassigned fund balance constitutes 10.82% 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, 2023

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,978,413
Receivables	6,085,383
Prepaid items and other assets	445,173
Capital assets not being depreciated	1,607,945
Capital assets being depreciated/amortized, net	63,738,276
Total assets	76,855,190
Deferred outflows of resources	
Deferred charge on refunding	2,540,090
Deferred pension amounts	16,265,697
Deferred other postemployment benefit amounts	4,084,531
Total deferred outflows of resources	22,890,318
Liabilities	
Accounts payable and accrued liabilities	3,934,506
State aid note payable	218,132
Unearned revenue	884,704
Bonds, notes and other long-term liabilities	
Due within one year	5,470,321
Due in more than one year	82,730,169
Net pension liability (due in more than one year)	53,967,899
Net other postemployment benefit liability (due in more than one year)	3,103,085
Total liabilities	150,308,816
Deferred inflows of resources	
Deferred pension amounts	1,666,682
Deferred other postemployment benefit amounts	6,720,994
Total deferred inflows of resources	8,387,676
Net position	
Net investment in capital assets	21,226,863
Restricted for food service	397,985
Restricted for debt service	299,142
Unrestricted (deficit)	(80,874,974)
Total net position	\$ (58,950,984)

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

MILAN AREA SCHOOLS

Statement of Activities

For the Year Ended June 30, 2023

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 14,955,786	\$ -	\$ 13,387,829	\$ (1,567,957)
Supporting services	12,982,977	-	-	(12,982,977)
Community service	839,645	965,393	-	125,748
Athletics	651,396	65,098	-	(586,298)
Food service	751,082	307,099	601,402	157,419
Interest on long-term debt	3,409,652	-	-	(3,409,652)
Unallocated depreciation/amortization	2,685,690	-	-	(2,685,690)
Total governmental activities	<u>\$ 36,276,228</u>	<u>\$ 1,337,590</u>	<u>\$ 13,989,231</u>	<u>(20,949,407)</u>
General revenues				
Property taxes				10,034,063
Unrestricted state aid				13,817,214
Grants and contributions not restricted to specific programs				1,314,999
Unrestricted investment earnings				<u>138,085</u>
Total general revenues				<u>25,304,361</u>
Change in net position				4,354,954
Net position, beginning of year				<u>(63,305,938)</u>
Net position, end of year				<u>\$ (58,950,984)</u>

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

MILAN AREA SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2023

	General	2016 Debt Service	Nonmajor Governmental Funds	Totals
Assets				
Cash and cash equivalents	\$ 3,729,591	\$ 216,180	\$ 1,032,642	\$ 4,978,413
Accounts receivable	39,771	-	-	39,771
Due from other governments	5,997,457	-	48,155	6,045,612
Due from other funds	-	102,413	470,479	572,892
Inventory	12,279	-	17,007	29,286
Prepaid items	365,887	-	50,000	415,887
Total assets	\$ 10,144,985	\$ 318,593	\$ 1,618,283	\$ 12,081,861
Liabilities				
Accounts payable	\$ 413,185	\$ -	\$ 28,986	\$ 442,171
Accrued liabilities	277,945	-	-	277,945
Salaries and benefits payable	2,864,680	-	2,210	2,866,890
State aid note payable	218,132	-	-	218,132
Due to other funds	572,892	-	-	572,892
Unearned revenue	824,322	-	60,382	884,704
Total liabilities	5,171,156	-	91,578	5,262,734
Fund balances				
Nonspendable:				
Inventory	12,279	-	17,007	29,286
Prepaid items	365,887	-	50,000	415,887
Restricted for:				
Food service	-	-	330,978	330,978
Debt service	-	318,593	328,049	646,642
Committed for -				
Student/school activity	-	-	800,671	800,671
Assigned for:				
Curriculum	90,000	-	-	90,000
Technology	75,000	-	-	75,000
Buses	90,000	-	-	90,000
Paddock Early Childhood Center	554,889	-	-	554,889
Athletics	16,334	-	-	16,334
Athletics sounds system	86,120	-	-	86,120
Buildings and grounds	75,000	-	-	75,000
Harkness estate donation	50,000	-	-	50,000
Unassigned	3,558,320	-	-	3,558,320
Total fund balances	4,973,829	318,593	1,526,705	6,819,127
Total liabilities and fund balances	\$ 10,144,985	\$ 318,593	\$ 1,618,283	\$ 12,081,861

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, 2023

Fund balances - total governmental funds	\$ 6,819,127
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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	113,942,614
Accumulated depreciation/amortization	(48,596,393)

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	(82,926,201)
Unamortized deferred charge on refunding	2,540,090
Unamortized bond premium	(4,639,183)
Accrued interest on long-term debt	(347,500)
Compensated absences	(635,106)

Certain pension and other postemployment benefit-related amounts, such as the net pension liability, net other postemployment benefit liability 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	(53,967,899)
Net other postemployment benefit liability	(3,103,085)
Deferred outflows related to the net pension liability	16,265,697
Deferred inflows related to the net pension liability	(1,666,682)
Deferred outflows related to the net other postemployment benefit liability	4,084,531
Deferred inflows related to the net other postemployment benefit liability	(6,720,994)

Net position of governmental activities	<u>\$ (58,950,984)</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 Balances

Governmental Funds

For the Year Ended June 30, 2023

	General	2016 Debt Service	Nonmajor Governmental Funds	Totals
Revenues				
Local sources	\$ 8,275,037	\$ 3,484,554	\$ 3,734,200	\$ 15,493,791
State sources	21,292,540	200,163	199,455	21,692,158
Federal sources	2,894,951	-	550,282	3,445,233
Total revenues	32,462,528	3,684,717	4,483,937	40,631,182
Expenditures				
Current:				
Instruction	16,637,250	-	-	16,637,250
Supporting services	14,854,723	-	496,210	15,350,933
Athletics	714,103	-	-	714,103
Food service	-	-	822,693	822,693
Debt service:				
Principal	198,032	9,100,000	4,080,000	13,378,032
Interest and fiscal charges	44,084	231,504	2,290,347	2,565,935
Capital outlay	439,953	-	-	439,953
Total expenditures	32,888,145	9,331,504	7,689,250	49,908,899
Revenues under expenditures	(425,617)	(5,646,787)	(3,205,313)	(9,277,717)
Other financing sources (uses)				
Issuance of long-term debt	427,500	5,761,973	3,471,443	9,660,916
Transfers in	40,000	-	-	40,000
Transfers out	-	-	(40,000)	(40,000)
Total other financing sources (uses)	467,500	5,761,973	3,431,443	9,660,916
Net change in fund balances	41,883	115,186	226,130	383,199
Fund balances, beginning of year	4,931,946	203,407	1,300,575	6,435,928
Fund balances, end of year	\$ 4,973,829	\$ 318,593	\$ 1,526,705	\$ 6,819,127

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, 2023

Net change in fund balances - total governmental funds	\$ 383,199
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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	907,761
Depreciation/amortization expense	(2,685,690)

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.

Issuance of bonds, notes, and other long-term liabilities	(9,660,916)
Principal payments on bonds, notes, and other long-term liabilities	13,378,032

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	353,233
Change in net other postemployment benefit liability and related deferred amounts	2,504,705
Change in accrued interest payable on long-term debt	(1,057,225)
Amortization of bond premium and deferred charge on refunding	213,508
Change in the accrual for compensated absences	18,347

Change in net position of governmental activities	\$ 4,354,954
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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, 2023

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenues				
Local sources	\$ 7,426,397	\$ 8,084,301	\$ 8,275,037	\$ 190,736
State sources	18,755,567	22,047,214	21,292,540	(754,674)
Federal sources	2,186,815	3,125,225	2,894,951	(230,274)
Total revenues	<u>28,368,779</u>	<u>33,256,740</u>	<u>32,462,528</u>	<u>(794,212)</u>
Expenditures				
Instruction:				
Basic programs	12,381,510	13,329,789	13,318,206	(11,583)
Added needs	2,614,023	3,552,017	3,080,152	(471,865)
Adult and continuing education	226,840	238,103	238,892	789
Total instruction	<u>15,222,373</u>	<u>17,119,909</u>	<u>16,637,250</u>	<u>(482,659)</u>
Supporting services:				
Pupil services	4,173,751	3,993,911	3,563,952	(429,959)
Instructional support	1,118,416	1,171,259	1,114,449	(56,810)
General administration	570,845	662,767	627,044	(35,723)
School administration	1,931,010	2,176,527	2,121,813	(54,714)
Business services	14,500	12,000	2,374	(9,626)
Operations and maintenance	3,427,959	4,504,278	4,097,633	(406,645)
Transportation	1,469,608	1,420,688	1,318,564	(102,124)
Central support	859,557	1,156,672	1,081,480	(75,192)
Community service	846,015	1,011,322	927,414	(83,908)
Total supporting services	<u>14,411,661</u>	<u>16,109,424</u>	<u>14,854,723</u>	<u>(1,254,701)</u>
Athletics	<u>610,591</u>	<u>743,254</u>	<u>714,103</u>	<u>(29,151)</u>
Debt service:				
Principal	198,032	198,032	198,032	-
Interest and fiscal charges	34,000	41,500	44,084	2,584
Total debt service	<u>232,032</u>	<u>239,532</u>	<u>242,116</u>	<u>2,584</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>439,953</u>	<u>439,953</u>
Total expenditures	<u>30,476,657</u>	<u>34,212,119</u>	<u>32,888,145</u>	<u>(1,323,974)</u>
Revenues under expenditures	<u>(2,107,878)</u>	<u>(955,379)</u>	<u>(425,617)</u>	<u>529,762</u>
Other financing sources (uses)				
Issuance of long-term debt	-	-	427,500	427,500
Transfers in	40,000	40,000	40,000	-
Total other financing sources (uses)	<u>40,000</u>	<u>40,000</u>	<u>467,500</u>	<u>427,500</u>
Net change in fund balance	<u>(2,067,878)</u>	<u>(915,379)</u>	<u>41,883</u>	<u>957,262</u>
Fund balance, beginning of year	<u>4,931,946</u>	<u>4,931,946</u>	<u>4,931,946</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,864,068</u>	<u>\$ 4,016,567</u>	<u>\$ 4,973,829</u>	<u>\$ 957,262</u>

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.

The *2016 debt service fund* accounts for all financial resources restricted, committed, or assigned to expenditure for principal and interest of the 2016 bond issue and a portion of the school bond loan 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 liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

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.

MILAN AREA SCHOOLS

Notes to Financial Statements

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.

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.

MILAN AREA SCHOOLS

Notes to Financial Statements

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 pension and other postemployment benefit liabilities.

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 and other postemployment benefit liabilities, 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.

3. ACCOUNTABILITY AND COMPLIANCE

During the year ended June 30, 2023, the District incurred expenditures which were in excess of the amounts appropriated, as follows:

	Final Budget	Actual	Over Budget
General fund			
Instruction -			
Adult and continuing education	\$ 238,103	\$ 238,892	\$ 789
Debt service -			
Interest and fiscal charges	41,500	44,084	2,584
Capital outlay	-	439,953	439,953

4. DEPOSITS AND INVESTMENTS

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

Statement of Net Position

Cash and cash equivalents	<u>\$ 4,978,413</u>
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Deposits and investments

Cash on hand	\$ 5,705
Bank deposits (checking and savings accounts)	2,299,116
Investments	<u>2,673,592</u>

Total	<u>\$ 4,978,413</u>
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MILAN AREA SCHOOLS

Notes to Financial Statements

Statutory Authority

State statutes authorize the District to invest in:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 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.
- 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	\$ 2,667,182	S&P AAAM
American Funds money market funds	n/a	4,316	S&P AAAM
Michigan CLASS government investment pool	n/a	<u>2,094</u>	S&P AAAM
		<u>\$ 2,673,592</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.

MILAN AREA SCHOOLS

Notes to Financial Statements

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. 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, \$1,843,768 of the District's bank balance of \$2,343,768 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.

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, 2023 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 \$2,094. 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.

MILAN AREA SCHOOLS

Notes to Financial Statements

5. RECEIVABLES

Receivables as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General	Nonmajor Governmental Funds	Totals
Accounts receivable	\$ 39,771	\$ -	\$ 39,771
Due from other governments	5,997,457	48,155	6,045,612
	<u>\$ 6,037,228</u>	<u>\$ 48,155</u>	<u>\$ 6,085,383</u>

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023 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	97,935,959	11,608	-	97,947,567
Equipment	2,577,754	512,404	(182,766)	2,907,392
Vehicles	1,909,036	97,354	(142,160)	1,864,230
Subscription assets (note 11)	58,589	286,395	-	344,984
	<u>111,751,834</u>	<u>907,761</u>	<u>(324,926)</u>	<u>112,334,669</u>
Less accumulated depreciation/amortization for:				
Land improvements	(7,194,773)	(353,671)	-	(7,548,444)
Buildings and improvements	(35,509,887)	(2,024,619)	-	(37,534,506)
Equipment	(2,170,755)	(108,629)	182,766	(2,096,618)
Vehicles	(1,360,214)	(117,794)	142,160	(1,335,848)
Subscription assets (note 11)	-	(80,977)	-	(80,977)
	<u>(46,235,629)</u>	<u>(2,685,690)</u>	<u>324,926</u>	<u>(48,596,393)</u>
Total capital assets being depreciated/amortized, net	<u>65,516,205</u>	<u>(1,777,929)</u>	<u>-</u>	<u>63,738,276</u>
Governmental activities capital assets, net	<u>\$ 67,124,150</u>	<u>\$ (1,777,929)</u>	<u>\$ -</u>	<u>\$ 65,346,221</u>

Depreciation/amortization expense of \$2,685,690 is reported as unallocated depreciation, and not allocated to individual functions.

MILAN AREA SCHOOLS

Notes to Financial Statements

* The District implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, in the current year. In accordance with this Statement, subscription assets have been added to the beginning balances shown above and a corresponding subscription liability has been recorded for the same amount.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General	Nonmajor Governmental Funds	Totals
Fund Financial Statements:			
Accounts payable	\$ 413,185	\$ 28,986	\$ 442,171
Accrued liabilities	277,945	-	277,945
Salaries and benefits payable	2,864,680	2,210	2,866,890
	<u>\$ 3,555,810</u>	<u>\$ 31,196</u>	<u>3,587,006</u>
Government-wide Financial Statements -			
Accrued interest on long-term debt			<u>347,500</u>
			<u>\$ 3,934,506</u>

8. 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	\$ -	\$ 572,892
2016 debt service	102,413	-
Nonmajor governmental funds	470,479	-
	<u>\$ 572,892</u>	<u>\$ 572,892</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, 2023, interfund transfers consisted of \$40,000 transferred from the nonmajor food service fund to the general fund to cover certain allocable costs.

MILAN AREA SCHOOLS

Notes to Financial Statements

9. 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 \$218,132 with interest at 1.97% with final payment due on July 20, 2023. Short-term note activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
State aid notes	\$ -	\$ 1,526,923	\$ 1,308,791	\$ 218,132

10. BONDS, NOTES AND OTHER LONG-TERM LIABILITIES

Bonds, notes and other long-term liabilities activity for the year ended June 30, 2023 was as follows:

	Beginning Balance*	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 54,880,000	\$ -	\$ 13,180,000	\$ 41,700,000	\$ 4,190,000
Installment purchase agreements	32,208	203,094	38,299	197,003	46,101
Direct borrowings - School bond loan fund	30,542,711	10,363,225	-	40,905,936	-
Subscription liabilities (note 11)	58,589	224,406	159,733	123,262	69,597
Total installment debt	85,513,508	10,790,725	13,378,032	82,926,201	4,305,698
Unamortized bond premium	5,168,700	-	529,517	4,639,183	529,517
Compensated absences	653,453	1,194,720	1,213,067	635,106	635,106
Total bonds, notes and other long-term liabilities	\$ 91,335,661	\$ 11,985,445	\$ 15,120,616	\$ 88,200,490	\$ 5,470,321

* The District implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, in the current year. In accordance with this Statement, subscription liabilities have been added to the beginning balances shown above and a corresponding subscription asset has been recorded for the same amount.

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% \$ 15,930,000

2019 Refunding Bonds, due in annual installments of \$1,525,000 to \$2,940,000 through 2034, interest at 5.00% 25,770,000

Total general obligation bonds \$ 41,700,000

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

Year Ended June 30,	Principal	Interest	Total
2024	\$ 4,190,000	\$ 2,085,000	\$ 6,275,000
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
2029-2033	17,190,000	3,042,000	20,232,000
2034	<u>2,940,000</u>	<u>147,000</u>	<u>3,087,000</u>
Totals	<u><u>\$ 41,700,000</u></u>	<u><u>\$ 11,488,500</u></u>	<u><u>\$ 53,188,500</u></u>

Installment Purchase Agreements

The District has entered into installment purchase agreements for financing the acquisition of copiers. The original amount of installment purchase agreements still outstanding at year end was \$203,094 with interest at 7.47%.

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

Year Ended June 30,	Principal	Interest	Total
2024	\$ 46,101	\$ 13,159	\$ 59,260
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>\$ 197,003</u></u>	<u><u>\$ 30,158</u></u>	<u><u>\$ 227,161</u></u>

MILAN AREA SCHOOLS

Notes to Financial Statements

School Bond Loan Fund

The School Bond Loan 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 Bond Loan Fund for the year ended June 30, 2023, are as follows:

	School Bond Loan Fund		
	Principal	Interest	Total
Beginning balance	\$ 29,368,311	\$ 1,174,400	\$ 30,542,711
Additions	9,233,416	1,129,809	10,363,225
Ending balance	\$ 38,601,727	\$ 2,304,209	\$ 40,905,936

11. 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.

	Remaining Term of Arrangements
Asset Type	
Subscription assets	1-5 years

The assets acquired through subscription-based information technology arrangements in governmental activities are summarized as follows:

Subscription assets	\$ 344,984
Less accumulated amortization	<u>(80,977)</u>
Net book value	<u>\$ 264,007</u>

MILAN AREA SCHOOLS

Notes to Financial Statements

The net present value of future minimum payments as of June 30, 2023, were as follows:

Year Ended June 30,	Principal	Interest
2024	\$ 69,597	\$ 4,309
2025	20,101	1,878
2026	10,805	1,175
2027	11,183	797
2028	11,576	405
Total	\$ 123,262	\$ 8,564

12. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2023, was as follows:

Capital assets, net	\$ 65,346,221
Capital related bonds payable outstanding	(41,700,000)
Installment purchase agreements	(197,003)
Subscription liabilities	(123,262)
Unamortized bond premium	(4,639,183)
Deferred charge on refunding	2,540,090
Net investment in capital assets	\$ 21,226,863

13. 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:

	2023	2022
Accrued claims, beginning of year	\$ 32,000	\$ 32,000
Incurred claims	430,573	427,763
Claim payments	(430,573)	(427,763)
Accrued claims, end of year	\$ 32,000	\$ 32,000

MILAN AREA SCHOOLS

Notes to Financial Statements

14. 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.

15. TAX ABATEMENTS

The District received reduced property tax revenues during 2023 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 \$91,000 in reduced District tax revenues for 2023.

16. 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.

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.

MILAN AREA SCHOOLS

Notes to Financial Statements

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, 2021 valuation will be amortized over an 17-year period beginning October 1, 2021 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2023:

Benefit Structure	Member Rate	Employer Rate
Basic	0.00% - 4.00%	20.14% - 20.16%
Member Investment Plan (MIP)	3.00% - 7.00%	20.14% - 20.16%
Pension Plus	3.00% - 6.40%	17.22% - 17.24%
Pension Plus 2	6.20%	19.93% - 19.95%
Defined Contribution	0.00%	13.73% - 13.75%

For the year ended June 30, 2023, required and actual contributions from the District to the pension plan were \$5,194,502, which included \$2,509,091, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate. In addition, the District had additional contributions of \$1,461,265, which was a one-time, state payment toward the MPSERS unfunded liability.

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The table below summarizes OPEB contribution rates in effect for fiscal year 2023:

Benefit Structure	Member Rate	Employer Rate
Premium Subsidy	3.00%	8.07% - 8.09%
Personal Healthcare Fund (PHF)	0.00%	7.21% - 7.23%

For the year ended June 30, 2023, required and actual contributions from the District to the OPEB plan were \$1,117,876.

The table below summarizes defined contribution rates in effect for fiscal year 2023:

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, 2023, required and actual contributions from the District for those members with a defined contribution benefit were \$256,660.

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

At June 30, 2023, the District reported a liability of \$53,967,899 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. 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, 2022, the District's proportion was 0.14350%, which was a decrease 0.00350% from its proportion measured as of September 30, 2021.

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Notes to Financial Statements

For the year ended June 30, 2023, the District recognized pension expense of \$6,023,441. At June 30, 2023, 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	\$ 539,867	\$ 120,666	\$ 419,201
Changes in assumptions	9,273,619	-	9,273,619
Net difference between projected and actual earnings on pension plan investments	126,555	-	126,555
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,546,016	(1,546,016)
	<u>9,940,041</u>	<u>1,666,682</u>	<u>8,273,359</u>
District contributions subsequent to the measurement date	<u>6,325,656</u>	<u>-</u>	<u>6,325,656</u>
Total	<u><u>\$ 16,265,697</u></u>	<u><u>\$ 1,666,682</u></u>	<u><u>\$ 14,599,015</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, 2024. 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
2024	\$ 2,241,606
2025	1,588,815
2026	1,446,475
2027	<u>2,996,463</u>
Total	<u><u>\$ 8,273,359</u></u>

MILAN AREA SCHOOLS

Notes to Financial Statements

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

At June 30, 2023, the District reported a liability of \$3,103,085 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022, the District's proportion was 0.14651% which was an increase of 0.00135% from its proportion measured as of September 30, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of \$(1,284,298). At June 30, 2023, 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	\$ -	\$ 6,077,754	\$ (6,077,754)
Changes in assumptions	2,765,879	225,214	2,540,665
Net difference between projected and actual earnings on OPEB plan investments	242,531	-	242,531
Changes in proportion and differences between employer contributions and proportionate share of contributions	98,033	418,026	(319,993)
	3,106,443	6,720,994	(3,614,551)
District contributions subsequent to the measurement date	978,088	-	978,088
Total	\$ 4,084,531	\$ 6,720,994	\$ (2,636,463)

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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 liability in the year ended June 30, 2024. 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	\$ (1,260,591)
2025	(1,144,631)
2026	(1,011,917)
2027	(138,350)
2028	(60,704)
Thereafter	<u>1,642</u>
Total	<u><u>\$ (3,614,551)</u></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, 2021 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: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality	RP-2014 Male and Female Employee Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females.

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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 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 valuation. The total pension and OPEB liabilities as of September 30, 2022, are based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.3922 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.2250 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 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, 6.00% for the Pension Plus Plan, and 6.00% for OPEB.

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Notes to Financial Statements

Long-term Expected Return on Pension Plan Assets

The long-term expected rate of return on pension 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 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 plan's target asset allocation as of September 30, 2022, 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%	4.77%	1.19%
Private equity pools	16.00%	8.13%	1.30%
International equity pools	15.00%	6.26%	0.94%
Fixed income pools	13.00%	-0.19%	-0.02%
Real estate and infrastructure pools	10.00%	4.95%	0.50%
Absolute return pools	9.00%	2.52%	0.23%
Real return/opportunistic pools	10.00%	5.42%	0.54%
Short-term investment pools	2.00%	-0.47%	-0.01%
	<u>100.00%</u>		4.67%
Inflation			2.20%
Risk adjustment			<u>-0.87%</u>
Investment rate of return			<u><u>6.00%</u></u>

MILAN AREA SCHOOLS

Notes to Financial Statements

Long-term Expected Return on OPEB Plan Assets

The long-term expected rate of return on 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 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 OPEB plan's target asset allocation as of September 30, 2022, 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%	4.77%	1.19%
Private equity pools	16.00%	8.13%	1.30%
International equity pools	15.00%	6.26%	0.94%
Fixed income pools	13.00%	-0.19%	-0.02%
Real estate and infrastructure pools	10.00%	4.95%	0.50%
Absolute return pools	9.00%	2.52%	0.23%
Real return/opportunistic pools	10.00%	5.42%	0.54%
Short-term investment pools	2.00%	-0.47%	-0.01%
	100.00%		4.67%
Inflation			2.20%
Risk adjustment			-0.87%
Investment rate of return			6.00%

Rate of Return

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was -4.18% and -4.99%, 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	\$ 71,217,578	\$ 53,967,899	\$ 39,753,387

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

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 6.00%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 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 liability	\$ 5,205,126	\$ 3,103,085	\$ 1,332,905

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

The following presents the District's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the District's proportionate share of the net OPEB 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 liability	\$ 1,299,424	\$ 3,103,085	\$ 5,127,730

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, 2023, the District reported a payable of \$1,004,375 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2023.

Payable to the OPEB Plan

At June 30, 2023, the District reported a payable of \$121,980 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2023.

17. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. While the pandemic has resulted in an increase in the demands on the District to deliver education to students in a safe environment, the Federal Government has also provided significant resources to help mitigate the impacts of COVID-19. Over the past three years, the District has been awarded funds from various sources to be used to respond to the impacts of the COVID-19 pandemic. Of the amount awarded, approximately \$1.8 million was expended and recognized as revenue during the current fiscal year. With these additional federal resources, at this time management does not believe that the negative financial impact of the pandemic, if any, would be material to the District.

18. SUBSEQUENT EVENTS

State Aid Anticipation Notes

On August 21, 2023, the District received proceeds of \$1,500,000 for a State of Michigan School Aid anticipation note due August 20, 2024. The note bears interest at 3.46%.

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**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,		
	2023	2022	2021
District's proportionate share of the net pension liability	\$ 53,967,899	\$ 34,803,749	\$ 51,299,289
District's proportion of the net pension liability	0.14350%	0.14700%	0.14934%
District's covered payroll	\$ 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	379.27%	264.81%	385.78%
Plan fiduciary net position as a percentage of the total pension liability	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

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

	Year Ended June 30,		
	2023	2022	2021
Statutorily required contributions	\$ 5,194,502	\$ 5,027,630	\$ 4,372,092
Contributions in relation to the statutorily required contributions	<u>(5,194,502)</u>	<u>(5,027,630)</u>	<u>(4,372,092)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 14,321,949	\$ 14,135,685	\$ 12,926,948
Contributions as a percentage of covered payroll	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 Liability

	Year Ended June 30,		
	2023	2022	2021
District's proportionate share of the net OPEB liability	\$ 3,103,085	\$ 2,215,746	\$ 8,018,686
District's proportion of the net OPEB liability	0.14651%	0.14516%	0.14968%
District's covered payroll	\$ 14,229,463	\$ 13,143,080	\$ 13,297,556
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	21.81%	16.86%	60.30%
Plan fiduciary net position as a percentage of the total OPEB liability	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,		
	2023	2022	2021
Statutorily required contributions	\$ 1,117,876	\$ 964,354	\$ 1,056,715
Contributions in relation to the statutorily required contributions	<u>(1,117,876)</u>	<u>(964,354)</u>	<u>(1,056,715)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 14,321,949	\$ 14,135,685	\$ 12,926,948
Contributions as a percentage of covered payroll	7.81%	6.82%	8.17%

See notes to required supplementary information.



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

GASB 68 was implemented in fiscal year 2015. The pension 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 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:

- 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.

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 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:

- 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%.

**COMBINING FUND
FINANCIAL STATEMENTS**

MILAN AREA SCHOOLS

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2023

	Special Revenue		Debt Service		Totals
	Food Service	Student/School Activity	2018 Debt Service	2019 Debt Service	
Assets					
Cash and cash equivalents	\$ 58,170	\$ 800,671	\$ 72,378	\$ 101,423	\$ 1,032,642
Due from other governments	48,155	-	-	-	48,155
Due from other funds	316,231	-	50,897	103,351	470,479
Inventory	17,007	-	-	-	17,007
Prepaid items	50,000	-	-	-	50,000
Total assets	<u>\$ 489,563</u>	<u>\$ 800,671</u>	<u>\$ 123,275</u>	<u>\$ 204,774</u>	<u>\$ 1,618,283</u>
Liabilities					
Accounts payable	\$ 28,986	\$ -	\$ -	\$ -	\$ 28,986
Salaries and benefits payable	2,210	-	-	-	2,210
Unearned revenue	60,382	-	-	-	60,382
Total liabilities	<u>91,578</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,578</u>
Fund balances					
Nonspendable:					
Inventory	17,007	-	-	-	17,007
Prepaid items	50,000	-	-	-	50,000
Restricted:					
Food service	330,978	-	-	-	330,978
Debt service	-	-	123,275	204,774	328,049
Committed -					
Student/school activity	-	800,671	-	-	800,671
Total fund balances	<u>397,985</u>	<u>800,671</u>	<u>123,275</u>	<u>204,774</u>	<u>1,526,705</u>
Total liabilities and fund balances	<u>\$ 489,563</u>	<u>\$ 800,671</u>	<u>\$ 123,275</u>	<u>\$ 204,774</u>	<u>\$ 1,618,283</u>

MILAN AREA SCHOOLS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2023

	Special Revenue		Debt Service		
	Food Service	Student/School Activity	2018 Debt Service	2019 Debt Service	Totals
Revenues					
Local sources	\$ 307,100	\$ 618,528	\$ 1,182,280	\$ 1,626,292	\$ 3,734,200
State sources	51,120	-	64,338	83,997	199,455
Federal sources	550,282	-	-	-	550,282
Total revenues	<u>908,502</u>	<u>618,528</u>	<u>1,246,618</u>	<u>1,710,289</u>	<u>4,483,937</u>
Expenditures					
Current:					
Supporting services	-	496,210	-	-	496,210
Food service	822,693	-	-	-	822,693
Debt service:					
Principal	-	-	2,320,000	1,760,000	4,080,000
Interest and fiscal charges	-	-	913,158	1,377,189	2,290,347
Total expenditures	<u>822,693</u>	<u>496,210</u>	<u>3,233,158</u>	<u>3,137,189</u>	<u>7,689,250</u>
Revenues over (under) expenditures	<u>85,809</u>	<u>122,318</u>	<u>(1,986,540)</u>	<u>(1,426,900)</u>	<u>(3,205,313)</u>
Other financing sources (uses)					
Issuance of long-term debt	-	-	2,009,877	1,461,566	3,471,443
Transfers out	(40,000)	-	-	-	(40,000)
Total other financing sources (uses)	<u>(40,000)</u>	<u>-</u>	<u>2,009,877</u>	<u>1,461,566</u>	<u>3,431,443</u>
Net change in fund balances	<u>45,809</u>	<u>122,318</u>	<u>23,337</u>	<u>34,666</u>	<u>226,130</u>
Fund balances, beginning of year	<u>352,176</u>	<u>678,353</u>	<u>99,938</u>	<u>170,108</u>	<u>1,300,575</u>
Fund balances, end of year	<u>\$ 397,985</u>	<u>\$ 800,671</u>	<u>\$ 123,275</u>	<u>\$ 204,774</u>	<u>\$ 1,526,705</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 16, 2023

Board of Education
Milan Area Schools
Milan, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Milan Area Schools** (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 16, 2023, 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.

Rehmann Johnson LLC



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MILAN AREA SCHOOLS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number
U.S. Department of Agriculture			
Local Food for Schools	10.185	MDE	-n/a-
Child Nutrition Cluster:			
Seamless Summer Option - Breakfast:			
2021-2022	10.553	MDE	221971
School Breakfast Program:			
2021-2022	10.553	MDE	221970
2022-2023	10.553	MDE	231970
Seamless Summer Option - Lunch:			
2021-2022	10.555	MDE	221961
School Lunch Program:			
2021-2022	10.555	MDE	221930
2022-2023	10.555	MDE	231930
Supply Chain Assistance	10.555	MDE	220910
Non-Cash Assistance - Entitlement Commodities	10.555	MDE	-n/a-
Total Child Nutrition Cluster			
NSLP Equipment Assistance Grant	10.579	MDE	211991-EAG23
Child and Adult Care Food Program:			
2021-2022	10.558	MDE	221920
2022-2023	10.558	MDE	231920
COVID-19 - Pandemic EBT Administrative Costs	10.649	MDE	220980
Total U.S. Department of Agriculture			
U.S. Department of Education			
Adult Basic Education Instruction:			
2021-2022	84.002	MDE	221130-221667
2022-2023	84.002	MDE	231130-231667
Institutional Adults:			
2021-2022	84.002	MDE	221190-221667
2022-2023	84.002	MDE	231190-231667
Title I, Part A - Improving Basic Programs:			
2021-2022	84.010	MDE	221530-2122
2022-2023	84.010	MDE	231530-2223

Approved Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue at July 1, 2022	Current Year Receipts	Current Year Expenditures	Accrued (Unearned) Revenue at June 30, 2023
\$ 8,706	\$ -	\$ -	\$ -	\$ 8,706	\$ 8,706
127,751	127,751	6,422	6,422	-	-
5,970	-	-	5,970	5,970	-
58,153	-	-	54,903	58,153	3,250
	<u>127,751</u>	<u>6,422</u>	<u>67,295</u>	<u>64,123</u>	<u>3,250</u>
740,265	740,265	35,104	35,104	-	-
44,759	-	-	44,759	44,759	-
319,713	-	-	302,761	319,713	16,952
94,628	24,784	(11,834)	58,010	29,775	(40,069)
70,621	-	-	70,621	70,621	-
	<u>765,049</u>	<u>23,270</u>	<u>511,255</u>	<u>464,868</u>	<u>(23,117)</u>
	<u>892,800</u>	<u>29,692</u>	<u>578,550</u>	<u>528,991</u>	<u>(19,867)</u>
24,210	-	-	-	12,584	12,584
2,121	1,776	-	345	345	-
2,711	-	-	2,711	2,711	-
	<u>1,776</u>	<u>-</u>	<u>3,056</u>	<u>3,056</u>	<u>-</u>
628	-	-	628	628	-
	<u>894,576</u>	<u>29,692</u>	<u>582,234</u>	<u>553,965</u>	<u>1,423</u>
20,791	13,493	1,493	1,493	-	-
21,236	-	-	16,000	18,845	2,845
66,008	64,625	5,625	5,625	-	-
67,440	-	-	65,000	66,924	1,924
	<u>78,118</u>	<u>7,118</u>	<u>88,118</u>	<u>85,769</u>	<u>4,769</u>
162,952	162,952	67,952	67,952	-	-
185,499	-	-	148,000	185,499	37,499
	<u>162,952</u>	<u>67,952</u>	<u>215,952</u>	<u>185,499</u>	<u>37,499</u>

continued...

MILAN AREA SCHOOLS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number
U.S. Department of Education (concluded)			
Special Education Cluster:			
IDEA Flow-through:			
2021-2022	84.027A	WISD	200450-2122
2021-2022 - carryover	84.027A	WISD	200450-2122
2022-2023	84.027A	WISD	230450-2223
IDEA Preschool:			
2022-2023	84.173A	WISD	230460
Total Special Education Cluster			
Title III, Part A - English Language Acquisition:			
2021-2022	84.365A	WISD	2010580-2122
2022-2023	84.365A	WISD	231700-2223
Title II, Part A - Supporting Effective Instruction:			
2021-2022	84.367	MDE	220520-2122
2022-2023	84.367	MDE	230520-2223
Title IV, Part A - Student Support and Academic Enrichment:			
2021-2022	84.424	MDE	220750-2122
2022-2023	84.424	MDE	230750-2223
COVID-19 - Education Stabilization Fund:			
Elementary and Secondary School Emergency Relief			
ESSER II Program:			
Formula Funding	84.425D	MDE	213712-2021
Credit Recovery	84.425D	MDE	213742-2122
Learning Loss	84.425D	MDE	213782-2223
ESSER III Program -			
Formula Funding	84.425U	MDE	213713-2122
Section 11t	84.425U	MDE	213723-2122
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.

Approved Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue at July 1, 2022	Current Year Receipts	Current Year Expenditures	Accrued (Unearned) Revenue at June 30, 2023
\$ 556,689	\$ 510,117	\$ 170,142	\$ 170,142	\$ -	\$ -
46,573	-	-	46,573	46,573	-
481,564	-	-	-	456,814	456,814
	<u>510,117</u>	<u>170,142</u>	<u>216,715</u>	<u>503,387</u>	<u>456,814</u>
7,075	-	-	-	7,075	7,075
	510,117	170,142	216,715	510,462	463,889
3,568	2,108	2,108	2,108	-	-
7,581	-	-	-	5,214	5,214
	<u>2,108</u>	<u>2,108</u>	<u>2,108</u>	<u>5,214</u>	<u>5,214</u>
45,547	45,547	3,547	3,547	-	-
43,500	-	-	42,000	43,500	1,500
	<u>45,547</u>	<u>3,547</u>	<u>45,547</u>	<u>43,500</u>	<u>1,500</u>
14,464	13,733	13,733	13,733	-	-
12,820	-	-	-	12,820	12,820
	<u>13,733</u>	<u>13,733</u>	<u>13,733</u>	<u>12,820</u>	<u>12,820</u>
569,773	569,773	144,773	144,773	-	-
40,700	22,744	9,915	22,388	12,473	-
100,777	-	-	74,000	100,777	26,777
1,280,537	-	-	774,000	1,169,179	395,179
1,047,149	61,469	61,469	420,000	563,479	204,948
	<u>653,986</u>	<u>216,157</u>	<u>1,435,161</u>	<u>1,845,908</u>	<u>626,904</u>
	<u>1,466,561</u>	<u>480,757</u>	<u>2,017,334</u>	<u>2,689,172</u>	<u>1,152,595</u>
<u>\$ 2,361,137</u>	<u>\$ 510,449</u>	<u>\$ 2,599,568</u>	<u>\$ 3,243,137</u>	<u>\$ 1,154,018</u>	

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, 2023. 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. RECONCILIATION TO BASIC FINANCIAL STATEMENTS

A reconciliation of revenues from federal sources per governmental funds financial statements and expenditures per single audit act compliance schedule of expenditures of federal awards is as follows:

Federal revenues as reported in the financial statements	\$ 3,445,233
Federal assistance received as beneficiary	<u>(202,096)</u>
Expenditures per schedule of expenditures of federal awards	<u>\$ 3,243,137</u>

MILAN AREA SCHOOLS

Notes to Schedule of Expenditures of Federal Awards

4. 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
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**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 16, 2023

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, each major fund, and the aggregate remaining fund information of **Milan Area Schools** (the "District"), as of and for the year ended June 30, 2023, 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 16, 2023.

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.

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

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

October 16, 2023

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, 2023. 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, 2023.

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 "Lehmann Lohman LLC". The script is cursive and fluid, with the letters connected. The "L" at the beginning is large and loops around. The "LLC" at the end is written in a slightly more upright, but still cursive, style.

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MILAN AREA SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

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>
84.425	Education Stabilization Fund	Unmodified

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, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

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MILAN AREA SCHOOLS

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2023

No matters were reported

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