

OKEMOS PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary
and additional supplementary information)
YEAR ENDED JUNE 30, 2022

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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, 2022, 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, 2022, 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 14 to the financial statements, in 2022 the District adopted new accounting guidance, GASB Statement No. 87, *Leases*. 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 June 30, 2022 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 12, 2022

**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, 2022. 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.

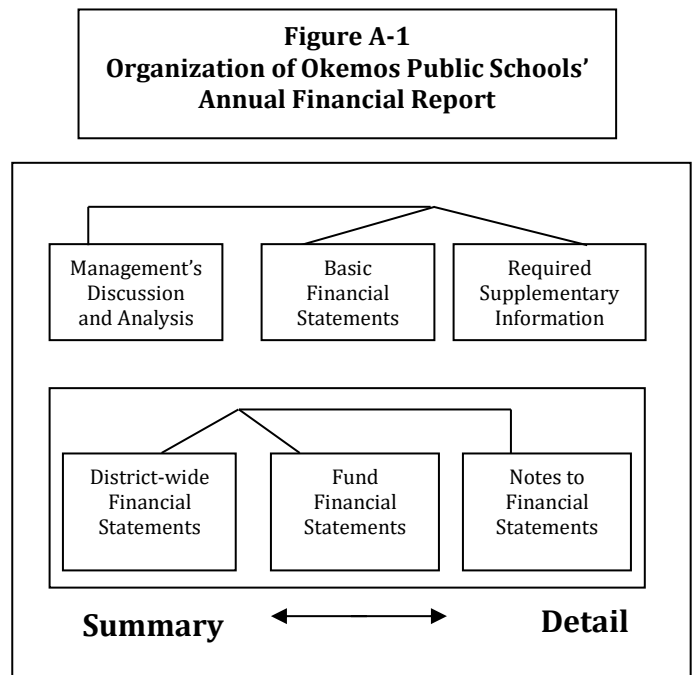
FINANCIAL HIGHLIGHTS

- The District's financial status remained stable. The District's overall revenues were \$73.8 million dollars.
- Total general fund revenues were \$59.7 million. Revenues for the 2021-2022 school year increased 5.6% from the previous year primarily due to an increase in blended student enrollment and other additional funding from the State of Michigan. Expenditures increased 9.3% 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 decreased approximately 100 students in fiscal year 2021-22 as a result of the pandemic.

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		
	<u>District-wide Statements</u>	<u>Fund Financial Statements</u> <u>Governmental Funds</u>
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		
	2022	2021
Current and other assets	\$ 28,200,330	\$ 33,761,681
Capital and other non-current assets	57,310,764	54,545,777
Total assets	<u>85,511,094</u>	<u>88,307,458</u>
Deferred outflows	24,315,821	34,114,244
Noncurrent liabilities	27,501,757	36,675,200
Net pension liability	73,405,268	106,189,243
Net OPEB liability	4,734,265	16,794,102
Other liabilities	8,839,200	10,883,403
Total liabilities	<u>114,480,490</u>	<u>170,541,948</u>
Deferred inflows	46,935,184	16,916,787
Net position		
Net investment in capital assets	39,603,415	33,304,867
Restricted for debt service	25,776	32,474
Restricted for capital projects	2,217,082	1,582,331
Restricted - food service	376,637	-
Unrestricted	<u>(93,811,669)</u>	<u>(99,956,705)</u>
Total net position	<u>\$ (51,588,759)</u>	<u>\$ (65,037,033)</u>

OKEMOS PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-4		
Changes in Okemos Public Schools' Net Position		
	2022	2021
Revenues		
Program revenues		
Charges for services	\$ 2,852,567	\$ 1,571,658
Operating grants and contributions	15,680,376	11,674,420
General revenues		
Property taxes	20,649,581	20,355,194
State aid - unrestricted	29,413,723	30,667,117
Ingham ISD	4,933,173	4,460,176
Investment and other	293,713	226,308
Total revenues	73,823,133	68,954,873
Expenses		
Instruction	32,905,900	38,735,897
Support services	18,712,838	19,043,312
Community services	2,048,798	2,096,931
Food services	1,963,897	1,452,549
Student/school activities	572,492	276,124
Athletics	861,660	758,788
Interest on long-term debt	1,036,813	562,407
Unallocated depreciation/amortization	2,272,461	1,981,462
Total expenses	60,374,859	64,907,470
Change in net position	\$ 13,448,274	\$ 4,047,403

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 2021-2022.

- 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 decreased to 11.0% of expenditures at June 30, 2022 in the General Fund.
- One of the most important factors affecting the budget is our student enrollment. Prior to 2020-21, the District was experiencing consistent annual growth. However, due to the Pandemic, enrollment has decreased over the last two years which prompted the District to budget for another loss in 2022-23. As of the start of the 2022-23 school year, enrollment is once again on the rise and has increased by over 100 pupils. 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 2021-22. 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.
- The District's food service program continues to operate efficiently providing services to two public school academies. The food service program was able to continue the annual contribution of \$80,000 to the District's General Fund balance while growing the fund balance to roughly \$1,364,000.

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 2021-2022 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 \$19,391,003, a decrease of \$3,543,736 compared to the ending funding balance of \$22,934,739 as of June 30, 2021.

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 November 2021 to reflect the actual enrollment counts, finalized State determined per pupil funding allowance as well as other State and Federal funding due to COVID. 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 trends due to starting the year virtually. Further revisions were made to the General Fund budget in May 2022 which more accurately reflect the impact of COVID on the budget. Revenues (Federal, State and Local) and expenditures were adjusted, resulting in net changes to the November, 2021 Board adopted budget.
- The District's final budget for the general fund anticipated an operating surplus of \$274,073, the actual results were a surplus of \$583,856. The additional surplus was due to increased revenues from community education programs and decreased expenditures due to staffing.

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

- The District invested approximately \$6.87 million in capital assets during 2021-2022, 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.

Table A-5 Okemos Public Schools' Capital Assets		
	2022	2021
Land and land improvements	\$ 7,552,638	\$ 7,425,930
Building and improvements	44,942,027	42,645,759
Equipment and furniture	3,954,972	3,714,918
Right to use - leased equipment	87,202	-
Transportation equipment	773,925	759,170
Total - net of accumulated depreciation/amortization	\$ 57,310,764	\$ 54,545,777

The District's fiscal year 2022-23 capital expenditures budget anticipates spending approximately \$2,500,000. For roof repairs, electrical upgrades, updating competition floors and fields, and other projects to be determined upon results of the November 2022 bond election. These projects are funded through the District's Building and Site Sinking fund. In addition, the District will finalize any outstanding projects in relation to the May 2019 bond election, such as lockers, flexible furniture and new instruments.

Long-term Debt

At June 30, 2022 the District had approximately \$27.5 million in long-term obligations outstanding - a decrease of 23% from last year due to paying down existing bonded debt. In 2022, the District issued bonded debt to pay back the School Loan Revolving Fund. (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		
	2022	2021
Bond and related debt	\$ 24,560,290	\$ 20,918,718
Notes from direct borrowings and direct placement	87,095	12,044,919
Compensated absences and other benefits	2,854,372	2,734,511
Total	\$ 27,501,757	\$ 35,698,148

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 2021-2022 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 2022-2023 was a significant increase of \$450 and set the minimum foundation allowance at \$9,150 per pupil.
- The significant enrollment growth of almost 700 students for the District over the previous 8 years was interrupted by the impact of COVID with a loss of over 140 students in the past two years. While the District was optimistic students will return, the District budgeted for a loss of 15 students from prior year enrollment as a conservative measure. As of the start of the 2022-23 school year, enrollment is once again on the rise and has increased by over 100 pupils. The District will include actual enrollment increases in the December 2022 budget revision.
- On Tuesday, November 8, 2022 the Okemos Public Schools community will consider in a bond proposal an opportunity to generate \$275 million for facility improvements with no expected change to the current millage rate.
- Overall, the 2021-2022 General Fund original budget projected a decrease in fund balance of \$1,255,824 bringing the ending fund balance at June 30, 2022 to 10.51%. Following the ending results of FY 2021-2022, the ending fund balance is now projected to be closer to 14.65%.

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 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, 2022**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 8,961,667
Investments	3,689,284
Receivables	
Intergovernmental	8,168,033
Property taxes and other receivables	78,612
Inventories	33,599
Prepays	769,585
Restricted investments capital projects fund	6,499,550
Capital assets not being depreciated	4,353,355
Capital assets, net of accumulated depreciation/amortization	<u>52,957,409</u>
TOTAL ASSETS	<u>85,511,094</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to other postemployment benefits	7,008,998
Related to pensions	<u>17,306,823</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>24,315,821</u>
LIABILITIES	
Accounts payable	811,743
Accrued salaries and related items	3,541,122
Accrued retirement	2,684,479
Accrued interest	129,873
Unearned revenue	1,671,983
Noncurrent liabilities	
Due within one year	9,598,334
Due in more than one year	17,903,423
Net pension liability	73,405,268
Net other postemployment benefits liability	<u>4,734,265</u>
TOTAL LIABILITIES	<u>114,480,490</u>
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	17,897,072
Related to pensions	24,135,683
Related to state aid funding for pension	<u>4,902,429</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>46,935,184</u>
NET POSITION	
Net investment in capital assets	39,603,415
Restricted for debt service	25,776
Restricted for food service	376,637
Restricted for capital projects	2,217,082
Unrestricted	<u>(93,811,669)</u>
TOTAL NET POSITION	<u>\$ (51,588,759)</u>

See notes to financial statements.

**OKEMOS PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

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	\$ 32,905,900	\$ -	\$ 9,410,246	\$ (23,495,654)
Support services	19,574,498	445,408	2,599,175	(16,529,915)
Community services	2,048,798	1,769,334	908,549	629,085
Food services	1,963,897	637,825	2,139,873	813,801
Student/school activities	572,492	-	622,533	50,041
Interest and fees on long-term debt	1,036,813	-	-	(1,036,813)
Unallocated depreciation/amortization	2,272,461	-	-	(2,272,461)
Total governmental activities	<u>\$ 60,374,859</u>	<u>\$ 2,852,567</u>	<u>\$ 15,680,376</u>	<u>(41,841,916)</u>
General revenues				
Property taxes, levied for general purposes				9,303,167
Property taxes, levied for debt service				9,949,846
Property taxes, levied for capital projects				1,396,568
State sources - unrestricted				29,413,723
Ingham ISD special educational allocation				4,933,173
Investment earnings				39,435
Other				<u>254,278</u>
Total general revenues				<u>55,290,190</u>
CHANGE IN NET POSITION				13,448,274
NET POSITION, beginning of year				<u>(65,037,033)</u>
NET POSITION, end of year				<u>\$ (51,588,759)</u>

See notes to financial statements.

**OKEMOS PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General Fund	2019 Capital Projects Fund	2021 Refunding Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 6,596,530	\$ -	\$ 55,507	\$ 2,309,630	\$ 8,961,667
Investments	1,621,981	-	-	2,067,303	3,689,284
Receivables					
Property taxes and other receivables	78,612	-	-	-	78,612
Intergovernmental	8,019,640	-	-	148,393	8,168,033
Due from other funds	-	-	21,684	215,156	236,840
Inventories	772	-	-	32,827	33,599
Prepays	769,585	-	-	-	769,585
Restricted investments capital projects fund	-	6,499,550	-	-	6,499,550
TOTAL ASSETS	\$ 17,087,120	\$ 6,499,550	\$ 77,191	\$ 4,773,309	\$ 28,437,170
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 481,021	\$ 222,044	\$ -	\$ 108,678	\$ 811,743
Accrued salaries and related items	3,534,845	-	-	6,277	3,541,122
Accrued retirement	2,682,836	-	-	1,643	2,684,479
Due to other funds	116,825	65,932	-	54,083	236,840
Unearned revenue	1,494,429	-	-	177,554	1,671,983
TOTAL LIABILITIES	8,309,956	287,976	-	348,235	8,946,167
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	100,000	-	-	-	100,000
FUND BALANCES					
Nonspendable					
Inventories	772	-	-	32,827	33,599
Prepays	769,585	-	-	-	769,585

See notes to financial statements.

	General Fund	2019 Capital Projects Fund	2021 Refunding Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
FUND BALANCES (continued)					
Restricted for:					
Debt service	\$ -	\$ -	\$ 77,191	\$ 78,458	\$ 155,649
Food service	-	-	-	1,331,247	1,331,247
Capital projects	-	-	-	2,217,082	2,217,082
Capital projects - school improvements	-	6,211,574	-	-	6,211,574
Committed for student/school activities	-	-	-	620,258	620,258
Assigned for:					
Capital projects	-	-	-	145,202	145,202
Curriculum	24,721	-	-	-	24,721
Subsequent years expenditures	1,342,238	-	-	-	1,342,238
Unassigned	6,539,848	-	-	-	6,539,848
TOTAL FUND BALANCES	8,677,164	6,211,574	77,191	4,425,074	19,391,003
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 17,087,120	\$ 6,499,550	\$ 77,191	\$ 4,773,309	\$ 28,437,170

Total governmental fund balances

\$ 19,391,003

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

Deferred outflows of resources - related to pensions	\$ 17,306,823
Deferred outflows of resources - related to OPEB	7,008,998
Deferred inflows of resources - related to pensions	(24,135,683)
Deferred inflows of resources - related to OPEB	(17,897,072)
Deferred inflows of resources - related to state pension funding	(4,902,429)
Deferred inflows at June 30, 2022 expected to be collected after September 1, 2022	100,000
	(22,519,363)

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

Cost of the capital assets	136,801,034
Accumulated depreciation/amortization is	(79,490,270)
	57,310,764

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

General obligation bonds	(24,560,290)
Direct borrowings and direct placement	(87,095)
Compensated absences and other benefits	(2,854,372)
Net pension liability	(73,405,268)
Net OPEB liability	(4,734,265)

Accrued interest is not included as a liability in governmental funds, it is recorded when paid:

Accrued interest	(129,873)
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Net position of governmental activities

\$ (51,588,759)

See notes to financial statements.

**OKEMOS PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022**

	General Fund	2019 Capital Projects Fund	2021 Refunding Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Local sources					
Property taxes	\$ 9,303,167	\$ -	\$ 4,761,606	\$ 6,579,594	\$ 20,644,367
Community service	1,769,334	-	-	-	1,769,334
Intermediate district	4,943,563	-	-	-	4,943,563
Investment earnings	3,950	30,465	201	4,819	39,435
Food service sales	-	-	-	192,377	192,377
Athletics	276,575	-	-	-	276,575
Student/school activity income	-	-	-	622,533	622,533
Other	268,524	-	-	159,801	428,325
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total local sources	16,565,113	30,465	4,761,807	7,559,124	28,916,509
State sources	40,958,583	-	-	207,376	41,165,959
Federal sources	2,135,572	-	-	1,989,075	4,124,647
Incoming transfers and other transactions	-	-	-	445,448	445,448
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	59,659,268	30,465	4,761,807	10,201,023	74,652,563
EXPENDITURES					
Current					
Instruction	36,795,066	-	-	-	36,795,066
Support services	20,227,044	-	-	-	20,227,044
Community services	2,205,416	-	-	-	2,205,416
Food service	-	-	-	1,992,401	1,992,401
Student/school activities	-	-	-	572,492	572,492
Capital outlay	-	5,541,618	-	917,903	6,459,521

See notes to financial statements.

	General Fund	2019 Capital Projects Fund	2021 Refunding Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
EXPENDITURES (continued)					
Debt service					
Principal repayment	\$ -	\$ -	\$ 4,620,000	\$ 4,400,000	\$ 9,020,000
Repayment on school loan revolving fund	-	-	13,073,463	-	13,073,463
Interest	-	-	63,515	948,250	1,011,765
Bond issuance costs	-	-	77,638	-	77,638
Miscellaneous	-	-	-	642	642
TOTAL EXPENDITURES	59,227,526	5,541,618	17,834,616	8,831,688	91,435,448
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	431,742	(5,511,153)	(13,072,809)	1,369,335	(16,782,885)
OTHER FINANCING SOURCES (USES)					
Proceeds from the sale of bonds	-	-	13,150,000	-	13,150,000
Lease proceeds	89,149	-	-	-	89,149
Transfers in	80,000	-	-	17,035	97,035
Transfers out	(17,035)	-	-	(80,000)	(97,035)
TOTAL OTHER FINANCING SOURCES (USES)	152,114	-	13,150,000	(62,965)	13,239,149
NET CHANGE IN FUND BALANCES	583,856	(5,511,153)	77,191	1,306,370	(3,543,736)
FUND BALANCES					
Beginning of year	8,093,308	11,722,727	-	3,118,704	22,934,739
End of year	\$ 8,677,164	\$ 6,211,574	\$ 77,191	\$ 4,425,074	\$ 19,391,003

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, 2022**

Net change in fund balances total governmental funds	\$ (3,543,736)
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	(4,093,075)
Capital outlay	6,866,848
Loss on disposal of capital assets	(8,786)
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	1,133,513
Accrued interest payable, end of the year	(129,873)
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	(13,150,000)
Lease proceeds	(89,149)
Payment to the school loan revolving fund	12,044,919
Payment on debt principal	9,019,999
Amortization of bond premium	488,429
Payments on notes from direct borrowings and direct placement	2,054
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	2,734,511
Accrued compensated absences and other benefits, end of the year	(2,854,372)
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	4,712,082
Pension related items	1,144,340
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	<u>(829,430)</u>
Change in net position of governmental activities	<u><u>\$ 13,448,274</u></u>

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 *2021 Refunding Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on the 2021 long-term general obligation debt.

The *2019 Capital Projects Fund* accounts for the debt proceeds received in June 2019 and the acquisition of fixed assets related to technology, transportation, and overall school improvement.

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.

**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*. The projects for which the 2019 bonds were issued were ongoing as of June 30, 2019 and the cumulative revenues and expenditures recognized for the construction period were as follows:

	2019 Capital Projects Fund
Revenue and other financing sources	\$ 25,407,384
Expenditures and outgoing transfers	\$ 19,195,810

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(I) 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, 2022. 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 3 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, 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 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

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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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, 2022, the outstanding balance was \$8,530,000. 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, 2022 is \$728,462.

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

Lessee: The District is a lessee for a noncancelable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value that it considers significant to the government-wide financial statements, or with annual lease payments that considered significant to the fund in which they are accounted for.

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

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

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease 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 (continued)

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

Lease assets are reported with other capital assets and lease 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, 2022, 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	0.9861

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, 2022, 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, 2022, \$8,978,671 of the District's bank balance of \$9,228,671 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 \$8,961,667.

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.

Investment Type	Fair Value	Weighted Average Maturity (years)
MILAF External Investment pool - CMC	\$ 1,038,054	N/A
MILAF External Investment pool - Max	9,150,780	N/A
Total Fair Value	\$ 10,188,834	
Portfolio weighted average maturity		N/A

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.

Investment Type	Fair Value	Standard & Poor's Rating	Rating Agency
MILAF External Investment pool - CMC	\$ 1,038,054	AAAm	Standard & Poor's
MILAF External Investment pool - Max	9,150,780	AAAm	Standard & Poor's
Total fair value	\$ 10,188,834		

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	\$ 1,038,054
MILAF External Investment pool - Max	9,150,780
	\$ 10,188,834

The carrying amount of deposits and investments are as follows:

Investments	\$ 10,188,834
Deposits	8,961,667
	\$ 19,150,501

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

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

Cash and cash equivalents	\$ 8,961,667
Investments	3,689,284
Investments restricted for capital projects fund	<u>6,499,550</u>
	<u>\$ 19,150,501</u>

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables as of June 30, 2022 consist of the following:

State aid - Michigan Department of Education	\$ 7,176,744
Federal	923,386
Intermediate school district and other	<u>67,903</u>
Total	<u>\$ 8,168,033</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:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Assets, not being depreciated				
Land	\$ 4,353,355	\$ -	\$ -	\$ 4,353,355
Capital assets, being depreciated/amortized				
Land improvements	11,677,057	461,094	-	12,138,151
Building and improvements	90,773,549	4,568,729	-	95,342,278
Furniture and fixtures	7,541,309	454,282	-	7,995,591
Machinery and equipment	4,507,283	70,179	-	4,577,462
Computers and equipment	13,245,312	1,029,415	(4,237,473)	10,037,254
Right to use - leased equipment	-	89,149	-	89,149
Transportation equipment	2,236,735	194,000	(162,941)	2,267,794
Total capital assets, being depreciated	<u>129,981,245</u>	<u>6,866,848</u>	<u>(4,400,414)</u>	<u>132,447,679</u>
Accumulated depreciation/amortization				
Land improvements	8,604,482	334,386	-	8,938,868
Building and improvements	48,127,790	2,272,461	-	50,400,251
Furniture and fixtures	7,220,113	54,290	-	7,274,403
Machinery and equipment	3,850,437	171,734	-	4,022,171
Computers and equipment	10,508,436	1,079,010	(4,228,685)	7,358,761
Right to use - leased equipment	-	1,947	-	1,947
Transportation equipment	1,477,565	179,247	(162,943)	1,493,869
Total accumulated depreciation/amortization	<u>79,788,823</u>	<u>4,093,075</u>	<u>(4,391,628)</u>	<u>79,490,270</u>
Net capital assets, being depreciated/amortized	<u>50,192,422</u>	<u>2,773,773</u>	<u>8,786</u>	<u>52,957,409</u>
Net governmental capital assets	<u>\$ 54,545,777</u>	<u>\$ 2,773,773</u>	<u>\$ 8,786</u>	<u>\$ 57,310,764</u>

Depreciation/amortization for the fiscal year ended June 30, 2022 amounted to \$4,093,075. The District allocated depreciation/amortization to the various activities as follows:

Instruction	\$ 213,742
Support	1,601,007
Community service	5,865
Unallocated	<u>2,272,461</u>
	<u>\$ 4,093,075</u>

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE

At June 30, 2021, the District had issued a state aid anticipation note payable of \$4,000,000. The note had an interest rate of 0.7%. Proceeds of the note were used to fund school operations. The note was secured by the full faith and credit of the District as well as pledged state aid. The note required payments to an irrevocable set-aside account of \$800,000 during the year ended June 30, 2022. The note matured in July 2021. Activity for the year ended June 30, 2022 is as follows:

Balance July 1, 2021	Additions	Payments	Balance June 30, 2022
\$ 800,000	\$ -	\$ (800,000)	\$ -

NOTE 6 - 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, 2022:

	Compensated Absences and Other Benefits	General Obligation Bonds	Direct Borrowings and Direct Placements	Total
Balance July 1, 2021	\$ 2,734,511	\$ 20,918,718	\$ 12,044,919	\$ 35,698,148
Additions	119,861	13,150,000	89,149	13,359,010
Deletions	-	(9,508,428)	(12,046,973)	(21,555,401)
Balance, June 30, 2022	2,854,372	24,560,290	87,095	27,501,757
Due within one year	(151,882)	(9,430,000)	(16,452)	(9,598,334)
Due in more than year	\$ 2,702,490	\$ 15,130,290	\$ 70,643	\$ 17,903,423

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - 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%.	\$ 8,530,000
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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%.	14,565,000
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Premium on bonds	1,465,290
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Total general obligation debt	<u>24,560,290</u>
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Direct Borrowings and Direct Placement

Copier lease due in monthly installments of \$1,128 through April 2027, with an implied interest rate of 4.00%.	60,332
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Copier lease due in monthly installments of \$508 through March 2027, with an implied interest rate of 4.00%.	<u>26,763</u>
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Total direct borrowings and direct placement	<u>87,095</u>
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Compensated Absences

Obligation under contract for compensated absences and other benefits.	<u>2,854,372</u>
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Total general long-term obligations	<u><u>\$ 27,501,757</u></u>
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The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$87,095 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 6 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize debt outstanding as of June 30, 2022, 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		
2023	\$ 9,430,000	\$ 787,108	\$ 16,452	\$ 3,184	\$ -	\$ 10,236,744
2024	6,635,000	522,918	17,122	2,514	-	7,177,554
2025	7,030,000	267,886	17,820	1,816	-	7,317,522
2026	-	-	18,546	1,090	-	19,636
2027	-	-	17,155	337	-	17,492
	23,095,000	1,577,912	87,095	8,941	-	24,768,948
Premium on bonds	1,465,290	-	-	-	-	1,465,290
Compensated absences and other benefits	-	-	-	-	2,854,372	2,854,372
	<u>\$ 24,560,290</u>	<u>\$ 1,577,912</u>	<u>\$ 87,095</u>	<u>\$ 8,941</u>	<u>\$ 2,854,372</u>	<u>\$ 29,088,610</u>

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2022 are as follows:

Receivable Fund		Payable Fund	
Food Service Fund	\$ 164,107	General Fund	\$ 116,825
2019 Debt Retirement	23,641	Student/School Activities Fund	54,083
2021 Refunding Debt	21,684	2019 Capital Projects Fund	65,932
Sinking Fund	10,374		
Capital Projects Fund	17,034		
	<u>\$ 236,840</u>		<u>\$ 236,840</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 8 - 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 8 - 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 8 - 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 8 - 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 8 - 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, 2020 were determined as of the September 30, 2017 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2017 are amortized over a 19-year period beginning October 1, 2019 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, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

The District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Total pension contributions were approximately \$10,640,000. Of the total pension contributions approximately \$10,303,000 was contributed to fund the Defined Benefit Plan and approximately \$337,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB contributions were approximately \$2,595,000. Of the total OPEB contributions approximately \$2,402,000 was contributed to fund the Defined Benefit Plan and approximately \$193,000 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 8 - 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, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2020 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, 2021</u>	<u>September 30, 2020</u>
Total pension liability	\$ 86,392,473,395	\$ 85,290,583,799
Plan fiduciary net position	\$ 62,717,060,920	\$ 50,939,496,006
Net pension liability	\$ 23,675,412,475	\$ 34,351,087,793
Proportionate share	0.31005%	0.30913%
Net pension liability for the District	\$ 73,405,268	\$ 106,189,243

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

For the year ended June 30, 2022, the District recognized pension expense of \$9,158,748.

At June 30, 2022, 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	\$ 4,627,206	\$ -
Net difference between projected and actual earnings on pension plan investments	-	23,599,558
Differences between expected and actual experience	1,137,079	432,270
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,752,186	103,855
Reporting Unit's contributions subsequent to the measurement date	<u>9,790,352</u>	<u>-</u>
	<u>\$ 17,306,823</u>	<u>\$ 24,135,683</u>

\$9,790,352, 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 8 - 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
2022	\$ (1,267,024)
2023	(3,538,047)
2024	(5,460,186)
2025	(6,353,955)

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, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2020 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, 2021	September 30, 2020
Total other postemployment benefit	\$ 12,046,393,511	\$ 13,206,903,534
Plan fiduciary net position	\$ 10,520,015,621	\$ 7,849,636,555
Net other postemployment benefit liability	\$ 1,526,377,890	\$ 5,357,266,979
Proportionate share	0.31016%	0.31348%
Net other postemployment benefit liability for the District	\$ 4,734,265	\$ 16,794,102

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

For the year ended June 30, 2022, the District recognized OPEB benefit of \$2,309,933.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - 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, 2022, 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	\$ 3,957,611	\$ 592,206
Net difference between projected and actual earnings on OPEB plan investments	-	3,568,301
Differences between expected and actual experience	-	13,513,622
Changes in proportion and differences between employer contributions and proportionate share of contributions	861,647	222,943
Reporting Unit's contributions subsequent to the measurement date	2,189,740	-
	\$ 7,008,998	\$ 17,897,072

\$2,189,740, 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
2022	\$ (3,314,660)
2023	(3,051,030)
2024	(2,860,900)
2025	(2,715,269)
2026	(1,004,204)
2027	(131,751)

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

Investment Rate of Return for Pension - 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for Pension Plus 2 Plan.

Investment Rate of Return for OPEB - 6.95% 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, 2020. 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 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, 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 8 - 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, 2021 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%	5.4%
International Equity Pools	15.0%	7.5%
Private Equity Pools	16.0%	9.1%
Real Estate and Infrastructure Pools	10.0%	5.4%
Fixed Income Pools	10.5%	-0.7%
Absolute Return Pools	9.0%	2.6%
Real Return/Opportunistic Pools	12.5%	6.1%
Short Term Investment Pools	2.0%	-1.3%
	<u>100.0%</u>	

* Long term rate of return are net of administrative expenses and 2.0% inflation.

Rate of Return - For fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.3% and 27.14% 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 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). 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 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

OPEB Discount Rate - A single discount rate of 6.95% 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 6.95%. 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 6.80% (6.00% for the Pension Plus 2 Plan), 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	\$ 104,949,626	\$ 73,405,268	\$ 47,252,927

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 6.95%, 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	\$ 8,797,119	\$ 4,734,265	\$ 1,286,353

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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	\$ 1,152,282	\$ 4,734,265	\$ 8,764,427

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 2021 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 9 - 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.

Subsequent to year-end, the District was made aware of a potential penalty imposed for an unqualified teacher. The total amount of the penalty is uncertain, but is estimated to potentially result in an approximately \$177,000 reduction in state aid funding.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - 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.

NOTE 11 - TRANSFERS

The food service fund transferred \$80,000 to the general fund for indirect cost expenditure reimbursement. The general fund transferred \$17,035 to the energy initiative fund for capital expenditures.

NOTE 12 - 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	\$ 82,516

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 13 - UPCOMING ACCOUNTING PRONOUNCEMENT

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. 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. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the District implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

There was no material impact to the beginning balances on the District's financial statements after the adoption of GASB Statement 87.

REQUIRED SUPPLEMENTARY INFORMATION

**OKEMOS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 16,421,516	\$ 16,403,892	\$ 16,565,113	\$ 161,221
State sources	38,207,234	40,959,957	40,958,583	(1,374)
Federal sources	2,005,672	1,502,402	2,135,572	633,170
TOTAL REVENUES	56,634,422	58,866,251	59,659,268	793,017
EXPENDITURES				
Current				
Instruction				
Basic programs	28,836,647	29,228,545	29,578,810	(350,265)
Added needs	7,347,297	7,453,202	7,216,256	236,946
Total instruction	36,183,944	36,681,747	36,795,066	(113,319)
Supporting services				
Pupil	3,804,173	3,804,538	3,880,219	(75,681)
Instructional staff	2,866,617	2,730,451	2,950,082	(219,631)
General administration	558,342	613,381	619,333	(5,952)
School administration	3,326,943	3,195,465	3,142,112	53,353
Business	765,361	768,601	853,059	(84,458)
Operations and maintenance	4,663,746	5,027,011	5,141,547	(114,536)
Transportation	1,124,066	1,138,180	1,177,717	(39,537)
Central	1,520,733	1,538,734	1,589,272	(50,538)
Athletics	850,783	867,769	873,703	(5,934)
Total supporting services	19,480,764	19,684,130	20,227,044	(542,914)
Community services				
Payments to other public schools	2,290,739	2,306,301	2,205,416	100,885
	14,799	-	-	-
TOTAL EXPENDITURES	57,970,246	58,672,178	59,227,526	(555,348)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,335,824)	194,073	431,742	237,669
OTHER FINANCING SOURCES (USES)				
Lease proceeds	-	-	89,149	89,149
Transfers in	80,000	80,000	80,000	-
Transfers out	-	-	(17,035)	(17,035)
TOTAL OTHER FINANCING SOURCES (USES)	80,000	80,000	152,114	72,114
NET CHANGE IN FUND BALANCE	\$ (1,255,824)	\$ 274,073	583,856	\$ 309,783
FUND BALANCE				
Beginning of year			8,093,308	
End of year			\$ 8,677,164	

**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)**

	2021	2020	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.31005%	0.30913%	0.30204%	0.29781%	0.29446%	0.28402%	0.27502%	0.26922%
Reporting Unit's proportionate share of net pension	\$ 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	\$ 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	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)	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)**

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 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	10,303,088	9,079,868	8,356,210	7,889,595	7,849,263	6,885,428	6,193,998	4,935,873
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reporting Unit's covered-employee payroll	\$ 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	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)**

	2021	2020	2019	2018	2017
Reporting Unit's proportion of net OPEB liability (%)	0.31016%	0.31348%	0.30542%	0.29991%	0.29436%
Reporting Unit's proportionate share of net OPEB liability	\$ 4,734,265	\$ 16,794,102	\$ 21,922,632	\$ 23,839,817	\$ 26,066,532
Reporting Unit's covered-employee payroll	\$ 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	16.87%	60.37%	81.99%	93.48%	104.15%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 2,402,148	\$ 2,377,660	\$ 2,356,668	\$ 2,182,909	\$ 2,217,970
Contributions in relation to statutorily required contributions	<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>
Reporting Unit's covered-employee payroll	\$ 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%	8.56%	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, 2022**

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2021.

Changes of Assumptions - there were no changes of assumptions in 2021.

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2021.

Changes of Assumptions - the assumption changes for 2021 were:

Healthcare cost trend rate was broken into two groups, Pre 65 and Post 65. The Pre 65 rate is 7.75% Year 1 graded to 3.50% Year 15. The Post 65 rate is 5.25% Year 1 graded to 3.50% Year 15. The prior healthcare cost trend rate was reported as one group with a rate of 7.00% Year 1 graded to 3.50% Year 15.

ADDITIONAL SUPPLEMENTARY INFORMATION

**OKEMOS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2022**

	Special Revenue				
	Food Service Fund	Student/ School Activities Fund	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Funds
ASSETS					
Cash and cash equivalents	\$ 1,206,773	\$ 674,476	\$ 54,817	\$ 373,564	\$ 2,309,630
Investments	-	-	-	2,067,303	2,067,303
Due from other governments	148,393	-	-	-	148,393
Due from other funds	164,107	-	23,641	27,408	215,156
Inventories	32,827	-	-	-	32,827
TOTAL ASSETS	\$ 1,552,100	\$ 674,476	\$ 78,458	\$ 2,468,275	\$ 4,773,309
LIABILITIES					
Accounts payable	\$ 2,552	\$ 135	\$ -	\$ 105,991	\$ 108,678
Accrued salaries and related items	6,277	-	-	-	6,277
Accrued retirement	1,643	-	-	-	1,643
Due to other funds	-	54,083	-	-	54,083
Unearned revenue	177,554	-	-	-	177,554
TOTAL LIABILITIES	188,026	54,218	-	105,991	348,235
FUND BALANCES					
Nonspendable					
Inventories	32,827	-	-	-	32,827
Restricted for:					
Debt service	-	-	78,458	-	78,458
Capital projects	-	-	-	2,217,082	2,217,082
Food service	1,331,247	-	-	-	1,331,247
Committed for:					
Student/school activities	-	620,258	-	-	620,258
Assigned for:					
Capital projects	-	-	-	145,202	145,202
TOTAL FUND BALANCES	1,364,074	620,258	78,458	2,362,284	4,425,074
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,552,100	\$ 674,476	\$ 78,458	\$ 2,468,275	\$ 4,773,309

OKEMOS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2022

	Special Revenue		Nonmajor Debt Service Funds	Nonmajor Capital Projects	Total Nonmajor Funds
	Food Service Fund	Student/ School Activities Fund			
REVENUES					
Local sources					
Property taxes	\$ -	\$ -	\$ 5,183,026	\$ 1,396,568	\$ 6,579,594
Investment earnings	-	-	583	4,236	4,819
Food service sales	192,377	-	-	-	192,377
Student/school activity income	-	622,533	-	-	622,533
Other	-	-	5,214	154,587	159,801
Total local sources	192,377	622,533	5,188,823	1,555,391	7,559,124
State sources	150,798	-	49,592	6,986	207,376
Federal sources	1,989,075	-	-	-	1,989,075
Incoming transfers and other	445,448	-	-	-	445,448
TOTAL REVENUES	2,777,698	622,533	5,238,415	1,562,377	10,201,023
EXPENDITURES					
Food service	1,992,401	-	-	-	1,992,401
Student/school activities	-	572,492	-	-	572,492
Capital outlay	24,934	-	-	892,969	917,903
Debt service:					
Principal repayment	-	-	4,400,000	-	4,400,000
Interest	-	-	948,250	-	948,250
Miscellaneous	-	-	642	-	642
TOTAL EXPENDITURES	2,017,335	572,492	5,348,892	892,969	8,831,688
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	760,363	50,041	(110,477)	669,408	1,369,335
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	17,035	17,035
Transfers out	(80,000)	-	-	-	(80,000)
TOTAL OTHER FINANCING SOURCES (USES)	(80,000)	-	-	17,035	(62,965)
NET CHANGE IN FUND BALANCES	680,363	50,041	(110,477)	686,443	1,306,370
FUND BALANCES					
Beginning of year	683,711	570,217	188,935	1,675,841	3,118,704
End of year	\$ 1,364,074	\$ 620,258	\$ 78,458	\$ 2,362,284	\$ 4,425,074

**OKEMOS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
JUNE 30, 2022
(with comparative totals for the year ended 2021)**

	Capital		Totals	
	Projects Fund	Sinking Fund	2022	2021
ASSETS				
Cash and cash equivalents	\$ 248,168	\$ 125,396	\$ 373,564	\$ 376,358
Investments	-	2,067,303	2,067,303	1,363,213
Due from other funds	17,034	10,374	27,408	-
TOTAL ASSETS	\$ 265,202	\$ 2,203,073	\$ 2,468,275	\$ 1,739,571
LIABILITIES				
Accounts payable	\$ -	\$ 105,991	\$ 105,991	\$ 52,627
Due to other funds	-	-	-	11,103
TOTAL LIABILITIES	-	105,991	105,991	63,730
FUND BALANCES				
Restricted	120,000	2,097,082	2,217,082	1,582,331
Assigned	145,202	-	145,202	93,510
TOTAL FUND BALANCES	265,202	2,097,082	2,362,284	1,675,841
TOTAL LIABILITIES AND FUND BALANCE	\$ 265,202	\$ 2,203,073	\$ 2,468,275	\$ 1,739,571

**OKEMOS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2022
(with comparative totals for the year ended 2021)**

	Capital Projects		Totals	
	Fund	Sinking Fund	2022	2021
REVENUES				
Local sources				
Property taxes	\$ -	\$ 1,396,568	\$ 1,396,568	\$ 1,365,692
Investment earnings	70	4,166	4,236	817
Other	154,587	-	154,587	12,537
Total local sources	154,657	1,400,734	1,555,391	1,379,046
State sources	-	6,986	6,986	6,085
TOTAL REVENUES	154,657	1,407,720	1,562,377	1,385,131
EXPENDITURES				
Capital outlay	-	892,969	892,969	562,718
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	154,657	514,751	669,408	822,413
OTHER FINANCING SOURCES (USES)				
Transfers in	17,035	-	17,035	30,890
Transfers out	-	-	-	(439,383)
TOTAL OTHER FINANCING SOURCES (USES)	17,035	-	17,035	(408,493)
NET CHANGE IN FUND BALANCES	171,692	514,751	686,443	413,920
FUND BALANCES				
Beginning of year	93,510	1,582,331	1,675,841	1,261,921
End of year	<u>\$ 265,202</u>	<u>\$ 2,097,082</u>	<u>\$ 2,362,284</u>	<u>\$ 1,675,841</u>

**OKEMOS PUBLIC SCHOOLS
 COMBINING BALANCE SHEET
 DEBT SERVICE FUNDS
 JUNE 30, 2022
 (with comparative totals for the year ended 2021)**

	2019 Debt Retirement	
	2022	2021
ASSETS		
Cash and cash equivalents	\$ 54,817	\$ 188,934
Due from other funds	23,641	1
TOTAL ASSETS	\$ 78,458	\$ 188,935
FUND BALANCES		
Restricted for debt service	\$ 78,458	\$ 188,935

OKEMOS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2022
(with comparative totals for the year ended 2021)

	<u>2019 Debt Retirement</u>	
	<u>2022</u>	<u>2021</u>
REVENUES		
Local sources		
Property taxes	\$ 5,183,026	\$ 137,875
Investment earnings	583	26
Other	5,214	-
Total local sources	<u>5,188,823</u>	<u>137,901</u>
State sources	<u>49,592</u>	<u>-</u>
TOTAL REVENUES	<u>5,238,415</u>	<u>137,901</u>
EXPENDITURES		
Principal retirement	4,400,000	1,750,000
Interest	948,250	1,035,750
Miscellaneous	642	661
TOTAL EXPENDITURES	<u>5,348,892</u>	<u>2,786,411</u>
EXCESS (DEFICIENCY) OF REVENUES		
OVER (UNDER) EXPENDITURES	<u>(110,477)</u>	<u>(2,648,510)</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from the school loan revolving fund	-	2,104,594
Transfers in	-	703,816
TOTAL OTHER FINANCING		
SOURCES (USES)	<u>-</u>	<u>2,808,410</u>
NET CHANGE IN FUND BALANCES	(110,477)	159,900
FUND BALANCES		
Beginning of year	<u>188,935</u>	<u>29,035</u>
End of year	<u>\$ 78,458</u>	<u>\$ 188,935</u>

**OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
YEAR ENDED JUNE 30, 2022**

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	
2023	5.00%	\$ 4,620,000	\$ 364,125	\$ 364,125	\$ 5,348,250
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>\$ 14,565,000</u>	<u>\$ 740,000</u>	<u>\$ 740,000</u>	<u>\$ 16,045,000</u>

**OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
YEAR ENDED JUNE 30, 2022**

Date	Name	Kind	Original Issue
08/19/21	2021 Refunding bonds	Refunding Bonds	<u><u>\$ 13,150,000</u></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	
2023	0.69%	\$ 4,810,000	\$ 29,429	\$ 29,429	\$ 4,868,858
2024	0.69%	1,780,000	12,834	12,834	1,805,668
2025	0.69%	1,940,000	6,693	6,693	1,953,386
		<u><u>\$ 8,530,000</u></u>	<u><u>\$ 48,956</u></u>	<u><u>\$ 48,956</u></u>	<u><u>\$ 8,627,912</u></u>

**OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT
SCHOOL LOAN REVOLVING FUND
YEAR ENDED JUNE 30, 2022**

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Loan Revolving Fund. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from the State under this program have been summarized as follows:

	School Loan Revolving Fund (SLRF)		
Year Ending June 30,	Loan Proceeds (Repayments)	Accrued Interest	Loan Balance (net change)
2015	\$ 370,777	\$ 3,404	\$ 374,181
2016	1,839,078	23,560	1,862,638
2017	1,253,575	78,980	1,332,555
2018	1,765,989	122,871	1,888,860
2019	1,624,685	191,703	1,816,388
2020	2,239,465	246,947	2,486,412
2021	2,951,350	309,587	3,260,937
2022	-	51,493	51,493
2022 repayment	(12,044,919)	(1,028,545)	(13,073,464)
Total June 30, 2022	\$ -	\$ -	\$ -

**OKEMOS PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2021	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2022
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-cash assistance (donated foods)								
National School Lunch Program								
Entitlement	10.555	N/A	\$ 121,094	\$ -	\$ 94,170	\$ 121,094	\$ 121,094	\$ -
Cash Assistance								
COVID - 19 National School Lunch Program	10.555	220910	82,001	-	-	-	82,001	(82,001)
COVID - 19 National School Lunch Program		211961	189,758	-	-	189,758	189,758	-
COVID - 19 National School Lunch Program		221961	1,414,828	-	-	1,414,828	1,346,632	68,196
Total cash assistance			<u>1,686,587</u>	<u>-</u>	<u>-</u>	<u>1,604,586</u>	<u>1,618,391</u>	<u>(13,805)</u>
Total ALN 10.555			1,807,681	-	94,170	1,725,680	1,739,485	(13,805)
COVID-19 School Breakfast Program	10.553	211971	13,876	-	-	13,876	13,876	-
COVID-19 School Breakfast Program		221971	145,351	-	-	145,351	136,695	8,656
Total ALN 10.553			<u>159,227</u>	<u>-</u>	<u>-</u>	<u>159,227</u>	<u>150,571</u>	<u>8,656</u>
COVID-19 Extended Summer Food Service Program	10.559	210904	972,424	80,432	871,319	101,105	181,537	-
Total Child Nutrition Cluster			<u>2,939,332</u>	<u>80,432</u>	<u>965,489</u>	<u>1,986,012</u>	<u>2,071,593</u>	<u>(5,149)</u>
COVID -19 Pandemic EBT Local Level Costs	10.649	210980-2021	3,063	-	-	3,063	3,063	-
Total U.S. Department of Agriculture			<u>2,942,395</u>	<u>80,432</u>	<u>965,489</u>	<u>1,989,075</u>	<u>2,074,656</u>	<u>(5,149)</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, 2022**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2021	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2022
<u>U.S. Department of Education</u>								
Passed through Michigan Department of Education								
Title I, Part A - Improving Basic Programs	84.010	211530-2021	\$ 116,288	\$ 9,956	\$ 46,610	\$ -	\$ 9,956	\$ -
Title I, Part A - Improving Basic Programs		221530-2122	177,479	-	-	69,857	34,918	34,939
Total ALN 84.010			293,767	9,956	46,610	69,857	44,874	34,939
Title II, Part A - Supporting Effective Instruction	84.367	210520-2021	59,192	15,061	59,192	-	15,061	-
		220520-2122	53,757	-	-	53,757	41,301	12,456
Total ALN 84.367			112,949	15,061	59,192	53,757	56,362	12,456
Title III, Part A - Language Instruction for Immigrant Students	84.365	210580-2021	74,731	21,716	21,716	34,944	56,660	-
Title III, Part A - Language Instruction for Immigrant Students		220580-2122	55,242	-	-	13,312	12,418	894
Title III, Part A - Language Instruction for Immigrant Students		210570-2021	14,218	-	-	3,208	3,208	-
Title III, Part A - Language Instruction for Immigrant Students		220570-2122	21,531	-	-	20,114	15,533	4,581
Total ALN 84.365			165,722	21,716	21,716	71,578	87,819	5,475
Title IV, Part A - Student Support and Academic Enrichment	84.424	220750-2122	10,000	-	-	10,000	10,000	-
Education Stabilization Fund								
COVID-19 Governor's Emergency Education Relief Funds (GEER II)								
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER I Formula Funds)	84.425C	211202-2122	36,750	-	-	36,750	36,750	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Formula Funds)	84.425D	203710-1920	154,537	27,063	150,431	4,106	31,169	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Formula Funds)	84.425D	213712-2021	401,785	92,032	92,032	-	92,032	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Formula Funds)	84.425D	213722-2122	123,750	-	-	123,750	123,750	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Formula Funds)	84.425D	213742-2122	50,050	-	-	35,612	31,633	3,979
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Equilization Funds)	84.425U	213723-2122	3,736,804	-	-	735,090	-	735,090
Total ALN 84.425			4,503,676	119,095	242,463	935,308	315,334	739,069

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, 2022**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2021	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2022
<u>U.S. Department of Education (continued)</u>								
Passed through Ingham Intermediate School District								
Special Education Cluster								
Special Education - Preschool	84.173	220460-2122 210460-2021	\$ 17,659 17,455	\$ - 17,455	\$ - 17,455	\$ 17,659 -	\$ - 17,455	\$ 17,659 -
Total ALN 84.173			<u>35,114</u>	<u>17,455</u>	<u>17,455</u>	<u>17,659</u>	<u>17,455</u>	<u>17,659</u>
Special Education - Flowthrough	84.027	220450-2122 200450-1920	1,713 4,911	- 4,911	- 4,911	1,713 -	- 4,911	1,713 -
Total ALN 84.027			<u>6,624</u>	<u>4,911</u>	<u>4,911</u>	<u>1,713</u>	<u>4,911</u>	<u>1,713</u>
Total Special Education Cluster			<u>41,738</u>	<u>22,366</u>	<u>22,366</u>	<u>19,372</u>	<u>22,366</u>	<u>19,372</u>
Total U.S. Department of Education			<u>5,127,852</u>	<u>188,194</u>	<u>392,347</u>	<u>1,159,872</u>	<u>536,755</u>	<u>811,311</u>
<u>U.S. Department of Health and Human Services</u>								
Passed through Ingham Intermediate School District								
Medicaid Cluster								
Medical Assistance Program	93.778	N/A	31,928	-	17,108	31,928	31,928	-
COVID - 19 Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	222810-HRA2022	35,223	-	-	35,223	-	35,223
Total U.S. Department of Health and Human Services			<u>67,151</u>	<u>-</u>	<u>17,108</u>	<u>67,151</u>	<u>31,928</u>	<u>35,223</u>
TOTAL FEDERAL AWARDS			<u>\$ 8,137,398</u>	<u>\$ 268,626</u>	<u>\$ 1,374,944</u>	<u>\$ 3,216,098</u>	<u>\$ 2,643,339</u>	<u>\$ 841,385</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, 2022**

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, 2022. 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	\$ 2,135,572
Other nonmajor governmental fund	<u>1,989,075</u>
Total federal revenue in the fund financial statements	4,124,647
Less: Federal assistance funding not subject to single audit act	<u>(908,549)</u>
Expenditures per schedule of expenditures of federal awards	<u><u>\$ 3,216,098</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, 2022, 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 12, 2022.

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 12, 2022



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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, 2022. 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, 2022.

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, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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 12, 2022

**OKEMOS PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

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? Yes X 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	Education Stabiliization Fund

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

Section III - Federal Award Findings and Questioned Costs

None

**OKEMOS PUBLIC SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

There were no audit findings in either of the prior two years.