MILAN AREA SCHOOLS
BOARD OF EDUCATION
REGULAR MEETING
WEDNESDAY, October 21, 2026
AGENDA

I. Call to Order

II. Pledge of Allegiance

III. Communications/Community Engagement

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

A. Public Comments

IV. Routine Matters for Approval

A. Minutes of the Regular Meeting of the October 7, 2026
B. Minutes of the Regular Meeting Closed Session of October 7, 2026

V. Milan Area Schools Strategic Plan Business

A. Finance/Operations
    1. 2026 Annual Audit – Attachment A
B. Communications/Community Engagement
    1. Public Comments
    2. Assistant Superintendent Comments
    3. Superintendent Comments
    4. Board Member Comments

VI. Other Old/New Business

A. Appointment of Hearing Officer
B. Student Discipline Hearing
C. Student Discipline Decision
D. Closed Session – Legal Counsel and Negotiation Strategies

VII. Adjournment

MILAN AREA SCHOOLS
BOARD OF EDUCATION
REGULAR MEETING
WEDNESDAY, October 21, 2026
RESOLUTIONS

I. Call to Order

The regular meeting of the Milan Area Schools Board of Education was called to order in the District Office Boardroom located at 100 Big Red Drive, Milan MI, 48160, by President Faro at _____ p.m. on October 7, 2026.

Board Members Present:
Board Members Absent:
Staff Present:
Guests Present:

II. Pledge of Allegiance

III. Communications/Community Engagement

This meeting is a meeting of the Board of Education in public for the purpose of conducting the School District's business and is not to be considered a public meeting. There are two (2) times for public participation during the meeting as indicated in the agenda. When addressing the Board, you will be asked to state your name. The Board determines the amount of time granted to individuals or groups to speak. Each person shall be allowed to speak for up to 3 minutes. Board members may question speakers, but are not obligated to answer questions or make statements or commitments in response to issues raised by the public. In general, such items will be referred to the superintendent for advisement, investigation, study, and/or recommendation or designated as future agenda items for Board consideration.

A. Public Comments

IV. Routine Matters for Approval

A. Minutes of the Regular Meeting of October 7, 2026

Motion by _____ supported by _____ to approve the minutes of the regular meeting of October 7, 2026.

Heikka ____ Meray ____ Prior ____ Cislo ____ Burdette ____ Faro____ Gutierrez ____ Carried_____.

B. Minutes of the Regular Meeting Closed Session of October 7, 2026

Motion by _____ supported by _____ to approve the minutes of the regular meeting closed session of October 7, 2026.

Meray ____ Prior ____ Cislo ____ Burdette ____ Faro____ Gutierrez ____ Heikka ____ Carried_____.

V. Milan Area Schools Strategic Plan Business

A. Finance/Operations
    1. 2026 Annual Audit – Attachment A

Motion by _____ supported by _____ to accept the 2026 Annual Audit as presented in Attachment A.

Prior ____ Cislo ____ Burdette ____ Faro____ Gutierrez ____ Heikka ____ Meray ____ Carried_____.

B. Communications/Community Engagement
    1. Public Comments
    2. Assistant Superintendent Comments
    3. Superintendent Comments
    4. Board Member Comments

VI. Other Old/New Business

A. Appointment of Hearing Officer

Motion by _____ supported by _____ to appoint Attorney Robert Dietzel of the Thrun Law Firm, P.C. to serve as the Board's Hearing Officer for the student discipline hearing.

Cislo ____ Burdette ____ Faro____ Gutierrez ____ Heikka ____ Meray ____ Prior ____ Carried_____.

B. Student Discipline Hearing

C. Student Discipline Decision

Motion by _____ supported by _____ to _____ student 2026-2027-1 in accordance with the attached resolution as read by President Faro.

Burdette ____ Faro____ Gutierrez ____ Heikka ____ Meray ____ Prior ____ Cislo ____ Carried_____.

D. Closed Session – Legal Counsel and Negotiation Strategies

Motion by _____ supported by _____ to enter into closed session pursuant of Section 8(1)(h) of the Michigan Open Meetings Act for Legal Counsel and Section 8(1)(c) of the Michigan Open Meetings Act for Negotiation Strategies.

Faro____ Gutierrez ____ Heikka ____ Meray ____ Prior ____ Cislo ____ Burdette ____ Carried_____.

Time entered closed session _____.

Time returned to open session _____.

VII. Adjournment – Time of Adjournment _____.

DRAFT

MILAN AREA SCHOOLS
BOARD OF EDUCATION
REGULAR MEETING
WEDNESDAY, October 7, 2026
MINUTES

The regular meeting of the Milan Area Schools Board of Education was called to order in the District Office Boardroom located at 100 Big Red Drive, Milan MI, 48160, by President Faro at 7:11 p.m. on October 7, 2026.

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

Board Members Absent: None

Staff: Superintendent McMahon, Assistant Superintendent Bookout, Executive Finance Director Krista Hendrix and Margaret Durkee

Guests: Ash Eichner Pendell

Motion by Gutierrez supported by Cislo to thank the Milan Area Schools Administrators as recorded in Attachment A. All Ayes.Carried 7-0.

Public Comments: None

Motion by Meray supported by Prior to approve the minutes of the regular meeting of September 30, 2026. All Ayes. Carried 7-0.

Motion by Gutierrez supported by Burdette to approve the minutes of the regular meeting closed session of September 30, 2026. All Ayes. Carried 7-0.

Motion by Burdette supported by Prior to approve the bills/reimbursement of expenses. All Ayes. Carried 7-0.

Motion by Gutierrez supported by Prior to approve the 2027 Resolution to Levy Summer Taxes as included in Attachment B. All Ayes. Carried 7-0.

The Board heard the First Reading of the 2025 Annual Audit from Daniel Clark from Rehmann as included in Attachment C.

Public Comments: None

Assistant Superintendent Comments:

- This week is Safety Week at both Paddock and PECC, with students in both programs participating in activities throughout the week. Students are learning about fire, tornado, and lockdown drills, as well as our Standard Response Protocol, all in an age-appropriate way. They're also welcoming first responders from our community, helping our youngest students become more familiar and comfortable with the people and procedures that help keep them safe.

- Our first DESSA window of the year is also underway. Last week, Assistant Superintendent Bookout spent some time sharing our academic data, but academics are only one part of understanding how our students are doing. DESSA helps give us another piece of that picture by looking at students' social-emotional strengths and needs and how students develop those skills throughout the school year. We use that information alongside our other data to help identify needs and inform supports through our MTSS process.

- We also have a great event happening at Symons on October 9. In partnership with our FFA program and Food Service, students will participate in a Farmers Market where they'll have the opportunity to "shop" for fresh produce to take home. They'll also receive recipe cards with ideas for using the produce, and our high school FFA students will be there to help and share information with our younger students. It's a fun opportunity, but it also connects directly to the goals of our district Health and Wellness Plan and provides another nice connection between our younger and older students.

- Finally, a quick reminder that our teachers and staff will be participating in professional development on Monday, so there will be no school for students. Our principals have a full day of learning prepared to support our teachers and support staff. I want to thank our administrators for the time and effort they've put into making this a valuable day of learning for our staff.

Superintendent Comments:

- Superintendent McMahon thanked our building principals, in honor of School Administrators Appreciation Month. Our building leaders work extremely hard to be present, prepared, and responsive to the needs of our stakeholders and we appreciate all they do. I am also thankful for the support they provide one another.

- Superintendent McMahon thanked the Elementary PTO and all the volunteers that helped coordinate and conduct the Elementary Fall on the Farm event last night. The turn out was awesome and the students seemed to be enjoying themselves throughout the event.

- Superintendent McMahon thanked the Young Adult program for the invitation to judge their annual chili cookoff event. The judging panel also included Mrs. Hill, Mrs. Beckman, Mrs. West, Dr. Phelps, and a recent YA graduate. The students put a lot of effort into this project and always do a great job.

- Superintendent McMahon shared with the Board that Performance Services conducted building visits with the principals today. In conjunction with the audits they have conducted and meetings with district administration, they will use the information gathered today to develop a comprehensive plan, including funding options, to present to the Board. I am requesting the Board conduct a Special Meeting on Monday, November 2, to provide an opportunity for the Board to review the plans in preparation of a formal resolution at the meeting on November 11.

Board Member Comments:

- Heikka: Thanked the Administrative Team for all the extra work. Thanked the Elementary PTO event. Asked the community to share after volunteering opportunities.

- Prior: Thanked Administrative Team for all they do and being approachable.

- Gutierrez: Thanked Administrative Team for doing a thankless job. Thanked Krista Hendrix for the audit. Requested volunteers for MMS holding a trunk or treat October 21 at 5:30 p.m.

- Meray: Thanked the Administrative Team. Thanked Krista Hendrix for the audit. Thanked the facilities team for the sinking fund planning work. Made note of a positive atmosphere at the MHS sporting events. Shared a Communication Committee Update: Items needing to be updated on the website, appreciate the social media feed on the website, Big Red Board Chats ways to be accessible and can one of the Board members post Big Red Board Chats to Milanevents.org

- Burdette: Thanked Administrative Team. Shared experience for participating in the Fall on the Farm event. Shared MMS hosting a Cheer Clinic. MASB Fall conference next week.

- Faro: Thanked Krista Hendrix for the audit. Asked the Board to review policies 5405-5418 for next week. Thanked the Administrative Team. Today was count day and thanked Sara Beckman for social media posts to help promote.

Motion by Prior supported by Heikka to enter into closed session pursuant to Section 8(1)(c) of the Michigan Open Meetings Act for Negotiation Strategies. All Ayes. Carried 7-0.

Time entered closed session 8:30 p.m.

Time returned to open session 9:39 p.m.

Time of Adjournment 9:40 p.m.

Milan Area Schools



Year Ended
June 30, 2026

Financial Statements and Supplementary Information

Rehmann

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MILAN AREA SCHOOLS

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Rehmann

INDEPENDENT AUDITORS' REPORT

October 1, 2026

Board of Education
Milan Area Schools
Milan, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of ***Milan Area Schools*** (the "District"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, and the aggregate remaining fund information of the District, as of June 30, 2026, and the respective changes in financial position thereof 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.

Implementation of GASB Statement No. 103

The District implemented the provisions of GASB Statement No. 103, *Financial Reporting Model Improvements,* in the current year. Our opinion is not modified with respect to this matter.

HLB We are an independent member of THE GLOBAL ADVISORY AND ACCOUNTING NETWORK

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, the budgetary comparisons for the general fund, 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, under separate cover, our report dated October 1, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rehmann Robson LLC

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

The purpose of management's discussion and analysis (MD&A) is to help District residents and other readers understand what the financial statements and notes in this financial report say about the District's financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the finance staff's knowledge of the District's finances.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements, including management's discussion and analysis, budgetary comparisons for the general fund, schedules for the pension and other postemployment benefit plans, and combining fund financial statements.

Government-wide Financial Statements

The government-wide financial statements are full accrual basis statements that provide information about the District's overall financial status. They are used to help determine whether or not the District is better off, or worse off, as the result of the year's activities. The *Statement of Net Position* reports all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short-term and long-term, whether they are "currently available" or not. Capital assets and long-term obligations of the District are reported in this statement. All of the current year's revenues and expenses are accounted for in the *Statement of Activities,* regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one way to measure the District's financial health or position.

- Over time, increases or decreases in net position are an indicator of whether the District's financial position is improving or deteriorating.

- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base, the quality of the education provided, and the condition of the District's buildings.

In the government-wide statements, the District's activities are classified as *governmental activities.* This includes all of the District's basic instruction and supporting services, such as regular and special education, community services, athletics, and food service. Governmental activities primarily are financed by taxes paid by District residents and businesses and grants from the State of Michigan and the federal government.

Management's Discussion and Analysis

Fund Financial Statements

The fund financial statements focus on individual parts of the District, while reporting the District's operations in more detail than the government-wide statements. The fund level statements are reported on a *modified accrual basis.* Only those assets that are *"measurable"* and *"currently available"* are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

Fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the *general fund.* Additional activities are reported in their relevant funds including: *special revenue funds* for food service and student/school activity, *debt service funds,* and a *capital projects fund.*

In fund financial statements, capital asset purchases are reported as expenditures in the year of acquisition, not as capital assets. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements. The District uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. The District presents a budgetary comparison schedule for the general fund. In addition, the District's reports its progress in funding its obligations to provide pension and other postemployment benefits (OPEB) to its employees. Required supplementary information can be found immediately after the notes to the financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on budgetary comparisons, and pensions and OPEB.

Management's Discussion and Analysis

Financial Summary and Detailed Analysis

The net position of the District at June 30, 2026 was as follows:

	Net Position		Percentage Change
	2026	2025	
Assets			
Current and other assets	$ 21,659,048	$ 17,399,732	24%
Capital assets, net	59,522,466	61,029,731	-2%
Total assets	81,181,514	78,429,463	4%
Deferred outflows of resources	10,957,825	13,751,712	-20%
Liabilities			
Other liabilities	6,198,794	6,068,915	2%
Long-term liabilities	105,246,984	116,492,724	-10%
Total liabilities	111,445,778	122,561,639	-9%
Deferred inflows of resources	17,166,056	19,294,713	-11%
Net position			
Net investment in capital assets	29,017,257	25,962,855	12%
Restricted	10,302,027	7,083,978	45%
Unrestricted (deficit)	(75,791,779)	(82,722,010)	-8%
Total net position	$ (36,472,495)	$ (49,675,177)	-27%

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

The remaining net position, with the exception of the amount specifically restricted for net other postemployment benefit asset, food service, capital projects, and debt service, represents the unrestricted portion of the District's net position. Because of the requirement to present the District's proportionate share of the Michigan Public School Employees' Retirement System (MPSERS) net pension liability, this unrestricted net position is a deficit.

Current and other assets increased by $4.3 million from the prior year due to a large change in the value of the District's net other postemployment benefit asset and this was the first fiscal year the District received sinking fund revenues which lead to an increase in incoming funds.

Long-term liabilities decreased by $11.2 million from the prior year due to scheduled principal payments on long-term financing activity of $6.3 million, offset by additions of $1.7 million, and a decrease in the net pension liability of $6.3 million.

Management's Discussion and Analysis

Deferred outflows of resources decreased by $2.8 million and deferred inflows of resources decreased by $2.1 million primarily due to changes in the pension and other postemployment benefits plans. These amounts will be recognized in pension and OPEB expense in future years. Additional information on the District's pension and other postemployment benefits plans can be found in Note 15 of this report.

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District reported a deficit net position of $36.5 million at June 30, 2026.

The net position of the District increased by $13.2 million during the 2026 fiscal year. The table below shows the breakdown of this change. The Statement of Activities, presented later in the government-wide financial statements, provides greater detail on the District's annual activity. The cost of the District's governmental activities for the year was $31.9 million. However, the amount that the District's taxpayers ultimately financed for these activities was $27.7 million. $1.3 million of the cost was paid for by those who benefited from the programs, and $16.1 million was paid for by other governments and organizations who subsidized certain programs with grants and contributions.

	Change in Net Position		Percentage Change
	2026	2025	
Revenues			
Program revenues:			
Charges for services	$ 1,296,230	$ 1,289,690	1%
Operating grants and contributions	16,143,910	13,341,028	21%
General revenues:			
Property taxes	12,790,010	11,138,628	15%
Unrestricted state aid	13,507,057	13,866,325	-3%
Grants and contributions not restricted to specific programs	1,205,605	1,269,398	-5%
Unrestricted investment earnings	160,317	207,980	-23%
Total revenues	45,103,129	41,113,049	10%
Expenses			
Instruction	11,381,269	12,180,860	-7%
Supporting services	12,216,516	12,930,739	-6%
Community service	1,048,646	1,023,889	2%
Athletics	562,423	665,851	-16%
Food service	910,328	940,208	-3%
Interest on long-term liabilities	3,190,664	3,550,764	-10%
Unallocated depreciation/amortization	2,590,601	2,575,955	1%
Total expenses	31,900,447	33,868,266	-6%
Change in net position	13,202,682	7,244,783	82%
Net position, beginning of year	(49,675,177)	(56,919,960)	-13%
Net position, end of year	$ (36,472,495)	$ (49,675,177)	-27%

Management's Discussion and Analysis

The increase to operating grants and contributions was related to amounts that the District did not receive in the prior year: Sec 27l(2) Educator Compensation, Sec 27l(4) MPSERS Healthcare Offset, Sec 35m Literacy Supports. The District also receive increased funding, over the prior year, for the following grants: At-Risk, Sec. 107 Adult Education, IDEA Flowthrough, Title I and Title II.

Property tax revenues increased due in part to a change in the taxable value of properties in the district. Also, 2025-2026 was the first year that the District levied a sinking fund millage. The District's millage of 1.5 mills was approved by the voters in November of 2024.

Unrestricted investment earning decreased due to the interest rate paid on funds being held with financial institutions.

The District incurred reduced interest on long-term liabilities expense due to paying down bond principal.

Detailed Analysis of Governmental Funds

General Fund

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 $2.0 million, while the total fund balance was $4.3 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent approximately 5.9% and 13.0%, respectively, of total general fund expenditures. The fund balance of the District's general fund increased by $865,466 during the current fiscal year.

The District worked throughout the year to monitor expenses so as not to negatively impact the financial position of the district.

The passage of the sinking fund in the fall of 2024 allowed the District to use sinking fund dollars to cover the cost of items that would have normally been paid for out of general fund, thus allowing the District to maintain the general fund fund balance. Without the sinking fund the District would have spent down fund balance in the general fund.

The School Board has established a goal of maintaining a fund balance of at least 10%. The District strives to meet this minimum and, when possible, increase its fund balance above that level.

Management's Discussion and Analysis

Significant Capital Asset and Long-term Financing Activity

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2026 amounted to $59.5 million (net of accumulated depreciation/amortization). This investment in capital assets includes land, land improvements, buildings and improvements, equipment, vehicles, and subscription assets. The total decrease in capital assets for the current fiscal year was 2.5 percent.

	Capital Assets (Net of Depreciation/Amortization)	
	2026	2025
Land	$ 1,607,945	$ 1,607,945
Land improvements	997,784	1,187,266
Buildings and improvements	54,811,605	56,520,988
Equipment	1,433,587	1,082,554
Vehicles	595,512	506,565
Subscription assets	76,033	124,413
Total capital assets, net	$ 59,522,466	$ 61,029,731

Major capital assets events during the current fiscal year included the following:

- The purchase of one school bus and one maintenance truck.
- The purchase of Chromebooks for students in the District and security cameras and radios for District buildings.
- New bottle filling stations to meet state guidelines and new equipment for the District's cafeterias.

Subscription assets are intangible, right to use assets. The District does not own these assets, but rather has the right to use them in operations, as specified in their respective contracts. When entering into a subscription contract, a liability is also recognized, which is included as part of long-term financings discussion below.

Additional information on the District's capital assets can be found in Note 5 of this report.

Long-term Financing. At the end of the current fiscal year, the District had total long-term financing liabilities of $74.2 million, composed of general obligation bonds, installment purchase agreements, school loan revolving fund, subscription liabilities, and unamortized bond premium. During the current year, long-term financing liabilities decreased $5.1 million.

	Long-Term Financing	
	2026	2025
General obligation bonds	$ 28,945,000	$ 33,260,000
Installment purchase agreements	78,883	101,237
School loan revolving fund	42,136,003	42,361,037
Subscription liabilities	22,757	33,562
Unamortized bond premium	3,050,632	3,580,149
Total long-term financing	$ 74,233,275	$ 79,335,985

The $28.9 million general obligation bonds are bonded debt, backed by the full faith and credit of the District.

Management's Discussion and Analysis

The District is currently paying down two refunding bonds that total $28.9 million and the School Loan Revolving Fund $42.1 million. The District made scheduled principal payments on the bonded debt of $4.3 million. The District is also in the process of paying back the School Loan Revolving Fund and is on track to have all current debt paid down by 2034.

Under State statute, the District is legally restricted from incurring long-term bonded debt in excess of 15% of the assessed value of taxable property within the school district. The current debt limitation for the District is approximately $114.6 million, which is significantly more than the District's outstanding general obligation debt.

Additional information on the District's long-term financing can be found in Note 9 of this report.

Currently Known Facts, Decisions or Conditions

The District is aware of the following items that will impact future finances and were considered in developing the 2026-2027 fiscal year budget.

- At the time of the 2026-2027 budget adoption the State Aid Foundation grant was unknown, however based on the information available at the time an increase of $250 per pupil was assumed. The budget will be amended to reflect actual state aid funding.
- Over the last several years the District has experienced declining student enrollment. Given this trend, the District budgeted for a loss of 30 students from the February student count.
- At the time the 2026-2027 budget was created all bargained labor agreements were expiring. Once negotiations are completed the budget will be adjusted to reflect the newly negotiated changes.
- In 2025-2026 school year the District began receiving Sinking Fund from our recently passed millage. In the 2026-2027 school year the District will continue to evaluate district needs and be a good steward of the funds.
- The District pays up to the annual hard-cap as set by the Michigan Department of Treasury for all employees eligible for receive health care coverage. The balance of the health insurance premium is paid by the employee. The District offers both PPO and HMO products to employees.

At the end of the current fiscal year, the unassigned fund balance in the general fund was $2.0 million. Anticipated expenditures are expected to exceed revenues by approximately $1.9 million. The District will amend the budget once all factors (state funding, pupil count, negotiated contracts) are known. The District will continue to strive to keep as much money in the classroom as possible and continue to enhance programs and maintain District facilities.

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.

BASIC FINANCIAL STATEMENTS

MILAN AREA SCHOOLS

Statement of Net Position
June 30, 2026

	Governmental Activities
Assets	
Cash and investments	$ 7,479,344
Receivables	5,387,725
Prepaid items and other assets	260,600
Net other postemployment benefit asset	8,531,379
Capital assets not being depreciated	1,607,945
Capital assets being depreciated/amortized, net	57,914,521
Total assets	81,181,514
Deferred outflows of resources	
Deferred charge on refunding	1,592,063
Deferred pension amounts	7,527,001
Deferred other postemployment benefit amounts	1,838,761
Total deferred outflows of resources	10,957,825
Liabilities	
Accounts payable and accrued liabilities	3,538,698
State aid note payable	1,664,619
Unearned revenue	995,477
Bonds, notes, and other long-term liabilities	
Due within one year	7,185,372
Due in more than one year	70,008,066
Net pension liability (due in more than one year)	28,053,546
Total liabilities	111,445,778
Deferred inflows of resources	
Deferred pension amounts	9,683,616
Deferred other postemployment benefit amounts	7,482,440
Total deferred inflows of resources	17,166,056
Net position	
Net investment in capital assets	29,017,257
Restricted for net other postemployment benefit asset	8,531,379
Restricted for food service	659,228
Restricted for capital projects	616,158
Restricted for debt service	495,262
Unrestricted (deficit)	(75,791,779)
Total net position	$ (36,472,495)

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

MILAN AREA SCHOOLS

Statement of Activities

For the Year Ended June 30, 2026

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue
Governmental activities				
Instruction	$ 11,381,269	$ -	$ 15,039,260	$ 3,657,991
Supporting services	12,216,516	-	-	(12,216,516)
Community service	1,048,646	1,126,036	-	77,390
Athletics	562,423	86,188	-	(476,235)
Food service	910,328	84,006	1,104,650	278,328
Interest on long-term liabilities	3,190,664	-	-	(3,190,664)
Unallocated depreciation/amortization	2,590,601	-	-	(2,590,601)
Total governmental activities	$ 31,900,447	$ 1,296,230	$ 16,143,910	(14,460,307)
	General revenues			
	Property taxes			12,790,010
	Unrestricted state aid			13,507,057
	Grants and contributions not restricted to specific programs			1,205,605
	Unrestricted investment earnings			160,317
	Total general revenues			27,662,989
	Change in net position			13,202,682
	Net position, beginning of year			(49,675,177)
	Net position, end of year			$ (36,472,495)

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

MILAN AREA SCHOOLS

Balance Sheet

Governmental Funds
June 30, 2026

	General	Nonmajor Governmental Funds	Totals
Assets			
Cash and investments	$ 4,696,510	$ 2,782,834	$ 7,479,344
Accounts receivable	50,319	-	50,319
Due from other governments	5,234,414	102,992	5,337,406
Due from other funds	85,983	18,706	104,689
Inventory	18,468	10,990	29,458
Prepaid items	181,142	50,000	231,142
Total assets	$ 10,266,836	$ 2,965,522	$ 13,232,358
Liabilities			
Accounts payable	$ 421,616	$ 14,961	$ 436,577
Accrued liabilities	322,883	-	322,883
Salaries and benefits payable	2,537,707	323	2,538,030
State aid note payable	1,664,619	-	1,664,619
Due to other funds	-	104,689	104,689
Unearned revenue	976,438	19,039	995,477
Total liabilities	5,923,263	139,012	6,062,275
Fund balances			
Nonspendable:			
Inventory	18,468	10,990	29,458
Prepaid items	181,142	50,000	231,142
Restricted for:			
Food service	-	598,238	598,238
Debt service	-	736,470	736,470
Capital projects	-	616,158	616,158
Committed for -			
Student/school activity	-	814,654	814,654
Assigned for:			
Paddock Early Childhood Center	242,567	-	242,567
Subsequent year's budget	1,921,040	-	1,921,040
Unassigned	1,980,356	-	1,980,356
Total fund balances	4,343,573	2,826,510	7,170,083
Total liabilities and fund balances	$ 10,266,836	$ 2,965,522	$ 13,232,358

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, 2026

Fund balances - total governmental funds	$ 7,170,083
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	115,620,629
Accumulated depreciation/amortization	(56,098,163)
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	(71,182,643)
Unamortized deferred charge on refunding	1,592,063
Unamortized bond premium	(3,050,632)
Accrued interest on long-term debt	(241,208)
Compensated absences	(2,960,163)
Certain pension and other postemployment benefit-related amounts, such as the net pension liability, net other postemployment benefit asset and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(28,053,546)
Deferred outflows related to the net pension liability	7,527,001
Deferred inflows related to the net pension liability	(9,683,616)
Net other postemployment benefit asset	8,531,379
Deferred outflows related to the net other postemployment benefit asset	1,838,761
Deferred inflows related to the net other postemployment benefit asset	(7,482,440)
Net position of governmental activities	$ (36,472,495)

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, 2026

	General	Nonmajor Governmental Funds	Totals
Revenues			
Local sources	$ 10,739,213	$ 9,452,817	$ 20,192,030
State sources	22,283,961	944,908	23,228,869
Federal sources	1,160,725	521,505	1,682,230
Total revenues	34,183,899	10,919,230	45,103,129
Expenditures			
Current:			
Instruction	15,951,956	-	15,951,956
Supporting services	16,467,685	624,245	17,091,930
Athletics	792,478	-	792,478
Food service	-	1,163,352	1,163,352
Debt service:			
Principal	73,913	6,234,315	6,308,228
Interest and fiscal charges	81,850	1,664,000	1,745,850
Capital outlay	51,305	532,823	584,128
Total expenditures	33,419,187	10,218,735	43,637,922
Revenues over expenditures	764,712	700,495	1,465,207
Other financing sources (uses)			
Issuance of bonds, notes, and other long-term liabilities	40,754	-	40,754
Transfers in	60,000	318,593	378,593
Transfers out	-	(378,593)	(378,593)
Total other financing sources (uses)	100,754	(60,000)	40,754
Net change in fund balances	865,466	640,495	1,505,961
Fund balances, beginning of year	3,478,107	2,186,015	5,664,122
Fund balances, end of year	$ 4,343,573	$ 2,826,510	$ 7,170,083

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, 2026

Net change in fund balances - total governmental funds	$ 1,505,961
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	1,083,336
Depreciation/amortization expense	(2,590,601)
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	(40,754)
Principal payments on bonds, notes, and other long-term liabilities	6,308,228
Accrued interest on School Loan Revolving Fund added to principal	(1,694,281)
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	4,958,663
Change in net other postemployment benefit asset and related deferred amounts	3,540,317
Change in accrued interest payable on long-term debt	35,959
Amortization of bond premium and deferred charge on refunding	213,508
Change in the accrual for compensated absences	(117,654)
Change in net position of governmental activities	$ 13,202,682

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

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NOTES TO FINANCIAL STATEMENTS

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.

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 fund:

The g*eneral fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

Additionally, the District reports the following fund types:

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

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

The *capital projects fund* is used to account for financial resources restricted to expenditure for the acquisition or construction of capital assets.

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, its investments in money market funds are stated at fair value, and its investments in the Michigan CLASS government investment pool are stated at net asset value (NAV).

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.

Notes to Financial Statements

Inventory and Prepaid Items

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

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

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

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

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

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

Deferred Outflows of Resources

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

Unearned Revenue

The District reports unearned revenue on its governmental funds balance sheet and statement of net position. Unearned revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the statement net position and balance sheet and revenue is recognized.

Compensated Absences

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences - sick and personal. The liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Long-term Obligations

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District's deferred inflows of resources are related to the net pension liability and the net other postemployment benefit asset.

Fund Balance

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.

Notes to Financial Statements

Pensions and Other Postemployment Benefits

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

Use of Estimates

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

Change in Accounting Principle

During the current year, the District implemented GASB Statement No. 103, *Financial Reporting Model Improvements.* GASB 103 introduces targeted enhancements to the financial reporting model to improve clarity, relevance, and decision-usefulness of governmental financial statements. As part of the implementation, MD&A content is now streamlined to focus on prescribed sections with clearer analytical explanations and reduced duplication. Additionally, budgetary comparison information is no longer included within MD&A and is presented separately as Required Supplementary Information. The District has updated reporting processes and presentation formats to comply with these requirements. Adoption of GASB 103 did not result in a restatement of prior period balances.

2. BUDGETARY COMPLIANCE

Excess of Expenditures over Appropriations in Budgetary Funds

During the year ended June 30, 2026, the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Total Expenditures	Budget Variance
General fund			
Instruction -			
Adult and continuing education	$ 244,971	$ 256,714	$ 11,743
Capital outlay	48,189	51,305	3,116

Notes to Financial Statements

3. DEPOSITS AND INVESTMENTS

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

Statement of Net Position	
Cash and investments	$ 7,479,344
Deposits and investments	
Cash on hand	$ 3,596
Bank deposits (checking and savings accounts)	4,948,532
Investments	2,527,216
Total	$ 7,479,344

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.

Notes to Financial Statements

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	$ 2,521,702	S&P AAAm
American Funds money market funds	n/a	3,101	S&P AAAm
Michigan CLASS government investment pool	n/a	2,413	S&P AAAm
		$ 2,527,216	

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

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, $4,394,500 of the District's bank balance of $4,894,500 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.

Notes to Financial Statements

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, 2026 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 $2,413. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

4. RECEIVABLES

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

	General	Nonmajor Governmental Funds	Totals
Accounts receivable	$ 50,319	$ -	$ 50,319
Due from other governments	5,234,414	102,992	5,337,406
	$ 5,284,733	$ 102,992	$ 5,387,725

Notes to Financial Statements

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2026 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	98,097,611	313,524	-	98,411,135
Equipment	3,477,164	557,982	-	4,035,146
Vehicles	1,936,520	211,830	(76,843)	2,071,507
Subscription assets (Note 10)	268,301	-	(43,901)	224,400
	113,050,092	1,083,336	(120,744)	114,012,684
Less accumulated depreciation/amortization for:				
Land improvements	(8,083,230)	(189,482)	-	(8,272,712)
Buildings and improvements	(41,576,623)	(2,022,907)	-	(43,599,530)
Equipment	(2,394,610)	(206,949)	-	(2,601,559)
Vehicles	(1,429,955)	(122,883)	76,843	(1,475,995)
Subscription assets (Note 10)	(143,888)	(48,380)	43,901	(148,367)
	(53,628,306)	(2,590,601)	120,744	(56,098,163)
Total capital assets being depreciated/amortized, net	59,421,786	(1,507,265)	-	57,914,521
Governmental activities capital assets, net	$ 61,029,731	$ (1,507,265)	$ -	$ 59,522,466

Depreciation/amortization expense of $2,590,601 is reported as unallocated depreciation/amortization, and not allocated to individual functions.

Notes to Financial Statements

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	General	Nonmajor Governmental Funds	Totals
Fund Financial Statements:			
Accounts payable	$ 421,616	$ 14,961	$ 436,577
Accrued liabilities	322,883	-	322,883
Salaries and benefits payable	2,537,707	323	2,538,030
	$ 3,282,206	$ 15,284	3,297,490
Government-wide Financial Statements - Accrued interest on long-term debt			241,208
			$ 3,538,698

7. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

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

	Due from Other Funds	Due to Other Funds
General	$ 85,983	$ -
Nonmajor governmental funds	18,706	104,689
	$ 104,689	$ 104,689

These balances resulted 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, 2026, interfund transfers consisted of the following:

	Transfers in	Transfers out
General	$ 60,000	$ -
Nonmajor governmental funds	318,593	378,593
	$ 378,593	$ 378,593

Notes to Financial Statements

For the year ended June 30, 2026, interfund transfers consisted of $60,000 transferred from the nonmajor food service fund to the general fund to cover certain allocable costs and $318,593 from the 2016 debt service fund to the 2019 debt service fund to meet the District's debt service requirements.

8. SHORT-TERM DEBT

During the year, the District financed some of its operations through the issuance of State Aid Anticipation Notes. These notes were issued for terms of less than one year, and accordingly, are recorded as liabilities of the respective funds from which they were issued. Note 2025A-1 (set-aside) in the amount of $600,000, bears interest at 2.79%, and matures on July 20, 2026. Note 2025A-2 (no set-aside) in the amount of $1,500,000, bears interest at 2.77%, and matures on August 20, 2026. At year end, outstanding notes consisted of $1,664,619. Short-term note activity for the year ended June 30, 2026, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
State aid notes	$ 1,033,100	$ 1,664,619	$ 1,033,100	$ 1,664,619

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

Bonds, notes, and other long-term liabilities activity for the year ended June 30, 2026 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	$ 33,260,000	$ -	$ 4,315,000	$ 28,945,000	$ 4,370,000
Direct borrowings:					
Installment purchase agreements	101,237	40,754	63,108	78,883	54,550
School loan revolving fund	42,361,037	1,694,281	1,919,315	42,136,003	-
Subscription liabilities (Note 10)	33,562	-	10,805	22,757	11,183
Total	75,755,836	1,735,035	6,308,228	71,182,643	4,435,733
Unamortized bond premium	3,580,149	-	529,517	3,050,632	529,517
Compensated absences *	2,842,509	117,654	-	2,960,163	2,220,122
Total bonds, notes and other long-term liabilities	$ 82,178,494	$ 1,852,689	$ 6,837,745	$ 77,193,438	$ 7,185,372

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

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%.	$ 8,960,000
2019 Refunding Bonds, due in annual installments of $1,525,000 to $2,940,000 through 2034, interest at 5.00%.	19,985,000
Total general obligation bonds	$ 28,945,000

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

Year Ending June 30,	Principal	Interest	Total
2027	$ 4,370,000	$ 1,447,250	$ 5,817,250
2028	4,445,000	1,228,750	5,673,750
2029	4,540,000	1,006,500	5,546,500
2030	4,630,000	779,500	5,409,500
2031	2,545,000	548,000	3,093,000
2032-2034	8,415,000	855,000	9,270,000
Totals	$ 28,945,000	$ 5,865,000	$ 34,810,000

Installment Purchase Agreements

The District entered into an installment purchase agreement for financing the acquisition of copiers in a prior year. The original amount of the installment purchase agreement still outstanding at year end was $47,733 with interest at 7.47%. The District's total debt service obligation for the installment purchase agreement is $4,938 per month (including principal and interest).

In addition, during the current year, the District entered into an installment purchase agreement for financing the acquisition of certain other equipment. The original amount of the installment purchase agreement still outstanding at year end was $31,150 with interest at 8.95%. The District's total debt service obligation for the installment purchase agreement is $9,604 per year (including principal and interest).

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

Year Ending June 30,	Principal	Interest	Total
2027	$ 54,550	$ 4,437	$ 58,987
2028	7,427	2,178	9,605
2029	8,091	1,513	9,604
2030	8,815	789	9,604
	$ 78,883	$ 8,917	$ 87,800

School Loan Revolving Fund

The School Loan Revolving Fund balance represents amounts borrowed from the State of Michigan School Bond Loan Program to supplement property tax revenue for making payments on the District's general obligation bonds. Although interest accrues each year, no payment is due until such time as the District's property tax revenue is sufficient to support the debt service requirements on the general obligation bonds. Changes to the School Loan Revolving Fund for the year ended June 30, 2026, are as follows:

	School Loan Revolving Fund		
	Principal	Interest	Total
Beginning balance	$ 38,218,023	$ 4,143,014	$ 42,361,037
Additions	-	1,694,281	1,694,281
Deductions	-	(1,919,315)	(1,919,315)
Ending balance	$ 38,218,023	$ 3,917,980	$ 42,136,003

10. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District is involved in four 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 based on the District's incremental borrowing rate.

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

	Remaining Term of Arrangements
Asset Type	
Subscription assets	2 years

The net present value of future minimum payments as of June 30, 2026, were as follows:

Year Ending June 30,	Principal	Interest
2027	$ 11,183	$ 797
2028	11,574	405
Total	$ 22,757	$ 1,202

11. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2026, was as follows:

Capital assets, net	$ 59,522,466
Capital related general obligation bonds payable outstanding	(28,945,000)
Installment purchase agreement	(78,883)
Subscription liabilities	(22,757)
Unamortized bond premium	(3,050,632)
Deferred charge on refunding	1,592,063
Net investment in capital assets	$ 29,017,257

12. RISK MANAGEMENT

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

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

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

	2026	2025
Accrued claims, beginning of year	$ 32,000	$ 32,000
Incurred claims	245,062	371,120
Claim payments	(245,062)	(371,120)
Accrued claims, end of year	$ 32,000	$ 32,000

Notes to Financial Statements

13. PROPERTY TAXES

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of July 1 and December 1, and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14, and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within 60 days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.

14. TAX ABATEMENTS

The District received reduced property tax revenues during 2026 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 $95,247 in reduced District tax revenues for 2026.

15. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Plan Description

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

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

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

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

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.

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, 2024 valuation will be amortized over a 14-year period beginning October 1, 2024 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2026:

Benefit Structure	Member Rate	Employer Rate
Basic	0.00% - 4.00%	26.08% - 30.11%
Member Investment Plan (MIP)	3.00% - 7.00%	26.08% - 30.11%
Pension Plus	3.00% - 6.40%	21.34% - 26.27%
Pension Plus 2	6.00% - 6.20%	21.41% - 27.16%
Defined Contribution	0.00%	15.21% - 20.96%

For the year ended June 30, 2026, required and actual contributions from the District to the pension plan were $5,771,921, which included $2,349,307, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

Notes to Financial Statements

The table below summarizes OPEB contribution rates in effect for fiscal year 2026:

Benefit Structure	Member Rate	Employer Rate
Premium Subsidy	0.00% - 3.00%	1.25% - 3.83%
Personal Healthcare Fund (PHF)	0.00%	0.00%

For the year ended June 30, 2026, required and actual contributions from the District to the OPEB plan were $701,049.

The table below summarizes defined contribution rates in effect for fiscal year 2026:

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, 2026, required and actual contributions from the District for those members with a defined contribution benefit were $423,080.

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

At June 30, 2026, the District reported a liability of $28,053,546 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2024. 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, 2025, the District's proportion was 0.14004%, which was a decrease of 0.00012% from its proportion measured as of September 30, 2024.

Notes to Financial Statements

For the year ended June 30, 2026, the District recognized pension expense of $626,707. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ 1,086,594	$ 249,871	$ 836,723
Changes in assumptions	1,006,922	1,482,697	(475,775)
Net difference between projected and actual earnings on pension plan investments	-	6,704,197	(6,704,197)
Changes in proportion and differences between employer contributions and proportionate share of contributions	103,852	1,246,851	(1,142,999)
	2,197,368	9,683,616	(7,486,248)
District contributions subsequent to the measurement date	5,329,633	-	5,329,633
Total	$ 7,527,001	$ 9,683,616	$ (2,156,615)

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, 2027. 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
2027	$ (848,669)
2028	(3,411,782)
2029	(2,517,720)
2030	(708,077)
Total	$ (7,486,248)

Notes to Financial Statements

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

At June 30, 2026, the District reported an asset of $8,531,379 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2025, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2024. The District's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2025, the District's proportion was 0.14034% which was an increase of 0.00225% from its proportion measured as of September 30, 2024.

For the year ended June 30, 2026, the District recognized OPEB benefit of $2,858,845. At June 30, 2026, 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	$ -	$ 5,840,987	$ (5,840,987)
Changes in assumptions	1,138,604	90,483	1,048,121
Net difference between projected and actual earnings on OPEB plan investments	-	1,198,845	(1,198,845)
Changes in proportion and differences between employer contributions and proportionate share of contributions	33,097	352,125	(319,028)
	1,171,701	7,482,440	(6,310,739)
District contributions subsequent to the measurement date	667,060	-	667,060
Total	$ 1,838,761	$ 7,482,440	$ (5,643,679)

Notes to Financial Statements

The amount reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as an adjustment to the net OPEB asset in the year ended June 30, 2027. 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
2027	$ (1,712,667)
2028	(1,636,016)
2029	(1,516,630)
2030	(999,279)
2031	(343,870)
Thereafter	(102,277)
Total	$ (6,310,739)

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, 2024 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 Post-65: 6.50% Year 1 graded to 3.5% Year 15
Mortality	Retirees: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010. Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

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 electing two-person coverage are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	Of those not opting out, 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2023 valuation. The total pension and OPEB liabilities as of September 30, 2025, are based on the results of an actuarial valuation date of September 30, 2024, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4524 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.4654 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. Healthcare cost trend rates for pre-65 increased from 7.25% to 7.75%.

Long-term Expected Return on Pension and OPEB Plan Assets

The long-term expected rate of return on pension and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension/OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension and OPEB plans' target asset allocation as of September 30, 2025, are summarized in the following table:

Notes to Financial Statements

Pension

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	21.00%	5.48%	1.15%
Private equity pools	16.00%	8.78%	1.40%
International equity pools	14.00%	5.29%	0.74%
Fixed income pools	15.00%	2.36%	0.35%
Real estate and infrastructure pools	8.00%	6.61%	0.53%
Absolute return pools	13.00%	4.15%	0.54%
Real return/opportunistic pools	9.00%	6.61%	0.59%
Short-term investment pools	4.00%	1.23%	0.05%
	100.00%		5.35%
Inflation			2.40%
Risk adjustment			-1.75%
Investment rate of return			6.00%

OPEB

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	16.00%	5.48%	0.88%
Private equity pools	16.00%	8.78%	1.40%
International equity pools	11.00%	5.29%	0.58%
Fixed income pools	26.00%	2.36%	0.61%
Real estate and infrastructure pools	5.00%	6.61%	0.33%
Absolute return pools	15.00%	4.15%	0.62%
Real return/opportunistic pools	7.00%	6.61%	0.46%
Short-term investment pools	4.00%	1.23%	0.05%
	100.00%		4.93%
Inflation			2.40%
Risk adjustment			-1.33%
Investment rate of return			6.00%

Rate of Return

For the fiscal year ended September 30, 2025, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 9.81% and 9.24%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

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	$ 44,270,042	$ 28,053,546	$ 14,547,280

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

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

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's proportionate share of the net OPEB asset	$ (7,350,323)	$ (8,531,379)	$ (9,565,060)

Notes to Financial Statements

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

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	$ (9,555,627)	$ (8,531,379)	$ (7,455,953)

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, 2026, the District reported a payable of $828,506 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2026.

Payable to the OPEB Plan

At June 30, 2026, the District reported a payable of $58,913 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2026.

16. COMPLIANCE AND ACCOUNTABILITY

Sinking Fund

The capital projects sinking fund records capital project activities funded with a sinking fund millage. For this fund, the District has complied with the applicable provisions of Section §1212 of the Michigan Revised School Code.

17. SUBSEQUENT EVENTS

State Aid Anticipation Notes

On August 20, 2026, the District entered into two short-term borrowings with through the Michigan State Aid Note (SAN) Program. Note 2026A-1 (set-aside) in the amount of $2,250,000, bears interest at 2.79%, and matures on July 20, 2027. Note 2026A-2 (no set-aside) in the amount of $1,500,000, bears interest at 2.80%, and matures on August 20, 2027.

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REQUIRED SUPPLEMENTARY INFORMATION

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MILAN AREA SCHOOLS

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2026

	Original Budget	Final Budget	Variance with Original Budget	Actual	Variance with Final Budget
Revenues					
Local sources	$ 8,862,285	$ 10,827,318	$ 1,965,033	$ 10,739,213	$ (88,105)
State sources	19,358,997	23,027,863	3,668,866	22,283,961	(743,902)
Federal sources	1,059,090	1,162,174	103,084	1,160,725	(1,449)
Total revenues	29,280,372	35,017,355	5,736,983	34,183,899	(833,456)
Expenditures					
Instruction:					
Basic programs	11,365,045	13,003,982	1,638,937	12,068,850	(935,132)
Added needs	3,743,689	4,089,695	346,006	3,626,392	(463,303)
Adult and continuing education	264,856	244,971	(19,885)	256,714	11,743
Total instruction	15,373,590	17,338,648	1,965,058	15,951,956	(1,386,692)
Supporting services:					
Pupil services	4,055,878	4,679,699	623,821	4,607,258	(72,441)
Instructional support	1,215,848	1,478,753	262,905	1,315,841	(162,912)
General administration	550,913	538,217	(12,696)	496,577	(41,640)
School administration	1,545,328	1,606,573	61,245	1,514,491	(92,082)
Business services	384,029	420,127	36,098	391,006	(29,121)
Operations and maintenance	4,471,188	4,942,858	471,670	4,548,795	(394,063)
Transportation	1,385,323	1,457,190	71,867	1,322,867	(134,323)
Central support	770,644	881,223	110,579	797,305	(83,918)
Community services	1,246,959	1,555,706	308,747	1,473,545	(82,161)
Total supporting services	15,626,110	17,560,346	1,934,236	16,467,685	(1,092,661)
Athletics	783,207	819,387	36,180	792,478	(26,909)
Debt service:					
Principal	73,913	73,913	-	73,913	-
Interest and fiscal charges	56,000	85,000	29,000	81,850	(3,150)
Total debt service	129,913	158,913	29,000	155,763	(3,150)
Capital outlay	23,300	48,189	24,889	51,305	3,116
Total expenditures	31,936,120	35,925,483	3,989,363	33,419,187	(2,506,296)
Revenues over (under) expenditures	(2,655,748)	(908,128)	1,747,620	764,712	1,672,840
Other financing sources					
Issuance of bonds, notes and other long-term liabilities	-	-	-	40,754	40,754
Transfers in	50,000	60,000	10,000	60,000	-
Total other financing sources	50,000	60,000	10,000	100,754	40,754
Net change in fund balance	(2,605,748)	(848,128)	1,757,620	865,466	1,713,594
Fund balance, beginning of year	3,478,107	3,478,107	-	3,478,107	-
Fund balance, end of year	$ 872,359	$ 2,629,979	$ 1,757,620	$ 4,343,573	$ 1,713,594

See notes to 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,			
	2026	2025	2024	2023
District's proportionate share of the net pension liability	$ 28,053,546	$ 34,314,230	$ 46,781,547	$ 53,967,899
District's proportion of the net pension liability	0.14004%	0.14016%	0.14454%	0.14350%
District's covered payroll	$ 15,910,899	$ 14,604,449	$ 14,338,776	$ 14,229,463
District's proportionate share of the net pension liability as a percentage of its covered payroll	176.32%	234.96%	326.26%	379.27%
Plan fiduciary net position as a percentage of the total pension liability	79.44%	74.44%	65.91%	60.77%

See notes to required supplementary information.

Year Ended June 30,					
2022	2021	2020	2019	2018	2017
$ 34,803,749	$ 51,299,289	$ 49,933,998	$ 45,450,765	$ 38,627,656	$ 36,305,226
0.14700%	0.14934%	0.15078%	0.15119%	0.14906%	0.14552%
$ 13,143,080	$ 13,297,556	$ 13,148,995	$ 13,025,486	$ 12,745,796	$ 12,305,228
264.81%	385.78%	379.76%	348.94%	303.06%	295.04%
72.60%	59.72%	60.31%	62.36%	64.21%	63.27%

MILAN AREA SCHOOLS

Required Supplementary Information

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

	Year Ended June 30,			
	2026	2025	2024	2023
Statutorily required contributions	$ 5,771,921	$ 5,746,648	$ 5,869,519	$ 5,194,502
Contributions in relation to the statutorily required contributions	(5,771,921)	(5,746,648)	(5,869,519)	(5,194,502)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 16,312,259	$ 16,028,389	$ 14,551,477	$ 14,321,949
Contributions as a percentage of covered payroll	35.38%	35.85%	40.34%	36.27%

See notes to required supplementary information.

Year Ended June 30,					
2022	2021	2020	2019	2018	2017
$ 5,027,630	$ 4,372,092	$ 4,127,176	$ 4,002,215	$ 4,098,079	$ 3,477,521
(5,027,630)	(4,372,092)	(4,127,176)	(4,002,215)	(4,098,079)	(3,477,521)
$ -	$ -	$ -	$ -	$ -	$ -
$ 14,135,685	$ 12,926,948	$ 13,457,804	$ 13,081,656	$ 12,901,049	$ 12,140,365
35.57%	33.82%	30.67%	30.59%	31.77%	28.64%

MILAN AREA SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan
Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit (Asset) Liability

	Year Ended June 30,			
	2026	2025	2024	2023
District's proportionate share of the net OPEB (asset) liability	$ (8,531,379)	$ (5,943,862)	$ (810,540)	$ 3,103,085
District's proportion of the net OPEB asset/liability	0.14034%	0.13809%	0.14328%	0.14651%
District's covered payroll	$ 15,910,899	$ 14,604,449	$ 14,338,776	$ 14,229,463
District's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	-53.62%	-40.70%	-5.65%	21.81%
Plan fiduciary net position as a percentage of the total OPEB liability	164.94%	143.08%	105.04%	83.09%

See notes to required supplementary information.

Year Ended June 30,				
2022	2021	2020	2019	2018
$ 2,215,746	$ 8,018,686	$ 10,778,002	$ 12,140,099	$ 13,245,271
0.14516%	0.14968%	0.15016%	0.15273%	0.14957%
$ 13,143,080	$ 13,297,556	$ 13,148,995	$ 13,025,486	$ 12,745,796
16.86%	60.30%	81.97%	93.20%	103.92%
87.33%	59.44%	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,			
	2026	2025	2024	2023
Statutorily required contributions	$ 701,049	$ 258,222	$ 1,132,829	$ 1,117,876
Contributions in relation to the statutorily required contributions	(701,049)	(258,222)	(1,132,829)	(1,117,876)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 16,312,259	$ 16,028,389	$ 14,551,477	$ 14,321,949
Contributions as a percentage of covered payroll	4.30%	1.61%	7.78%	7.81%

See notes to required supplementary information.

Year Ended June 30,				
2022	2021	2020	2019	2018
$ 964,354	$ 1,056,715	$ 1,067,693	$ 1,015,895	$ 952,287
(964,354)	(1,056,715)	(1,067,693)	(1,015,895)	(952,287)
$ -	$ -	$ -	$ -	$ -
$ 14,135,685	$ 12,926,948	$ 13,457,804	$ 13,081,656	$ 12,901,049
6.82%	8.17%	7.93%	7.77%	7.38%

Notes to Required Supplementary Information

Budgets and Budgetary Accounting

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.

Excess of Expenditures over Appropriations in Budgetary Funds

During the year ended June 30, 2026, the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Total Expenditures	Budget Variance
General fund			
Instruction -			
Adult and continuing education	$ 244,971	$ 256,714	$ 11,743
Capital outlay	48,189	51,305	3,116

MILAN AREA SCHOOLS

Notes to Required Supplementary Information

General Fund Budgetary Highlights

	Amount
Budgetary revenues	
Variances - original budget to final budget:	
Local sources	$ 1,965,033
Variance is due in part to an increase in Act 18 allocation and prior year settlement amount ($1,521,430), deferred FFA donation ($48,189), insurance claim revenue ($100,000) not in original budget.	
State sources	3,668,866
Variance is due to items unknown at the time of adoption: GSRP increase - $257,164, At-Risk increase - $262,918, At-Risk PY deferred - $869,740, 35m Lit Support not in original - $193,390, 27l Educ Comp - $264,712, 27l(4) MPSERS Healthcare Offset - $203,113, 29(7) Enrollment Stabilization - $213,375, 147c MPSERS Rate Stabilization increase from adoption - $1,178,605.	
Variances - final budget to actual -	
State sources	(743,902)
Actual revenues from state sources were less than the final budgeted amount due to unspent grant funds. At-Risk expenditures were substantially less than the current year allocation plus funds deferred from the prior year. The unspent allocation was deferred to be spent in the 2026/2027 school year.	
Budgetary expenditures	
Variances - original budget to final budget:	
Basic programs	1,638,937
The variance is due in part to the following factors, unknown at the time of the budget adoption: contract settlements, increased 147c allocation, increased GSRP allocation, Sec 27l Educator Compensation funds. At Risk grant allocation was larger than the expected and At Risk carryover, not in the adopted budget, was added.	
Pupil services	623,821
The variance is due in part to the following factors, unknown at the time of budget adoption: contract settlements, increase in Section 147c allocation, and additional staff positions.	
Operations and maintenance	471,670
The variance is due in part to a mold remediation issue ($333,000) and repairs to the underground fuel storage tank ($27,000).	
Variances - final budget to actual -	
Operations and maintenance	(394,063)
The District is very conservative for the operations and maintenance final budget amendment. Funds are left in the supplies and materials budgets to cover any unexpected issues that could have arisen.	

MILAN AREA SCHOOLS

Notes to Required Supplementary Information

General Fund Budgetary Highlights

	Amount
Budgetary other financing sources (uses)	

Variances - original budget to final budget -

There were no significant variances from original to final budget

Variances - final budget to actual -

There were no significant variances from final budget to actual

Notes to Required Supplementary Information

Pension Information

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

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

- 2026 - There have been no material changes in the valuation assumptions.
- 2025 - The method for amortizing UAAL transitioned from the level percent of payroll to the level dollar method.
- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation.
- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, and 6.00% for the Pension Plus Plan.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

Notes to Required Supplementary Information

OPEB Information

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

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

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

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

COMBINING FUND
FINANCIAL STATEMENTS

MILAN AREA SCHOOLS

Combining Balance Sheet

Nonmajor Governmental Funds
June 30, 2026

	Special Revenue		Debt Service		
	Food Service	Student/School Activity	2016 Debt Service	2018 Debt Service	2019 Debt Service
Assets					
Cash and investments	$ 528,858	$ 814,654	$ -	$ 259,030	$ 535,811
Due from other governments	102,992	-	-	-	-
Due from other funds	711	-	-	-	17,995
Inventory	10,990	-	-	-	-
Prepaid items	50,000	-	-	-	-
Total assets	$ 693,551	$ 814,654	$ -	$ 259,030	$ 553,806
Liabilities					
Accounts payable	$ 14,961	$ -	$ -	$ -	$ -
Salaries and benefits payable	323	-	-	-	-
Due to other funds	-	-	-	76,366	-
Unearned revenue	19,039	-	-	-	-
Total liabilities	34,323	-	-	76,366	-
Fund balances					
Nonspendable:					
Inventory	10,990	-	-	-	-
Prepaid items	50,000	-	-	-	-
Restricted:					
Food service	598,238	-	-	-	-
Debt service	-	-	-	182,664	553,806
Capital projects	-	-	-	-	-
Committed -					
Student/school activity	-	814,654	-	-	-
Total fund balances	659,228	814,654	-	182,664	553,806
Total liabilities and fund balances	$ 693,551	$ 814,654	$ -	$ 259,030	$ 553,806

Capital Projects		
Sinking		Totals
$ 644,481		$ 2,782,834
-		102,992
-		18,706
-		10,990
-		50,000
$ 644,481		$ 2,965,522
$ -		$ 14,961
-		323
28,323		104,689
-		19,039
28,323		139,012
-		10,990
-		50,000
-		598,238
-		736,470
616,158		616,158
-		814,654
616,158		2,826,510
$ 644,481		$ 2,965,522

MILAN AREA SCHOOLS

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

Nonmajor Governmental Funds
For the Year Ended June 30, 2026

	Special Revenue		Debt Service		
	Food Service	Student/School Activity	2016 Debt Service	2018 Debt Service	2019 Debt Service
Revenues					
Local sources	$ 84,005	$ 670,167	$ -	$ 3,513,828	$ 4,035,836
State sources	583,145	-	-	170,678	191,085
Federal sources	521,505	-	-	-	-
Total revenues	1,188,655	670,167	-	3,684,506	4,226,921
Expenditures					
Current:					
Supporting services	-	624,245	-	-	-
Food service	1,163,352	-	-	-	-
Debt service:					
Principal	-	-	-	3,224,315	3,010,000
Interest and fiscal charges	-	-	-	563,750	1,100,250
Capital outlay	-	-	-	-	-
Total expenditures	1,163,352	624,245	-	3,788,065	4,110,250
Revenues over (under) expenditures	25,303	45,922	-	(103,559)	116,671
Other financing sources (uses)					
Transfers in	-	-	-	-	318,593
Transfers out	(60,000)	-	(318,593)	-	-
Total other financing sources (uses)	(60,000)	-	(318,593)	-	318,593
Net change in fund balances	(34,697)	45,922	(318,593)	(103,559)	435,264
Fund balances, beginning of year	693,925	768,732	318,593	286,223	118,542
Fund balances, end of year	$ 659,228	$ 814,654	$ -	$ 182,664	$ 553,806

Capital Projects	
Sinking	Totals
$ 1,148,981	$ 9,452,817
-	944,908
-	521,505
1,148,981	10,919,230
-	624,245
-	1,163,352
-	6,234,315
-	1,664,000
532,823	532,823
532,823	10,218,735
616,158	700,495
-	318,593
-	(378,593)
-	(60,000)
616,158	640,495
-	2,186,015
$ 616,158	$ 2,826,510

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