

To: John Hood, Superintendent  
Board of Education  
From: Elizabeth Lentz, Executive Director of Finance  
Subject: 2025-26 Budget Revision  
Date: November 24, 2025

This memo serves as a follow-up up to the 2025-26 budget revision presented on November 10, 2025. In the past two weeks several items have emerged that warrant your attention due to their impact on the revised budget.

### **State Aid**

After reviewing the November 2025 State Aid payment, the estimate for one section was updated significantly and should be updated in the revised budget. This was the allocation for Section 147c(1) MPSERS UAAL Rate Stabilization. The estimate was increased by \$1,770,612 and equates to Okemos' proportionate share of the nearly \$600 million increase in total State funds available. This section is one in which districts receive funds in state aid and then must turn around and repay to MPSERS. At the same time as our revenue increases there will be offsetting expenditure increases to make this budget neutral.

### **Operations Contracted Services**

The Operations Department contracted services budget was originally adjusted by \$50,000 after Superintendent Hood and I reviewed the original budget with current year-to-date expenditures with Director Lieber on Friday, November 7. This adjustment was communicated to the Board at the November 10 meeting.

On Wednesday, November 12, I became aware of two invoices submitted for payment processing totaling \$83,397.40. These two invoices were originally sent to Brian Lieber by ServPro on March 3, 2025. One invoice relates to water cleanup at the high school following the August 2024 water-pipe burst, and the other relates to cleanup at Kinawa after a sewage backup that occurred in January 2025. Both incidents involved insurance claims. The one-time insurance claim revenue and related expenses were budgeted in 2024-25. These amounts were not carried forward into the 2025-26 budget because I was not aware that the invoices remained outstanding and unpaid.

In addition to concerns about the impact on the vendor due to the significant payment delay, I am also concerned about the effect on the 2025-26 general fund budget and on our finalized 2024-25 audit. I conducted research and ultimately consulted Thrun to determine whether any portion of these expenses could be charged to the sinking fund. Thrun noted that cleanup from these incidents could be considered allowable but falls into a gray area. It is important to note the risks associated with misuse of sinking funds: the district would be required to repay any misused funds from operating expenditures, and the Department of Treasury could order the cancellation of

future sinking fund levies without voter approval. Additionally, charging these invoices to the sinking fund may require restatement of the recently finalized 2024-25 audit. The cumulative total of these invoices is close to the auditors' materiality threshold used to determine whether an error is significant enough to misstate financial statements.

After reviewing all the relevant information, I recommended, and Superintendent Hood approved, that the district pay these invoices using general fund proceeds and increase the Operations Department contracted services budget by an additional \$83,400.

### **Kindergarten Classroom Aides**

Enrollment was analyzed as more detailed student enrollment information became available after the November 12 deadline to submit count materials. Kindergarten enrollment dropped by 32 students from Fall 2024. This prompted review of the budget for Kindergarten classroom aides. By contract, when a kindergarten section reaches 21 students, an aide is required to be added.

The 2025-26 original budget was informed by the high number of aides required during the 2024-25 school year. In working with elementary principals, it appears we currently have only one kindergarten section at 21 or more students. There is always a potential for one or two additional aides if more students enroll in other elementary schools.

As such a budget reduction of \$76,140 is recommended for the 2025-26 budget revision.

### **Impact on General Fund Budget**

These additional revisions increase revenue and expenditures by an \$1,770,612 and \$1,777,872, respectively resulting in a net budget decrease of \$7,260.

**Total Revenue Revision = \$3,441,829 increase**

**Total Expenditure Revision = \$2,896,040 increase**

### **Impact on Operating Surplus, Fund Balance**

- Revenue and expense changes resulted in a revised budget of \$556,272 revenues over expenditures.
- A favorable audit variance of \$30,381 was included in the budget revision which adjusts our beginning fund balance to \$9,225,700. The ending General Fund balance is projected to be \$9,781,972 and represents 13.8% of expenditures.