

Board of Education Mary Gebara President, 2023-2024	Okemos Public Schools board@okemosk12.net http://okemosk12.net	4406 Okemos Road Okemos, Michigan 48864 Phone: 517-706-5010
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This agenda is for general informational purposes only. Based on board policy, the board of education may revise this agenda and may take up other issues at the meeting.

6:00 PM

**MEETING AGENDA
Monday, October 9, 2023**

Community Conference Rm

CALL TO ORDER

Tom Buffett, Katie Cavanaugh, Shulawn Doxie, Mary Gebara, Melanie Lynn, Andrew Phelps and Jayme Taylor

WELCOME AND MEETING FORMAT (2 Min)

Welcome to this regular meeting of the Okemos Board of Education held in public for the purpose of conducting the business of the school board.

There are two opportunities for public comment: Citizens who wish to address agenda or non-agenda items will have an opportunity at the beginning of the meeting, as well as near the end of the meeting. In-person individuals who wish to address the board must complete a blue form, located with the agendas near the room entrance, and present it to the board’s secretary prior to the start of the agenda item. Virtual participants must submit their name and address in a message through the chat box located in Zoom’s meeting controls prior to the start of the agenda item.

At the appropriate point in the agenda, the board president will call upon individuals who have submitted a blue card or chat message and that individual’s microphone will be un-muted for their comments.

ADJOURN TO EXECUTIVE SESSION – Contract Negotiations

Pursuant to Section 8(a) of the Open Meetings Act, the board of education may adjourn to Executive Session for the purpose of contract negotiations.

That the board adjourn to Executive Session pursuant to Section 8(a) of the Open Meetings Act for the purpose of discussing a personnel matter (Roll Call).

RECONVENE

Tom Buffett, Katie Cavanaugh, Shulawn Doxie, Mary Gebara, Melanie Lynn, Andy Phelps, Jayme Taylor

CITIZENS ADDRESS AGENDA AND NON-AGENDA ITEMS

At this time in the meeting, citizens have an opportunity to address the board regarding items of interest that may or may not be part of the evening’s agenda. Citizens are required to limit comments to three minutes, except when this requirement is waived by the board president during the meeting. A designated timekeeper will communicate to the individual who is addressing the board at three minutes. The board highly values public comment and input; however, the board meeting format is designed to facilitate the evening’s agenda and, therefore, restricts board members from engaging in conversation with speakers or immediately responding to questions. Questions and concerns may be addressed by the board later in the agenda and may be assigned for follow-up by the board or superintendent at a later date.

HIGH SCHOOL STUDENT REPORTS/REQUESTS (5 Min)

The high school student representative will highlight events and issues of interest and take questions from the board.

OTHER ACTION ITEMS

The Other Action Items require additional discussion prior to board action.

Employment - Certified

The hiring of all certified employees must be approved by the board of education; employment of support staff shall be in accordance with school district policy.

That the board approve the employment of Alexia Mansour, 2nd Grade Teacher at Hiawatha Elementary at Step 1, Division I of the teacher salary schedule, effective October 9, 2023 in accordance with sections 1230 (2) and 1230 a (2) of the Revised School Code conditioned upon receipt of acceptable criminal history checks and criminal records checks.

Audit Report

Each year, the board of education employs an auditing firm to audit the district's financial records. Mr. Steve Piesko of Maner & Costerisan P.C. presented the 2022-2023 audit report to the board during its meeting September 25, 2023.

That the board accept the audit report of Maner & Costerisan P.C. for the 2022-2023 school year.

Altria Group Litigation Settlement Resolution

The board reviewed a resolution to accept a proposed settlement with the Altria Group, a part of the district's vaping litigation, and discussed whether to proceed during its September 25th meeting.

That the board waive the reading and adopt the resolution authorizing and directing the superintendent to sign the settlement documents pertaining to the Altria litigation and accept the settlement amount (Roll Call).

ADJOURN TO EXECUTIVE SESSION –Superintendent's Evaluation

Pursuant to Section 8(a) of the Open Meetings Act, the board of education may adjourn to Executive Session for the purpose of discussing the superintendent evaluation.

That the board adjourn to Executive Session pursuant to Section 8(a) of the Open Meetings Act for the purpose of discussing the superintendent evaluation (Roll Call).

RECONVENE

Tom Buffett, Katie Cavanaugh, Shulawn Doxie, Mary Gebara, Melanie Lynn, Andrew Phelps and Jayme Taylor

COMMENTS FROM THE PUBLIC

At this time in the meeting, citizens have an opportunity to address the board regarding any item(s) of interest. Individual comments at this time will be limited to three minutes but may be extended at the discretion of the board president. A designated timekeeper will communicate to the individual who is addressing the board at three minutes. The board highly values public comment; however, our meeting format does not allow the board to engage in conversation with speakers. Questions or concerns may be assigned for follow-up by the board or the administration at a later date.

ADJOURN

OKEMOS PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary
and additional supplementary information)
YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-11
BASIC FINANCIAL STATEMENTS.....	12
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities.....	14
Fund Financial Statements	
Balance Sheet - Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	17-18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Notes to Financial Statements	20-51
REQUIRED SUPPLEMENTARY INFORMATION	52
Budgetary Comparison Schedule - General Fund	53
Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability.....	54
Schedule of the Reporting Unit's Pension Contributions.....	55
Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability	56
Schedule of the Reporting Unit's OPEB Contributions	57
Notes to Required Supplementary Information	58
ADDITIONAL SUPPLEMENTARY INFORMATION	59
Nonmajor Governmental Fund Types	
Combining Balance Sheet.....	60
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	61
Capital Project Funds	
Combining Balance Sheet	62
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	63
Debt Service Funds	
Combining Balance Sheet.....	64
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	65

TABLE OF CONTENTS

	<u>Page</u>
Long-Term Debt	
Bonded Debt	66-68
Schedule of Expenditures of Federal Awards.....	69-71
Notes to Schedule of Expenditures of Federal Awards.....	72
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	73-74
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	75-77
Schedule of Findings and Questioned Costs	78-79
Corrective Action Plan	80
Schedule of Prior Year Audit Findings	81



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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Okemos Public Schools

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Okemos Public Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Okemos Public Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Okemos Public Schools, as of June 30, 2023, 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 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Okemos Public Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 13 to the financial statements, in 2023 the District adopted new accounting guidance, GASB Statement No. 96, *Subscription-based IT Arrangements*. Our opinions are not modified with respect to this matter.

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 Okemos Public Schools' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified 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 Okemos Public Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2023 on our consideration of Okemos Public Schools' 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 Okemos Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Okemos Public Schools internal control over financial reporting and compliance.

Maney Costeiran PC

September 14, 2023

OKEMOS PUBLIC SCHOOLS
MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Okemos Public Schools’ annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year that ended on June 30, 2023. Please read it in conjunction with the District’s financial statements, which immediately follow this section. A comparative analysis with the prior year has been provided.

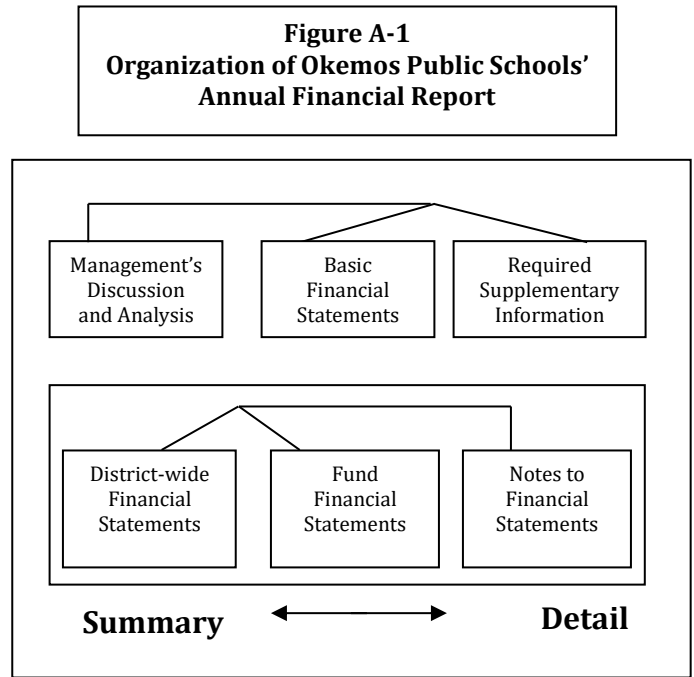
FINANCIAL HIGHLIGHTS

- The District’s financial status remained stable. The District’s overall revenues were \$81.3 million dollars.
- Total general fund revenues were \$69.2 million. Revenues for the 2022-2023 school year increased 15.9% from the previous year primarily due to an increase in blended student enrollment and other additional funding from the State of Michigan. Expenditures increased 14.7% over the same period due to slight increases in employee compensation and group health insurance costs as well as the corresponding increase in MPSERS expenditures.
- The District’s enrollment has rebounded since the pandemic showing a growth of over 100 students in fiscal year 2022-23.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District’s *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District’s operations *in more detail* than the District-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term* as well as what remains for future spending.



OKEMOS PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year and pension information. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2		
Major Features of District-wide and Fund Financial Statements		
	District-wide Statements	Fund Financial Statements
		Governmental Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

OKEMOS PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

DISTRICT-WIDE STATEMENTS

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the District's assets, deferred outflows, deferred inflows, and liabilities. 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 District-wide statements report the District's *net position* and how they have changed. Net position - the difference between the District's assets, deferred outflows, deferred inflows, and liabilities - is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base, the condition of school buildings and other facilities and the long-term cash flow needs of the District.

In the District-wide financial statements, the District's activities:

- Governmental Activities - Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state foundation aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch and student activities).

The District has one kind of fund:

- Governmental Funds - All of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

**OKEMOS PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position - The District's combined net position changed as follows:

Table A-3 Okemos Public Schools' Net Position		
	2023	2022*
Current and other assets	\$ 37,229,673	\$ 28,200,330
Capital assets	59,279,898	57,310,764
Total assets	96,509,571	85,511,094
Deferred outflows	46,552,215	24,315,821
Noncurrent liabilities	27,580,528	27,501,757
Net pension liability	118,003,532	73,405,268
Net OPEB liability	6,672,724	4,734,265
Other liabilities	10,969,460	8,839,200
Total liabilities	163,226,244	114,480,490
Deferred inflows	22,883,692	46,935,184
Net position		
Net investment in capital assets	45,976,888	39,603,415
Restricted for debt service	323,796	25,776
Restricted for capital projects - sinking fund	2,705,740	2,217,082
Restricted for food service	268,485	376,637
Unrestricted	(92,323,059)	(93,811,669)
Total net position	\$ (43,048,150)	\$ (51,588,759)
*The 2022 figures have not been updated for the adoption of GASB 96.		

OKEMOS PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-4		
Changes in Okemos Public Schools' Net Position		
	2023	2022*
Revenues		
Program revenues		
Charges for services	\$ 3,318,206	\$ 2,852,567
Operating grants and contributions	21,493,550	15,680,376
General revenues		
Property taxes	21,425,665	20,649,581
State aid - unrestricted	28,685,643	29,413,723
Ingham ISD	5,097,358	4,933,173
Investment and other	1,325,898	293,713
Total revenues	81,346,320	73,823,133
Expenses		
Instruction	39,456,168	32,905,900
Support services	23,573,224	18,712,838
Community services	2,922,773	2,048,798
Food services	1,696,002	1,963,897
Student/school activities	987,821	572,492
Athletics	924,461	861,660
Interest on long-term debt	837,272	1,036,813
Unallocated depreciation/amortization	2,407,990	2,272,461
Total expenses	72,805,711	60,374,859
Change in net position	\$ 8,540,609	\$ 13,448,274
*The 2022 figures have not been updated for the adoption of GASB 96.		

District Governmental Activities

The overall stability of the District's financial position can be credited to a focus on controlling expenditures, while attempting to limit impact on K-12 programming. It can further be attributed to the District's "balanced" approach of reducing expenditures, increasing revenue, seeking collaborative cost sharing, and annual assessment of general fund balance level to responsibly manage the District's finances. The District continued to monitor its financial status throughout the fiscal year, and made necessary adjustments to various opportunities faced by the District during 2022-2023.

- The District continued to remain fiscally responsible, initiating prudent budget decisions resulting in balanced or better operating results. In the end, the District's unassigned fund balance increased to 12.2% of expenditures at June 30, 2023 in the General Fund.
- One of the most important factors affecting the budget is our student enrollment. Prior to the Pandemic the District was experiencing consistent annual growth. Enrollment decreased during two years of the Pandemic. However, the District is once again experiencing growth with over a 100 student increase in 2022-23 and preliminary seeing encouraging growth of at least 50 additional students for the start of 2023-24. The District is continuously monitoring enrollments and making staffing and non-staffing adjustments to accommodate student needs.

OKEMOS PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

- Employee bargaining groups continued to work with the District in a positive and collaborative manner, agreeing to a 2% increase in wages for 2022-23. Collective goals for bargaining are to support student learning and instructional time while at the same time recognizing the hard work and dedication to our employees.

As a result of a continued emphasis on conservative management and control of expenditure levels throughout the District, the positive impact on the general fund balance in 2022-2023 exceeded the Board adopted budget. The District is acutely aware of past and possible future economic restraints facing Michigan and school funding and has planned and reorganized in anticipation of possible funding shortfalls.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$26,451,056, an increase of \$7,692,880 compared to the ending funding balance of \$18,758,176 as of June 30, 2022.

General Fund Highlights

Over the course of the year, the District revised the annual operating budget twice. These budget amendments are:

- Revisions to the budget were approved in February 2023 to reflect actual enrollment counts, finalized State determined per pupil funding allowance as well as other State and Federal funding. The revisions also reflected other changes in assumptions since the original budget was adopted including actual reflection of health insurance premium increases; finalization of staffing; adjustment of wages; adjustment of supply and textbook budgets (based on enrollments); and adjustments which reflect spending. Further revisions were made to the General Fund budget in June 2023. Revenues (Federal, State and Local) and expenditures were adjusted, resulting in net changes to the February 2023 Board adopted budget.
- The District's final budget for the general fund anticipated an operating surplus of \$1,424,208, the actual results were a surplus of \$1,878,531. The additional surplus was due to increased revenues from community education programs and decreased expenditures due to staffing.
- The District invested approximately \$5.82 million in capital assets during 2022-2023, including school building repairs and improvements, machinery and equipment, computer equipment and vehicles. Total depreciation expense for the year amounted to approximately 4.1 million.

**OKEMOS PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table A-5 Okemos Public Schools' Capital Assets		
	2023	2022*
Land and land improvements	\$ 7,482,660	\$ 7,552,638
Building and improvements	45,937,706	44,942,027
Equipment and furniture	4,151,259	3,954,972
Right to use - leased equipment	227,694	87,202
Right to use - subscription-based IT	830,887	-
Transportation equipment	649,692	773,925
Total - net of accumulated depreciation/amortization	\$ 59,279,898	\$ 57,310,764

*The 2022 figures have not been updated for the adoption of GASB 96.

The District's fiscal year 2023-24 capital expenditures budget anticipates spending approximately \$10,000,000 for secure vestibules, athletic complex updates, design of the new 5-8 building and other projects determined to be pressing needs within our district. These projects are funded through the November 2022 bond election as well as District's Building and Site Sinking fund.

Long-term Debt

At June 30, 2023 the District had approximately \$27.6 million in long-term obligations outstanding - an increase of 0.3% from last year due to the passing of a new bond and paying down existing bonded debt. (More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.)

Table A-6 Okemos Public Schools' Long-term Obligations		
	2023	2022*
Bond and related debt	\$ 24,380,114	\$ 24,560,290
Notes from direct borrowings and direct placement	229,203	87,095
Compensated absences and other benefits	2,971,211	2,854,372
Total	\$ 27,580,528	\$ 27,501,757

*The 2022 figures have not been updated for the adoption of GASB 96.

SUMMARY

The District has maintained a proactive approach to the control of expenditures and the enhancement of revenues. As a result, the financial status of the District remained stable throughout the 2022-2023 fiscal year.

**OKEMOS PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- District operations is reliant on state funding as over 65% of total general fund revenue is from state per pupil funding. The foundation allowance approved by the legislature for 2023-2024 was a significant increase of \$458 and set the minimum foundation allowance at \$9,608 per pupil.
- The District has experienced significant enrollment growth of almost 634 pupils over the previous 10 years. Only two of those 10 years resulted in a loss and those were during the pandemic. As of the start of the 2023-24 school year, enrollment is once again on the rise and has increased by over 50 pupils. The original budget reflected an increase of 15, actual enrollment increases will be adjusted in the December 2023 budget revision.
- Overall, the 2023-2024 General Fund original budget projected a decrease in fund balance of \$1,064,943 bringing the ending fund balance at June 30, 2024 to 12.40%. Following the ending results of FY 2022-2023, the ending fund balance is now projected to be closer to 13.11%.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Executive Director of Finance's Office, Okemos Public Schools, 4406 North Okemos Road, Okemos, Michigan 48864.

BASIC FINANCIAL STATEMENTS

**OKEMOS PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2023**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 9,756,264
Investments	4,607,389
Receivables	
Intergovernmental	10,142,001
Property taxes and other receivables	152,989
Inventories	23,631
Prepays	532,592
Restricted investments capital projects fund	12,014,807
Capital assets not being depreciated/amortized	4,353,355
Capital assets, net of accumulated depreciation/amortization	<u>54,926,543</u>
TOTAL ASSETS	<u>96,509,571</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to other postemployment benefits	9,498,054
Related to pensions	<u>37,054,161</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>46,552,215</u>
LIABILITIES	
Accounts payable	1,696,909
Arbitrage liability	115,178
Accrued salaries and related items	3,748,098
Accrued retirement	3,791,493
Accrued interest	175,665
Unearned revenue	1,442,117
Noncurrent liabilities	
Due within one year	10,236,612
Due in more than one year	17,343,916
Net pension liability	118,003,532
Net other postemployment benefits liability	<u>6,672,724</u>
TOTAL LIABILITIES	<u>163,226,244</u>
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	13,801,542
Related to pensions	493,827
Related to state aid funding for pension	<u>8,588,323</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>22,883,692</u>
NET POSITION	
Net investment in capital assets	45,976,888
Restricted for debt service	323,796
Restricted for food service	268,485
Restricted for capital projects - sinking fund	2,705,740
Unrestricted	<u>(92,323,059)</u>
TOTAL NET POSITION	<u><u>\$ (43,048,150)</u></u>

See notes to financial statements.

**OKEMOS PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 39,456,168	\$ -	\$ 14,723,153	\$ (24,733,015)
Support services	24,497,685	453,314	3,920,764	(20,123,607)
Community services	2,922,773	1,979,171	868,663	(74,939)
Food services	1,696,002	885,721	888,051	77,770
Student/school activities	987,821	-	1,092,919	105,098
Interest and fees on long-term debt	837,272	-	-	(837,272)
Unallocated depreciation/amortization	2,407,990	-	-	(2,407,990)
Total governmental activities	<u>\$ 72,805,711</u>	<u>\$ 3,318,206</u>	<u>\$ 21,493,550</u>	<u>(47,993,955)</u>
General revenues				
Property taxes, levied for general purposes				9,565,986
Property taxes, levied for debt service				10,405,316
Property taxes, levied for capital projects				1,454,363
State sources - unrestricted				28,685,643
Ingham ISD special educational allocation				5,097,358
Investment earnings				477,683
Other				848,215
Total general revenues				<u>56,534,564</u>
CHANGE IN NET POSITION				8,540,609
NET POSITION, beginning of year				<u>(51,588,759)</u>
NET POSITION, end of year				<u>\$ (43,048,150)</u>

See notes to financial statements.

**OKEMOS PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General Fund	2019 Capital Projects Fund	2023 Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 6,335,401	\$ -	\$ -	\$ 3,420,863	\$ 9,756,264
Investments	2,183,431	-	-	2,423,958	4,607,389
Receivables					
Property taxes and other receivables	81,923	-	-	71,066	152,989
Intergovernmental	10,110,287	-	-	31,714	10,142,001
Due from other funds	173,254	-	11,859	19,808	204,921
Inventories	571	-	-	23,060	23,631
Prepays	532,592	-	-	-	532,592
Restricted investments capital projects fund	-	4,251,852	7,762,955	-	12,014,807
TOTAL ASSETS	\$ 19,417,459	\$ 4,251,852	\$ 7,774,814	\$ 5,990,469	\$ 37,434,594
LIABILITIES, DEFERRED INFLOWS OF RESOURCES					
LIABILITIES					
Accounts payable	\$ 627,077	\$ 76,106	\$ 932,106	\$ 61,620	\$ 1,696,909
Accrued salaries and related items	3,747,928	-	-	170	3,748,098
Accrued retirement	3,791,453	-	-	40	3,791,493
Due to other funds	31,667	9,747	-	163,507	204,921
Unearned revenue	1,196,466	-	-	245,651	1,442,117
TOTAL LIABILITIES	9,394,591	85,853	932,106	470,988	10,883,538
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	100,000	-	-	-	100,000
FUND BALANCES					
Nonspendable					
Inventories	571	-	-	23,060	23,631
Prepays	532,592	-	-	-	532,592
Restricted for:					
Debt service	-	-	-	499,461	499,461
Food service	-	-	-	1,308,698	1,308,698
Capital projects	-	-	-	2,705,740	2,705,740
Capital projects - school improvements	-	4,165,999	6,842,708	-	11,008,707
Committed for student/school activities	-	-	-	725,356	725,356
Assigned for:					
Capital projects	-	-	-	257,166	257,166
Curriculum	24,721	-	-	-	24,721
Subsequent years expenditures	1,064,943	-	-	-	1,064,943
Unassigned	8,300,041	-	-	-	8,300,041
TOTAL FUND BALANCES	9,922,868	4,165,999	6,842,708	5,519,481	26,451,056
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 19,417,459	\$ 4,251,852	\$ 7,774,814	\$ 5,990,469	\$ 37,434,594

See notes to financial statements.

**OKEMOS PUBLIC SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total governmental fund balances		\$ 26,451,056
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources - related to pensions	\$ 37,054,161	
Deferred outflows of resources - related to OPEB	9,498,054	
Deferred inflows of resources - related to pensions	(493,827)	
Deferred inflows of resources - related to OPEB	(13,801,542)	
Deferred inflows of resources - related to state pension funding	(8,588,323)	
Deferred inflows at June 30, 2023 expected to be collected after September 1, 2023	<u>100,000</u>	
		23,768,523
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of the capital assets	142,425,615	
Accumulated depreciation/amortization is	<u>(83,145,717)</u>	
		59,279,898
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
General obligation bonds		(24,380,114)
Direct borrowings and direct placement		(229,203)
Compensated absences and other benefits		(2,971,211)
Arbitrage liability		(115,178)
Net pension liability		(118,003,532)
Net OPEB liability		(6,672,724)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid:		
Accrued interest		<u>(175,665)</u>
Net position of governmental activities		<u><u>\$ (43,048,150)</u></u>

OKEMOS PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>	<u>2019 Capital Projects Fund</u>	<u>2023 Capital Projects Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources					
Property taxes	\$ 9,565,986	\$ -	\$ -	\$ 11,856,298	\$ 21,422,284
Community service	1,979,171	-	-	-	1,979,171
Intermediate district	5,116,453	-	-	-	5,116,453
Investment earnings	61,450	207,885	131,780	191,746	592,861
Food service sales	-	-	-	885,721	885,721
Athletics	245,950	-	-	-	245,950
Student/school activity income	-	-	-	1,092,919	1,092,919
Other	427,831	-	-	99,608	527,439
	<u>17,396,841</u>	<u>207,885</u>	<u>131,780</u>	<u>14,126,292</u>	<u>31,862,798</u>
Total local sources					
State sources	47,268,008	-	-	217,858	47,485,866
Federal sources	4,533,874	-	-	735,864	5,269,738
	<u>69,198,723</u>	<u>207,885</u>	<u>131,780</u>	<u>15,080,014</u>	<u>84,618,402</u>
TOTAL REVENUES					
EXPENDITURES					
Current					
Instruction	40,700,549	-	-	-	40,700,549
Support services	23,819,336	-	-	-	23,819,336
Community services	2,942,676	-	-	-	2,942,676
Food service	-	-	-	1,731,846	1,731,846
Student/school activities	-	-	-	987,821	987,821
Capital outlay	51,371	2,253,460	2,887,011	1,069,616	6,261,458

See notes to financial statements.

	<u>General Fund</u>	<u>2019 Capital Projects Fund</u>	<u>2023 Capital Projects Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
EXPENDITURES (continued)					
Debt service					
Principal repayment	\$ 389,413	\$ -	\$ -	\$ 9,430,000	\$ 9,819,413
Interest	4,267	-	-	787,107	791,374
Bond issuance costs	-	-	140,314	-	140,314
Miscellaneous	-	-	-	1,712	1,712
	<u>67,907,612</u>	<u>2,253,460</u>	<u>3,027,325</u>	<u>14,008,102</u>	<u>87,196,499</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	<u>1,291,111</u>	<u>(2,045,575)</u>	<u>(2,895,545)</u>	<u>1,071,912</u>	<u>(2,578,097)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from the sale of bonds	-	-	9,200,000	-	9,200,000
Premium on issuance of debt	-	-	538,253	-	538,253
Proceeds from the sale of capital assets	-	-	-	1,203	1,203
Proceeds from leases	166,655	-	-	-	166,655
Proceeds from subscription-based IT arrangements	364,866	-	-	-	364,866
Transfers in	73,469	-	-	17,570	91,039
Transfers out	(17,570)	-	-	(73,469)	(91,039)
	<u>587,420</u>	<u>-</u>	<u>9,738,253</u>	<u>(54,696)</u>	<u>10,270,977</u>
NET CHANGE IN FUND BALANCES	1,878,531	(2,045,575)	6,842,708	1,017,216	7,692,880
FUND BALANCES					
Beginning of year, as restated	<u>8,044,337</u>	<u>6,211,574</u>	<u>-</u>	<u>4,502,265</u>	<u>18,758,176</u>
End of year	<u>\$ 9,922,868</u>	<u>\$ 4,165,999</u>	<u>\$ 6,842,708</u>	<u>\$ 5,519,481</u>	<u>\$ 26,451,056</u>

See notes to financial statements.

**OKEMOS PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Net change in fund balances total governmental funds	\$ 7,692,880
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation/amortization:	
Depreciation/amortization expense	(4,474,820)
Capital outlay	5,815,025
Book value of capital assets disposed of during the year	(3,898)
Accrued interest on bonds and other debt is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	129,873
Accrued interest payable, end of the year	(175,665)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Proceeds from issuance of bonds	(9,200,000)
Premium on issuance of debt	(538,253)
Proceeds from leases	(166,655)
Proceeds from subscription-based IT arrangements	(364,866)
Payment on debt principal	9,430,000
Amortization of bond premium	488,429
Payments on notes from direct borrowings and direct placement	389,413
Arbitrage liability	(115,178)
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Unavailable revenue, beginning of the year	(100,000)
Unavailable revenue, end of the year	100,000
Compensated absences and other benefits are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences and other benefits, beginning of the year	2,854,372
Accrued compensated absences and other benefits, end of the year	(2,971,211)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Other postemployment benefits related items	4,646,127
Pension related items	(1,209,070)
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period:	
Change in state aid funding for pension	(3,685,894)
Change in net position of governmental activities	\$ 8,540,609

See notes to financial statements.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide 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 activities of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

Reporting Entity

Okemos Public Schools (the "District") is governed by the Okemos Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following *Major Governmental Funds*:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *2019 Capital Projects Fund* includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

The *2023 Capital Projects Fund* includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Beginning with the year of bond issuance, the District has reported the annual construction activity in the *2019 capital projects fund* and *the 2023 capital projects fund*. The projects related to the 2019 bonds and 2023 bonds were ongoing as of June 30, 2023. The cumulative revenues and expenditures recognized for the construction period were as follows:

	2019 Capital Projects Fund	2023 Capital Projects Fund
Revenue and other financing sources	\$ 25,615,269	\$ 98,700,073
Expenditures and outgoing transfers	\$ 21,449,270	\$ 3,027,325

Other Nonmajor Funds

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and student/school activities in the special revenue funds.

The *Debt Service Funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Capital Projects Sinking Fund* accounts for the receipt of property taxes and the acquisition of capital assets or construction of major capital projects.

The *Capital Projects Fund* accounts for the receipt of local funding that will be used for the acquisition of capital assets or construction of major capital projects.

Sinking Fund - The Okemos Public Schools capital project fund records capital project activities funded with Sinking Fund millage. For this fund, the District has complied with the applicable provisions of §1212(l) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

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.

The 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 District considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, state and federal aid, 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- e. The budget was amended during the year with supplemental appropriations, the last one was approved prior to year ended June 30, 2023. The District does not consider these amendments to be significant.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

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.

Investments

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses 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 the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Capital Assets

Capital assets, which include property, plant, equipment, right to use – leased equipment, right to use - subscription based IT arrangements, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$15,000 and an estimated useful life in excess of 2 years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value 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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress, if any, are not depreciated. Right to use assets of the District are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. The other capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Land improvements	10 - 27.5 years
Building and improvements	10 - 50 years
Furniture and fixtures	7 - 20 years
Machinery and equipment	5 - 20 years
Computers and equipment	5 - 10 years
Right to use - leased equipment	5 years
Transportation equipment	5 - 10 years
Right to use - subscription-based IT	3 - 7 years

Defined Benefit Plans

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

Deferred Outflows

In addition to assets, the statement of net 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 position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are the deferred charge on pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Deferred Inflows

In addition to liabilities, the statement of net 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 position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary. The last item arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from receipts that are received after 60 days of year end. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

During the year ended June 30, 2022, the District issued bonded debt in the amount of \$13,150,000 used to make principal and interest payments related to the School Loan Revolving Fund. As of June 30, 2023, the outstanding balance was \$3,720,000. Of this amount, 8.54% of these proceeds are not considered capital related debt as this amount was used to pay off accrued interest. The amount not considered capital-related debt as of June 30, 2023 is \$297,600.

Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Leases and Subscription Based IT Arrangements (SBITA)

The District is a lessee for a noncancelable lease/subscription of equipment and IT arrangements. The District recognizes a lease/SBITA liability and an intangible right-to-use lease/SBITA asset in the government-wide financial statements.

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

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

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

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Leases and Subscription Based IT Arrangements (SBITA) (continued)

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

Lease/SBITA assets are reported with other capital assets and lease/SBITA liabilities are reported with long-term obligations on the statement of net position.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *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 requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2023, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.0000
Debt service fund	
PRE, Non-PRE, Commercial Personal Property	7.0000
Capital projects fund (Sinking Fund):	
PRE, Non-PRE, Commercial Personal Property	0.9850

Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2023, the District had the following deposits and investments subject to the following risks:

Custodial Credit Risk - Deposits.

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2023, \$9,842,840 of the District's bank balance of \$10,092,840 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$9,756,264.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (years)</u>
MILAF External Investment pool - CMC	\$ 7,762,956	N/A
MILAF External Investment pool - Max	8,859,240	N/A
Total Fair Value	<u>\$ 16,622,196</u>	
Portfolio weighted average maturity		<u>N/A</u>

1 day maturity equals approximately .0027 years.

Concentration Of Credit Risk

The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Standard & Poor's Rating</u>	<u>Rating Agency</u>
MILAF External Investment pool - CMC	\$ 7,762,956	AAAm	Standard & Poor's
MILAF External Investment pool - Max	8,859,240	AAAm	Standard & Poor's
Total fair value	<u>\$ 16,622,196</u>		

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement

The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District’s own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	Amortized Cost
MILAF External Investment pool - CMC	\$ 7,762,956
MILAF External Investment pool - Max	8,859,240
	\$ 16,622,196

The carrying amount of deposits and investments are as follows:

Investments	\$ 16,622,196
Deposits	9,756,264
	\$ 26,378,460

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

The above amounts are reported in the financial statements as follows:

Cash and cash equivalents	\$ 9,756,264
Investments	4,607,389
Investments restricted for capital projects fund	<u>12,014,807</u>
	<u>\$ 26,378,460</u>

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables as of June 30, 2023 consist of the following:

State aid - Michigan Department of Education	\$ 8,749,796
Federal	1,265,062
Intermediate school district and other	<u>127,143</u>
Total	<u>\$ 10,142,001</u>

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs.

No allowance for doubtful accounts is considered necessary.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	As restated Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Assets, not being depreciated/amortized				
Land	\$ 4,353,355	\$ -	\$ -	\$ 4,353,355
Capital assets, being depreciated/amortized				
Land improvements	12,138,151	278,345	-	12,416,496
Building and improvements	95,342,278	3,403,669	-	98,745,947
Furniture and fixtures	7,995,591	914,915	-	8,910,506
Machinery and equipment	4,577,462	45,557	-	4,623,019
Computers and equipment	10,037,254	607,530	(823,271)	9,821,513
Right to use - leased equipment	89,149	166,655	-	255,804
Right to use - subscription-based IT	632,827	364,866	-	997,693
Transportation equipment	2,267,794	33,488	-	2,301,282
Total capital assets, being depreciated/amortized	<u>133,080,506</u>	<u>5,815,025</u>	<u>(823,271)</u>	<u>138,072,260</u>
Accumulated depreciation/amortization				
Land improvements	8,938,868	348,323	-	9,287,191
Building and improvements	50,400,251	2,407,990	-	52,808,241
Furniture and fixtures	7,274,403	83,586	-	7,357,989
Machinery and equipment	4,022,171	97,000	-	4,119,171
Computers and equipment	7,358,761	1,187,231	(819,373)	7,726,619
Right to use - leased equipment	1,947	26,163	-	28,110
Right to use - subscription-based IT	-	166,806	-	166,806
Transportation equipment	1,493,869	157,721	-	1,651,590
Total accumulated depreciation/amortization	<u>79,490,270</u>	<u>4,474,820</u>	<u>(819,373)</u>	<u>83,145,717</u>
Net capital assets, being depreciated/amortized	<u>53,590,236</u>	<u>1,340,205</u>	<u>3,898</u>	<u>54,926,543</u>
Net governmental capital assets	<u>\$ 57,943,591</u>	<u>\$ 1,340,205</u>	<u>\$ 3,898</u>	<u>\$ 59,279,898</u>

Depreciation/amortization for the fiscal year ended June 30, 2023 amounted to \$4,474,820. The District allocated depreciation/amortization to the various activities as follows:

Instruction	\$ 198,908
Support	1,866,900
Community service	1,022
Unallocated	<u>2,407,990</u>
	<u>\$ 4,474,820</u>

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2023:

	<u>Compensated Absences and Other Benefits</u>	<u>General Obligation Bonds</u>	<u>Direct Borrowings and Direct Placements</u>	<u>Total</u>
Balance July 1, 2022	\$ 2,854,372	\$ 24,560,290	\$ 87,095	\$ 27,501,757
Additions	116,839	9,738,253	531,521	10,386,613
Deletions	-	(9,918,429)	(389,413)	(10,307,842)
Balance, June 30, 2023	2,971,211	24,380,114	229,203	27,580,528
Due within one year	<u>(148,561)</u>	<u>(10,040,000)</u>	<u>(48,051)</u>	<u>(10,236,612)</u>
Due in more than year	<u>\$ 2,822,650</u>	<u>\$ 14,340,114</u>	<u>\$ 181,152</u>	<u>\$ 17,343,916</u>

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations currently outstanding is as follows:

General Obligation Bonds

2021 Refunding Bond due in annual installments of \$4,810,000 to \$1,780,000 through May 1, 2025 with interest at .69%.	\$ 3,720,000
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2019 Building and Site Bond due in annual installments of \$4,620,000 to \$5,090,000 through May 1, 2025 with interest at 5%.	9,945,000
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2023 Bond due in annual installments of \$3,405,000 to \$470,000 through May 1, 2043 with interest at 5% to 4%.	9,200,000
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Premium on bonds	<u>1,515,114</u>
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Total general obligation debt	<u>24,380,114</u>
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Direct Borrowings and Direct Placement

Copier leases due in monthly installments ranging from \$508 to \$3,059, including an implied interest rate of 4.00%. The leases expire at various dates through March 2028.	<u>229,203</u>
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Compensated Absences

Obligation under contract for compensated absences and other benefits.	<u>2,971,211</u>
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Total general long-term obligations	<u><u>\$ 27,580,528</u></u>
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The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$229,203 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize debt outstanding as of June 30, 2023, including interest payments are as follows:

Year Ending June 30,	General Obligation Bonds		Direct Borrowings and Direct Placements		Compensated Absences and Other Benefits	Total
	Principal	Interest	Principal	Interest		
2024	\$ 10,040,000	\$ 1,003,928	\$ 48,051	\$ 8,294	\$ -	\$ 11,100,273
2025	7,030,000	517,936	50,008	6,336	-	7,604,280
2026	125,000	250,050	52,046	4,298	-	431,394
2027	165,000	243,800	52,020	2,181	-	463,001
2028	190,000	235,550	27,078	452	-	453,080
2029 - 2033	1,345,000	1,007,750	-	-	-	2,352,750
2034 - 2038	1,790,000	656,600	-	-	-	2,446,600
2039 - 2043	2,180,000	268,000	-	-	-	2,448,000
	22,865,000	4,183,614	229,203	21,561	-	27,299,378
Premium on bonds	1,515,114	-	-	-	-	1,515,114
Compensated absences and other benefits	-	-	-	-	2,971,211	2,971,211
	<u>\$ 24,380,114</u>	<u>\$ 4,183,614</u>	<u>\$ 229,203</u>	<u>\$ 21,561</u>	<u>\$ 2,971,211</u>	<u>\$ 31,785,703</u>

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2023 are as follows:

	Due from Other Funds			Total
	General Fund	2023 Capital Projects Fund	Nonmajor Governmental Funds	
Due to other funds				
General fund	\$ -	\$ 11,859	\$ 19,808	\$ 31,667
2019 Capital Projects Fund	9,747	-	-	9,747
Nonmajor Governmental Funds	163,507	-	-	163,507
Total	<u>\$ 173,254</u>	<u>\$ 11,859</u>	<u>\$ 19,808</u>	

The outstanding balances between funds result mainly 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 systems, and (3) payments between funds are made.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (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. MPSERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.michigan.gov/orsschools.

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 option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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 of Michigan Investment Board serves as the investment fiduciary and custodian for the System.

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by MPSERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. 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.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and 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 pension. Any changes to a member's pension 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 the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 - Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k)-account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: The Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Other Postemployment Benefit (OPEB)

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 health care 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.

Retiree Healthcare Reform of 2012

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 will be deposited into their 401(k) accounts.

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the Defined Contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and OPEB. 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 normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2022 were determined as of the September 30, 2019 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2019 are amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	Other Postemployment Benefit
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%

The District's pension contributions for the year ended June 30, 2023 were equal to the required contribution total. Total pension contributions were approximately \$14,705,000. Of the total pension contributions approximately \$14,323,000 was contributed to fund the Defined Benefit Plan and approximately \$382,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2023 were equal to the required contribution total. Total OPEB contributions were approximately \$2,769,000. Of the total OPEB contributions approximately \$2,541,000 was contributed to fund the Defined Benefit Plan and approximately \$228,000 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Pension Liabilities

The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Total pension liability	\$ 95,876,795,620	\$ 86,392,473,395
Plan fiduciary net position	\$ 58,268,076,344	\$ 62,717,060,920
Net pension liability	\$ 37,608,719,276	\$ 23,675,412,475
Proportionate share	0.31377%	0.31005%
Net pension liability for the District	\$ 118,003,532	\$ 73,405,268

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

For the year ended June 30, 2023, the District recognized pension expense of \$15,531,669.

At June 30, 2023, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 20,277,235	\$ -
Net difference between projected and actual earnings on pension plan investments	276,718	-
Differences between expected and actual experience	1,180,447	263,843
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,769,640	229,984
Reporting Unit's contributions subsequent to the measurement date	<u>13,550,121</u>	<u>-</u>
	<u>\$ 37,054,161</u>	<u>\$ 493,827</u>

\$13,550,121, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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 Ending September 30,	Amount
2023	\$ 6,979,860
2024	5,038,626
2025	4,136,947
2026	6,854,780

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<i>MPSERS (Plan) Non-university Employers</i>	September 30, 2022	September 30, 2021
Total other postemployment benefit	\$ 12,522,713,324	\$ 12,046,393,511
Plan fiduciary net position	\$ 10,404,650,683	\$ 10,520,015,621
Net other postemployment benefit liability	\$ 2,118,062,641	\$ 1,526,377,890
Proportionate share	0.31504%	0.31016%
Net other postemployment benefit liability for the District	\$ 6,672,724	\$ 4,734,265

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

For the year ended June 30, 2023, the District recognized OPEB benefit of \$2,105,337.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

At June 30, 2023, the Reporting Unit 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
Changes of assumptions	\$ 5,947,613	\$ 484,289
Net difference between projected and actual earnings on OPEB plan investments	521,526	-
Differences between expected and actual experience	-	13,069,310
Changes in proportion and differences between employer contributions and proportionate share of contributions	806,581	247,943
Reporting Unit's contributions subsequent to the measurement date	2,222,334	-
	\$ 9,498,054	\$ 13,801,542

\$8,443,658, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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 Ending September 30,	Amount
2023	\$ (2,264,318)
2024	(2,069,950)
2025	(1,921,101)
2026	(181,324)
2027	(97,323)
2028	8,194

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

Investment Rate of Return for Pension - 6.00% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, Pension Plus, and Pension Plus 2 Plan groups.

Investment Rate of Return for OPEB - 6.00% a year, compounded annually net of investment and administrative expenses.

Salary Increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 2.75%.

Inflation - 3.0%.

Mortality Assumptions:

Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Active: RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Disabled Retirees: RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2021. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 valuation.

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan, and Pension Plus 2 Plan), and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and 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.

Cost of Living Pension Adjustments - 3.0% annual non-compounded for MIP members.

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Additional Assumptions for Other Postemployment Benefit Only - Applies to Individuals Hired Before September 4, 2012:

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death.

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

The target asset allocation at September 30, 2022 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0%	5.1%
International Equity Pools	15.0%	6.7%
Private Equity Pools	16.0%	8.7%
Real Estate and Infrastructure Pools	10.0%	5.3%
Fixed Income Pools	13.0%	-0.2%
Absolute Return Pools	9.0%	2.7%
Real Return/Oppportunistic Pools	10.0%	5.8%
Short Term Investment Pools	2.0%	-0.5%
	<u>100.0%</u>	

* Long term rate of return are net of administrative expenses and 2.2% inflation.

Rate of Return - For fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was (4.18)% and (4.99)% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate - A single discount rate of 6.00% was used to measure the total pension liability. This discount rate was based on the expected rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

OPEB Discount Rate - A single discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.00%, as well as what the Reporting Unit'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 than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 155,720,824	\$ 118,003,532	\$ 86,922,785

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate -The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 11,192,852	\$ 6,672,724	\$ 2,866,215

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate, as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 2,794,218	\$ 6,672,724	\$ 11,026,424

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2022 Annual Comprehensive Financial Report.

Payable to the Pension and OPEB Plan - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time although the District believes such amounts, if any, would be immaterial.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. With regard to injuries to employees, the District participates in an association of educational institutions within the State of Michigan for self-insuring workers disability compensation. The association is considered a public entity risk sharing pool. The District pays annual premiums to the association for its workers' disability compensation coverage. In the event the association's total claims and expenses for a policy year exceeded the total normal annual premiums for said years, all members of the policy year may be subject to special assessment to make up the difference. The association maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. This program is recorded in the general fund. The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

Self-funded dental and vision insurance programs were approved by the Board of Education and implemented for support personnel. All plans have limits on amounts for expenditures that will be reimbursed. This program is recorded in the general fund. Any liability for incurred and unreported claims is not considered material.

Settlements have not exceeded coverage for each of the past three fiscal years. Changes in the balances of claims liabilities during the past 3 years have been immaterial.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2023 are as follows:

	General Fund	Transfers in Nonmajor Governmental Funds	Total
Transfers out			
General fund	\$ -	\$ 17,570	\$ 17,570
Nonmajor Governmental Funds	73,469	-	73,469
 Total	<u>\$ 73,469</u>	<u>\$ 17,570</u>	

During the year, transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

Further, during the year ended June 30, 2023, Okemos Public Schools made the following one-time transfers:

- A transfer of \$73,469 from the food service fund to the general fund for indirect cost expenditure reimbursement.
- A transfer of \$17,035 from the general fund to various non major funds for capital and bond related expenditures.

NOTE 11 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77, *Tax Abatements*.

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all funds by municipality under these programs are as follows:

Municipality	Taxes Abated
Meridian Township	<u>\$ 89,571</u>

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District’s section 22 funding of the State School Aid Act.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2023, the District implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE (continued)

The restatement of the beginning of year had no impact on net position. The change for prepaid expenses under the purchased method is as follows:

	<u>Capital Assets, Net of Accumulated Depreciation</u>
Balance as of July 1, 2022, as previously stated	\$ 57,310,764
Adoption of GASB Statement 96	<u>632,827</u>
Balance as of July 1, 2022 as restated	<u><u>\$ 57,943,591</u></u>

The following restatement of beginning fund balance was made during the period, which was the result of the change in accounting principle. These adjustments were reported as changes to the beginning fund balances. The change for prepaid expenses under the consumption method is as follows:

	<u>General Fund</u>
Fund Balance as of July 1, 2022, as previously stated	\$ 8,677,164
Adoption of GASB Statement 96	<u>(632,827)</u>
Fund Balance as of July 1, 2022 as restated	<u><u>\$ 8,044,337</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

**OKEMOS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 16,164,492	\$ 17,105,402	\$ 17,396,841	\$ 291,439
State sources	42,815,358	44,323,989	47,268,008	2,944,019
Federal sources	1,035,110	4,376,041	4,533,874	157,833
TOTAL REVENUES	60,014,960	65,805,432	69,198,723	3,393,291
EXPENDITURES				
Current				
Instruction				
Basic programs	29,789,020	30,599,952	32,408,450	(1,808,498)
Added needs	8,021,720	8,225,364	8,292,099	(66,735)
Total instruction	37,810,740	38,825,316	40,700,549	(1,875,233)
Supporting services				
Pupil	4,318,966	4,943,114	5,180,164	(237,050)
Instructional staff	2,724,131	3,057,897	3,230,547	(172,650)
General administration	606,440	622,932	634,326	(11,394)
School administration	3,728,003	3,585,955	3,798,422	(212,467)
Business	790,792	838,149	1,046,431	(208,282)
Operations and maintenance	5,203,505	5,566,543	5,706,590	(140,047)
Transportation	1,249,665	1,302,158	1,334,147	(31,989)
Central	1,665,687	1,774,848	1,823,046	(48,198)
Athletics	961,203	1,001,429	1,065,663	(64,234)
Total supporting services	21,248,392	22,693,025	23,819,336	(1,126,311)
Community services	2,378,066	2,692,883	2,942,676	(249,793)
Capital outlay	-	250,000	51,371	198,629
Debt Service				
Principal repayment	-	-	389,413	(389,413)
Interest	-	-	4,267	(4,267)
Total debt service	-	-	393,680	(393,680)
TOTAL EXPENDITURES	61,437,198	64,461,224	67,907,612	(3,446,388)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,422,238)	1,344,208	1,291,111	(53,097)
OTHER FINANCING SOURCES (USES)				
Proceeds from leases	-	-	166,655	166,655
Proceeds from subscription-based IT arrangements	-	-	364,866	364,866
Transfers in	80,000	80,000	73,469	(6,531)
Transfers out	-	-	(17,570)	(17,570)
TOTAL OTHER FINANCING SOURCES (USES)	80,000	80,000	587,420	507,420
NET CHANGE IN FUND BALANCE	\$ (1,342,238)	\$ 1,424,208	1,878,531	\$ 454,323
FUND BALANCE				
Beginning of year, as restated			8,044,337	
End of year			<u>\$ 9,922,868</u>	

**OKEMOS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.31377%	0.31378%	0.30913%	0.30204%	0.29781%	0.29446%	0.28402%	0.27502%	0.26922%
Reporting Unit's proportionate share of net pension	\$ 118,003,532	\$ 73,405,268	\$ 106,189,243	\$ 100,024,383	\$ 89,526,314	\$ 76,307,692	\$ 70,861,622	\$ 67,174,817	\$ 59,299,481
Reporting Unit's covered-employee payroll	\$ 30,631,496	\$ 28,065,403	\$ 27,818,733	\$ 26,737,156	\$ 25,503,566	\$ 25,027,904	\$ 24,336,762	\$ 22,962,203	\$ 22,692,532
Reporting Unit's proportionate share of net pension as a percentage of its covered-employee payroll	385.24%	261.55%	381.72%	374.10%	351.03%	304.89%	291.17%	292.55%	261.32%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, The District presents information for those years for which information is available.

**OKEMOS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 14,322,599	\$ 10,303,088	\$ 9,079,868	\$ 8,356,210	\$ 7,889,595	\$ 7,849,263	\$ 6,885,428	\$ 6,193,998	\$ 4,935,873
Contributions in relation to statutorily required contributions	<u>14,322,599</u>	<u>10,303,088</u>	<u>9,079,868</u>	<u>8,356,210</u>	<u>7,889,595</u>	<u>7,849,263</u>	<u>6,885,428</u>	<u>6,193,998</u>	<u>4,935,873</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 30,975,699	\$ 29,284,255	\$ 27,770,543	\$ 27,754,219	\$ 26,507,293	\$ 25,450,771	\$ 25,807,538	\$ 23,952,924	\$ 22,692,073
Contributions as a percentage of covered-employee payroll	46.24%	35.18%	32.70%	30.11%	29.76%	30.84%	26.68%	25.86%	21.75%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

**OKEMOS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net OPEB liability (%)	0.31504%	0.31016%	0.31348%	0.30542%	0.29991%	0.29436%
Reporting Unit's proportionate share of net OPEB liability	\$ 6,672,724	\$ 4,734,265	\$ 16,794,102	\$ 21,922,632	\$ 23,839,817	\$ 26,066,532
Reporting Unit's covered-employee payroll	\$ 30,631,496	\$ 28,065,403	\$ 27,818,733	\$ 26,737,156	\$ 25,503,566	\$ 25,027,904
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	21.78%	16.87%	60.37%	81.99%	93.48%	104.15%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	83.09%	87.33%	59.44%	48.48%	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, The District presents information for those years for which information is available.

**OKEMOS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 2,540,790	\$ 2,402,148	\$ 2,377,660	\$ 2,356,668	\$ 2,182,909	\$ 2,217,970
Contributions in relation to statutorily required contributions	<u>2,540,790</u>	<u>2,402,148</u>	<u>2,377,660</u>	<u>2,356,668</u>	<u>2,182,909</u>	<u>2,217,970</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 30,975,699	\$ 29,284,255	\$ 27,770,543	\$ 27,754,219	\$ 26,507,293	\$ 25,450,771
Contributions as a percentage of covered-employee payroll	8.20%	8.20%	8.56%	8.49%	8.24%	8.71%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

**OKEMOS PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2022.

Changes of Assumptions - the assumption changes for 2022 were:

- Discount rate for MIP, Basic, and Pension Plus plans decreased to 6.00% from 6.80% .

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2022.

Changes of Assumptions - the assumption changes for 2022 were:

- Discount rate decreased to 6.00% from 6.95%

ADDITIONAL SUPPLEMENTARY INFORMATION

**OKEMOS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2023**

	Special Revenue				Total Nonmajor Funds
	Food Service Fund	Student/ School Activities Fund	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	
ASSETS					
Cash and cash equivalents	\$ 1,526,506	\$ 731,269	\$ 440,455	\$ 722,633	\$ 3,420,863
Investments	-	-	-	2,423,958	2,423,958
Property taxes and other receivables	440	-	60,421	10,205	71,066
Due from other governments	31,714	-	-	-	31,714
Due from other funds	-	-	1,724	18,084	19,808
Inventories	23,060	-	-	-	23,060
TOTAL ASSETS	\$ 1,581,720	\$ 731,269	\$ 502,600	\$ 3,174,880	\$ 5,990,469
LIABILITIES					
Accounts payable	\$ 3,136	\$ 2,317	\$ 3,139	\$ 53,028	\$ 61,620
Accrued salaries and related items	170	-	-	-	170
Accrued retirement	40	-	-	-	40
Due to other funds	965	3,596	-	158,946	163,507
Unearned revenue	245,651	-	-	-	245,651
TOTAL LIABILITIES	249,962	5,913	3,139	211,974	470,988
FUND BALANCES					
Nonspendable					
Inventories	23,060	-	-	-	23,060
Restricted for:					
Debt service	-	-	499,461	-	499,461
Capital projects	-	-	-	2,705,740	2,705,740
Food service	1,308,698	-	-	-	1,308,698
Committed for:					
Student/school activities	-	725,356	-	-	725,356
Assigned for:					
Capital projects	-	-	-	257,166	257,166
TOTAL FUND BALANCES	1,331,758	725,356	499,461	2,962,906	5,519,481
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,581,720	\$ 731,269	\$ 502,600	\$ 3,174,880	\$ 5,990,469

OKEMOS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2023

	Special Revenue		Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Funds
	Food Service Fund	Student/ School Activities Fund			
REVENUES					
Local sources					
Property taxes	\$ -	\$ -	\$ 10,401,935	\$ 1,454,363	\$ 11,856,298
Investment earnings	-	-	101,471	90,275	191,746
Food service sales	885,721	-	-	-	885,721
Student/school activity income	-	1,092,919	-	-	1,092,919
Other	-	-	3,381	96,227	99,608
Total local sources	885,721	1,092,919	10,506,787	1,640,865	14,126,292
State sources	154,718	-	55,344	7,796	217,858
Federal sources	735,864	-	-	-	735,864
TOTAL REVENUES	1,776,303	1,092,919	10,562,131	1,648,661	15,080,014
EXPENDITURES					
Food service	1,731,846	-	-	-	1,731,846
Student/school activities	-	987,821	-	-	987,821
Capital outlay	3,339	-	-	1,066,277	1,069,616
Debt service					
Principal repayment	-	-	9,430,000	-	9,430,000
Interest	-	-	787,107	-	787,107
Miscellaneous	-	-	1,712	-	1,712
TOTAL EXPENDITURES	1,735,185	987,821	10,218,819	1,066,277	14,008,102
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	41,118	105,098	343,312	582,384	1,071,912
OTHER FINANCING SOURCES (USES)					
Proceeds from the sale of capital assets	-	-	-	1,203	1,203
Transfers in	35	-	500	17,035	17,570
Transfers out	(73,469)	-	-	-	(73,469)
TOTAL OTHER FINANCING SOURCES (USES)	(73,434)	-	500	18,238	(54,696)
NET CHANGE IN FUND BALANCES	(32,316)	105,098	343,812	600,622	1,017,216
FUND BALANCES					
Beginning of year	1,364,074	620,258	155,649	2,362,284	4,502,265
End of year	\$ 1,331,758	\$ 725,356	\$ 499,461	\$ 2,962,906	\$ 5,519,481

**OKEMOS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
JUNE 30, 2023
(with comparative totals for the year ended 2022)**

	Capital Projects		Totals	
	Fund	Sinking Fund	2023	2022
ASSETS				
Cash and cash equivalents	\$ 342,673	\$ 379,960	\$ 722,633	\$ 373,564
Investments	-	2,423,958	2,423,958	2,067,303
Property taxes and other receivables	-	10,205	10,205	-
Due from other funds	18,084	-	18,084	27,408
TOTAL ASSETS	\$ 360,757	\$ 2,814,123	\$ 3,174,880	\$ 2,468,275
LIABILITIES				
Accounts payable	\$ -	\$ 53,028	\$ 53,028	\$ 105,991
Due to other funds	-	158,946	158,946	-
TOTAL LIABILITIES	-	211,974	211,974	105,991
FUND BALANCES				
Restricted	103,591	2,602,149	2,705,740	2,217,082
Assigned	257,166	-	257,166	145,202
TOTAL FUND BALANCES	360,757	2,602,149	2,962,906	2,362,284
TOTAL LIABILITIES AND FUND BALANCE	\$ 360,757	\$ 2,814,123	\$ 3,174,880	\$ 2,468,275

**OKEMOS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2023
(with comparative totals for the year ended 2022)**

	Capital Projects		Totals	
	Fund	Sinking Fund	2023	2022
REVENUES				
Local sources				
Property taxes	\$ -	\$ 1,454,363	\$ 1,454,363	\$ 1,396,568
Investment earnings	5,138	85,137	90,275	4,236
Other	96,227	-	96,227	154,587
Total local sources	101,365	1,539,500	1,640,865	1,555,391
State sources	-	7,796	7,796	6,986
TOTAL REVENUES	101,365	1,547,296	1,648,661	1,562,377
EXPENDITURES				
Capital outlay	24,048	1,042,229	1,066,277	892,969
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	77,317	505,067	582,384	669,408
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of capital assets	1,203	-	1,203	-
Transfers in	17,035	-	17,035	17,035
TOTAL OTHER FINANCING SOURCES (USES)	18,238	-	18,238	17,035
NET CHANGE IN FUND BALANCES	95,555	505,067	600,622	686,443
FUND BALANCES				
Beginning of year	265,202	2,097,082	2,362,284	1,675,841
End of year	\$ 360,757	\$ 2,602,149	\$ 2,962,906	\$ 2,362,284

**OKEMOS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2023
(with comparative totals for the year ended 2022)**

	2019 Debt Retirement	2021 Refunding Debt Service Fund	Totals	
			2023	2022*
ASSETS				
Cash and cash equivalents	\$ 234,962	\$ 205,493	\$ 440,455	\$ 54,817
Property taxes and other receivables	31,678	28,743	60,421	-
Due from other funds	918	806	1,724	23,641
TOTAL ASSETS	\$ 267,558	\$ 235,042	\$ 502,600	\$ 78,458
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,646	\$ 1,493	\$ 3,139	\$ -
FUND BALANCES				
Restricted for debt service	265,912	233,549	499,461	78,458
TOTAL LIABILITIES AND FUND BALANCES	\$ 267,558	\$ 235,042	\$ 502,600	\$ 78,458

*The 2022 totals only include 2019 debt retirement balances.

**OKEMOS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2023
(with comparative totals for the year ended 2022)**

	2019 Debt Retirement	2021 Refunding Debt Service Fund	2023 Debt Retirement	Totals	
				2023	2022*
REVENUES					
Local sources					
Property taxes	\$ 5,453,481	\$ 4,948,454	\$ -	\$ 10,401,935	\$ 5,183,026
Investment earnings	51,202	50,269	-	101,471	583
Other	2,611	770	-	3,381	5,214
Total local sources	5,507,294	4,999,493	-	10,506,787	5,188,823
State sources	29,016	26,328	-	55,344	49,592
TOTAL RVEENUES	5,536,310	5,025,821	-	10,562,131	5,238,415
EXPENDITURES					
Principal retirement	4,620,000	4,810,000	-	9,430,000	4,400,000
Interest	728,250	58,857	-	787,107	948,250
Miscellaneous	606	606	500	1,712	642
TOTAL EXPENDITURES	5,348,856	4,869,463	500	10,218,819	5,348,892
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	187,454	156,358	(500)	343,312	(110,477)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	500	500	-
NET CHANGE IN FUND BALANCES	187,454	156,358	-	343,812	(110,477)
FUND BALANCES					
Beginning of year	78,458	77,191	-	155,649	188,935
End of year	\$ 265,912	\$ 233,549	\$ -	\$ 499,461	\$ 78,458

*The 2022 totals only include 2019 debt retirement activity.

**OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
YEAR ENDED JUNE 30, 2023**

Date	Name	Kind	Original Issue
06/10/19	2019 School building and site bonds	General obligation	<u>\$ 21,965,000</u>

Purpose: The proceeds from the bonds will be used for the purpose of remodeling, equipping and re-equipping and furnishing and re-furnishing school buildings, including for school security improvements; erecting, furnishing, and equipping additions to Bennett Woods Elementary School; acquiring, installing and equipping or re-equipping school buildings for instructional technology; purchasing school buses; and preparing, developing and improving athletic facilities and sites.

Debt Service Fiscal Year June 30th	Interest Rate	Principal Due May 1	Interest Due		Total
			May 1	November 1	
2024	5.00%	\$ 4,855,000	\$ 248,625	\$ 248,625	\$ 5,352,250
2025	5.00%	5,090,000	127,250	127,250	5,344,500
		<u>\$ 9,945,000</u>	<u>\$ 375,875</u>	<u>\$ 375,875</u>	<u>\$ 10,696,750</u>

**OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
YEAR ENDED JUNE 30, 2023**

Date	Name	Kind	Original Issue
08/19/21	2021 Refunding bonds	Refunding Bonds	<u>\$ 13,150,000</u>

Purpose: The proceeds from the bonds were used to repay the school loan revolving fund outstanding principal and interest

Debt Service Fiscal Year June 30th	Interest Rate	Principal Due May 1	Interest Due		Total
			May 1	November 1	
2024	0.69%	\$ 1,780,000	\$ 12,834	\$ 12,834	\$ 1,805,668
2025	0.69%	<u>1,940,000</u>	<u>6,693</u>	<u>6,693</u>	<u>1,953,386</u>
		<u>\$ 3,720,000</u>	<u>\$ 19,527</u>	<u>\$ 19,527</u>	<u>\$ 3,759,054</u>

**OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
YEAR ENDED JUNE 30, 2023**

Date	Name	Kind	Original Issue
02/09/23	2023 School building and site bonds	General obligation	<u>\$ 9,200,000</u>

Purpose: The proceeds from the bonds will be used for the purpose of erecting, furnishing and equipping additions to a school building; erecting, furnishing and equipping a new middle school building as an addition to Chippewa Middle School; erecting, furnishing and equipping additions to school buildings; remodeling, equipping and re-equipping school buildings for instructional technology; purchasing school buses; and preparing, developing, improving and equipping playgrounds, play fields, athletic fields and facilities and sites.

Debt Service Fiscal Year June 30th	Interest Rate	Principal Due May 1	Interest Due		Total
			May 1	November 1	
2024	5.00%	\$ 3,405,000	\$ 210,150	\$ 270,860	\$ 3,886,010
2025	5.00%	-	125,025	125,025	250,050
2026	5.00%	125,000	125,025	125,025	375,050
2027	5.00%	165,000	121,900	121,900	408,800
2028	5.00%	190,000	117,775	117,775	425,550
2029	5.00%	220,000	113,025	113,025	446,050
2030	5.00%	245,000	107,525	107,525	460,050
2031	5.00%	270,000	101,400	101,400	472,800
2032	5.00%	295,000	94,650	94,650	484,300
2033	5.00%	315,000	87,275	87,275	489,550
2034	4.00%	330,000	79,400	79,400	488,800
2035	4.00%	345,000	72,800	72,800	490,600
2036	4.00%	355,000	65,900	65,900	486,800
2037	4.00%	370,000	58,800	58,800	487,600
2038	4.00%	390,000	51,400	51,400	492,800
2039	4.00%	405,000	43,600	43,600	492,200
2040	4.00%	420,000	35,500	35,500	491,000
2041	4.00%	435,000	27,100	27,100	489,200
2042	4.00%	450,000	18,400	18,400	486,800
2043	4.00%	470,000	9,400	9,400	488,800
		<u>\$ 9,200,000</u>	<u>\$ 1,666,050</u>	<u>\$ 1,726,760</u>	<u>\$ 12,592,810</u>

**OKEMOS PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2023
<u>U.S. Department of Agriculture</u>								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-cash assistance (donated foods)								
National School Lunch Program								
Entitlement	10.555	N/A	\$ 109,128	\$ -	\$ 121,094	\$ 109,128	\$ 109,128	\$ -
Entitlement - Bonus		N/A	2,531	-	-	2,531	2,531	-
Total non-cash assistance			<u>111,659</u>	<u>-</u>	<u>121,094</u>	<u>111,659</u>	<u>111,659</u>	<u>-</u>
Cash Assistance								
National School Lunch Program	10.555	230910	42,840	-	-	42,840	42,840	-
National School Lunch Program		220910	82,001	(82,001)	-	23,602	83,472	(141,871)
National School Lunch Program		231960	422,066	-	-	440,076	422,066	18,010
National School Lunch Program		221960	70,409	-	-	70,409	70,409	-
National School Lunch Program		221961	1,414,828	68,196	1,414,828	-	68,196	-
			<u>2,032,144</u>	<u>(13,805)</u>	<u>1,414,828</u>	<u>576,927</u>	<u>686,983</u>	<u>(123,861)</u>
Total ALN 10.555			<u>2,143,803</u>	<u>(13,805)</u>	<u>1,535,922</u>	<u>688,586</u>	<u>798,642</u>	<u>(123,861)</u>
School Breakfast Program	10.553	221970	4,795	-	-	4,795	4,795	-
School Breakfast Program		231970	38,306	-	-	40,385	38,306	2,079
School Breakfast Program		221971	145,351	8,656	136,695	-	8,656	-
Total ALN 10.553			<u>188,452</u>	<u>8,656</u>	<u>136,695</u>	<u>45,180</u>	<u>51,757</u>	<u>2,079</u>
Total cash assistance			<u>2,220,596</u>	<u>(5,149)</u>	<u>1,551,523</u>	<u>733,766</u>	<u>850,399</u>	<u>(121,782)</u>
Total Child Nutrition Cluster			<u>2,332,255</u>	<u>(5,149)</u>	<u>1,672,617</u>	<u>733,766</u>	<u>850,399</u>	<u>(121,782)</u>
COVID 19 - Pandemic EBT Local Level Costs	10.649	220980-2022	628	-	-	628	628	-
Child and Adult Care Food Program	10.558	231920	1,329	-	-	1,329	1,329	-
Child and Adult Care Food Program		232010	141	-	-	141	141	-
Total ALN 10.558			<u>1,470</u>	<u>-</u>	<u>-</u>	<u>1,470</u>	<u>1,470</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>2,334,353</u>	<u>(5,149)</u>	<u>1,672,617</u>	<u>735,864</u>	<u>852,497</u>	<u>(121,782)</u>

The accompanying notes are an integral part of the schedule.

**OKEMOS PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2023
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I, Part A - Improving Basic Programs	84.010	231530-2223	\$ 176,716	\$ -	\$ -	\$ 176,716	\$ 125,814	\$ 50,902
Title I, Part A - Improving Basic Programs		221530-2122	177,479	34,939	69,857	22,727	57,666	-
Total ALN 84.010			354,195	34,939	69,857	199,443	183,480	50,902
Title II, Part A - Supporting Effective Instruction	84.367	230520-2223	48,047	-	-	46,655	24,515	22,140
Title II, Part A - Supporting Effective Instruction		220520-2122	53,757	12,456	53,757	-	12,456	-
Total ALN 84.367			101,804	12,456	53,757	46,655	36,971	22,140
Title III, Part A - Language Instruction for Immigrant Students	84.365	230570-2223	5,701	-	-	8,801	5,701	3,100
Title III, Part A - Language Instruction for Immigrant Students		220570-2122	21,531	4,581	20,114	479	5,060	-
Title III, Part A - Language Instruction for Immigrant Students		220580-2122	55,242	894	13,312	36,539	37,433	-
Total ALN 84.365			82,474	5,475	33,426	45,819	48,194	3,100
Title IV, Part A - Student Support and Academic Enrichment	84.424	230750-2223	10,000	-	-	9,932	9,102	830
Education Stabilization Fund								
COVID-19 Elementary and Secondary School								
Emergency Relief Fund (ESSER II 98c Learning Loss)	84.425D	203710-1920	231,871	-	-	231,871	-	231,871
Emergency Relief Fund (ESSER II Supplemental)	84.425D	213712-2021	401,785	-	-	309,753	174,943	134,810
Emergency Relief Fund (ESSER II Credit Recovery 9-12)	84.425D	213722-2122	50,050	3,979	35,612	14,438	18,417	-
Emergency Relief Fund (ESSER III Formula Funds)	84.425U	213742-2122	902,993	-	-	387,300	257,225	130,075
Emergency Relief Fund (ESSER III Equilization Funds)	84.425U	213723-2122	4,155,466	735,090	735,090	1,392,368	1,651,902	475,556
Total ALN 84.425			5,742,165	739,069	770,702	2,335,730	2,102,487	972,312

The accompanying notes are an integral part of the schedule.

**OKEMOS PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2023
<u>U.S. Department of Education (continued)</u>								
Passed through Ingham Intermediate School District								
Special Education Cluster								
Special Education - Preschool	84.173	220460-2122	\$ 17,659	\$ 17,659	\$ 17,659	\$ -	\$ 17,659	\$ -
Special Education - Preschool		230460-2223	22,067	-	-	22,067	-	22,067
COVID 19 - Special Education - Preschool (American Rescue Plan)	84.173X	221285-2122	7,722	-	-	3,835	-	3,835
Total ALN 84.173			<u>47,448</u>	<u>17,659</u>	<u>17,659</u>	<u>25,902</u>	<u>17,659</u>	<u>25,902</u>
Special Education - Flowthrough	84.027	210450-2122	1,713	1,713	1,713	3,529	1,995	3,247
Total Special Education Cluster			<u>49,161</u>	<u>19,372</u>	<u>19,372</u>	<u>29,431</u>	<u>19,654</u>	<u>29,149</u>
Total U.S. Department of Education			<u>6,339,799</u>	<u>811,311</u>	<u>947,114</u>	<u>2,667,010</u>	<u>2,399,888</u>	<u>1,078,433</u>
<u>U.S. Department of Health and Human Services</u>								
Passed through Ingham Intermediate School District								
Medicaid Cluster								
Medical Assistance Program	93.778	2023	29,293	-	-	29,293	29,293	-
COVID 19 - Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	222810-HRA2022	35,223	35,223	35,223	-	35,223	-
COVID 19 - Epidemiology and Laboratory Capacity for Infectious Diseases		232810-HRA2023	336,000	-	-	263,234	96,694	166,540
Total ALN 93.323			<u>371,223</u>	<u>35,223</u>	<u>35,223</u>	<u>263,234</u>	<u>131,917</u>	<u>166,540</u>
Total U.S. Department of Health and Human Services			<u>400,516</u>	<u>35,223</u>	<u>35,223</u>	<u>292,527</u>	<u>161,210</u>	<u>166,540</u>
TOTAL FEDERAL AWARDS			<u>\$ 9,074,668</u>	<u>\$ 841,385</u>	<u>\$ 2,654,954</u>	<u>\$ 3,695,401</u>	<u>\$ 3,413,595</u>	<u>\$ 1,123,191</u>

The accompanying notes are an integral part of the schedule.

**OKEMOS PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Okemos Public Schools under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Okemos Public Schools, it is not intended to and does not present the financial position or changes in net position of Okemos Public Schools.

The District qualifies for low-risk auditee status. Management has utilized the Nexsys Cash Management System (CMS) and the Grant Auditor Report in preparing the schedule of expenditures of federal awards.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Okemos Public Schools has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - RECONCILING WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 4,533,874
Other nonmajor governmental fund	<u>735,864</u>
Total federal revenue in the fund financial statements	5,269,738
Less: Federal assistance funding not subject to single audit act	<u>(1,574,337)</u>
Expenditures per schedule of expenditures of federal awards	<u><u>\$ 3,695,401</u></u>



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

To the Board of Education
Okemos Public Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Okemos Public Schools as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Okemos Public Schools' basic financial statements and have issued our report thereon dated September 14, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Okemos Public Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Okemos Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Okemos Public Schools' internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Maney Costeiran PC

September 14, 2023



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Education
Okemos Public Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Okemos Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Okemos Public Schools' major federal programs for the year ended June 30, 2023. Okemos Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Okemos Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis of Presentation on Each Major Federal Program

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

We are required to be independent of Okemos Public Schools and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Okemos Public Schools' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Okemos Public Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Okemos Public Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Okemos Public Schools' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2023-001, that we consider to be a significant deficiency.

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

Government Auditing Standards requires the auditors to perform limited procedures to Okemos Public Schools response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Okemos Public Schools response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Maney Costeiran PC

September 14, 2023

**OKEMOS PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?

 Yes X No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.425 10.553 and 10.555	Education Stabilization Fund Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:

 \$750,000

Auditee qualified as low-risk auditee?

 X Yes No

Section II - Financial Statement Findings

None

**OKEMOS PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section III - Federal Award Findings and Questioned Costs

Finding 2023-001: Considered a significant deficiency in internal control over compliance.

Federal Program: Child Nutrition Cluster
ALN: 10.553 and 10.555
Federal Agency: U.S. Department of Agriculture
Pass-through Entity: Michigan Department of Education
Pass-through Number: 231960

Criteria: In order to comply with the Michigan Department of Education requirements, the District must maintain accurate records of meals served justifying all meals claimed and documenting that all program funds were spent only on allowable Child Nutrition Program costs.

Condition: In one monthly claim, the District did not have accurate records to support the amount of meals served and claimed, as a result they significantly underclaimed meals served.

Questioned costs: None

Cause: The District did not use an accurate tracking system to count the number of meals served for a portion of the school year.

Recommendation: The District should consistently utilize a point-of-sale system to track and claim the number of meals served.

District's Response: The District concurs with the facts of this finding and has implemented procedures to prevent this in the future.



**OKEMOS PUBLIC SCHOOLS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2023**

Okemos Public Schools respectfully submits the following corrective action plan for the year ended June 30, 2023.

Auditor: Maner Costerisan
2425 E. Grand River Avenue, Suite 1
Lansing, MI 48912

Audit Period Year ended June 30, 2023

District Contact Person: Liz Lentz, Executive Director of Finance

Finding 2023-001: Considered a significant deficiency in internal control over compliance.

Recommendation: The District should consistently utilize a point-of-sale system to track and claim the number of meals served.

Action to be Taken: Management agrees with the finding and had already changed procedures during the school year to better track and claim meals.

**OKEMOS PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

There were no audit findings in the prior year.



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September 14, 2023

To the Board of Education
Okemos Public Schools

In planning and performing our audit of the financial statements of Okemos Public Schools as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered Okemos Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 14, 2023 on the financial statements of Okemos Public Schools. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows.

CURRENT YEAR COMMENTS

Food Service Fund Balance

Per Michigan Department of Education (MDE) guidelines, school food authorities (SFA) must operate food services on a nonprofit basis. We noted that the food service fund balance exceeded the three months' operating expenditures allowed. MDE requires that the SFA spend down the excess by the end of the next school year. We recommend that Okemos Public Schools develop a plan to spend down the excess by June 30, 2024.

This report is intended solely for the information and use of management, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maner Costerisan PC



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September 14, 2023

To the Board of Education
Okemos Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Okemos Public Schools for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Okemos Public Schools are described in Note 1 to the financial statements. As described in Note 13 to the financial statements, the entity adopted Governmental Accounting Standards Board (GASB) Statement No. 96 *Subscription-based IT Arrangements*, during the year ended June 30, 2023. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by Okemos Public Schools during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements of the governmental activities were:

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability. We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate in calculating the liability for employee compensated absences. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 14, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Okemos Public Schools financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Okemos Public Schools auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

This information is intended solely for the use of the management and members of the Board of Education of Okemos Public Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maney Costeiran PC

**OKEMOS PUBLIC SCHOOLS
BOARD OF EDUCATION RESOLUTION**

A regular meeting of the Okemos Public Schools (“District”) Board of Education (the “Board”) was held on the 9th day of October , 2023 at the following time: 7:00 p.m. (the “Meeting”).

The meeting was called to order by Mary Gebara , President

Present:

Absent:

The following preamble and resolution were offered by Member _____ and supported by Member _____.

WHEREAS:

1. The District is a plaintiff in a lawsuit against Altria Group, Inc. (“Altria”) and other vaping product defendants, specifically Case No. 3:19-md-2913-WHO in the United States District Court for the Northern District of California (“Lawsuit”).

2. Certain Lawsuit defendants established a court-supervised settlement program to resolve the Lawsuit against them (“Settlement Program”), specifically Altria and Altria-related parties, as identified in the Settlement Program.

3. The District previously accepted a settlement in the Lawsuit pertaining to JUUL Labs, Inc. (“Juul”) and Juul-related parties.

4. Pursuant to the Settlement Program, the District may accept the gross settlement amount reflected in settlement documents received by the District (“Settlement Amount”), including in exchange for the District releasing its claims against Altria and Altria-related parties (the “Altria Defendants”).

5. The Altria Defendants are the last defendants remaining in the Lawsuit.

6. If the District fails to accept the Settlement Amount and to sign settlement documents, its claims against the Altria Defendants will continue, which may result in the District expending significant time and costs pursuing its claims, and which may result in no recovery from the Altria Defendants.

7. The Board believes that it is in the District’s best interests to accept the Settlement Amount and to authorize and direct the District Superintendent or designee to sign settlement documents pertaining to the Altria Defendants on behalf of the District and to take such other action as necessary to obtain the Settlement Amount and to settle the Lawsuit against the Altria Defendants, subject to review and approval by the District’s legal counsel.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The Board accepts the Settlement Amount.

2. The Board authorizes and directs the District Superintendent or designee to sign Lawsuit settlement documents pertaining to the Altria Defendants on behalf of the District and to take such other action as necessary to obtain the Settlement Amount and to settle the Lawsuit against the Altria Defendants, subject to review and approval by the District's legal counsel.

3. The Board waives any applicable Board Policies and Bylaws for purposes of this settlement.

4. All resolutions and parts of resolutions that conflict with the provisions of this resolution are rescinded.

Ayes:

Nays:

Absent:

Motion Passed:

Board Secretary

The undersigned duly qualified and acting District Board Secretary hereby certifies that the foregoing constitutes a true and complete copy of a resolution adopted by the Board at the Meeting, the original of which is part of the Board's minutes. The undersigned further certifies that notice of the Meeting was given to the public pursuant to the provisions of the "Open Meetings Act" (Act 267, Public Acts of Michigan, 1976, as amended).

Board Secretary

Date: _____

