

OKEMOS PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
**(with required and additional
supplementary information)**
YEAR ENDED JUNE 30, 2025

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-11
BASIC FINANCIAL STATEMENTS.....	12
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities.....	14
Fund Financial Statements	
Balance Sheet - Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	17-18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Notes to Financial Statements	20-51
REQUIRED SUPPLEMENTARY INFORMATION	52
Budgetary Comparison Schedule - General Fund	53
Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability.....	54
Schedule of the Reporting Unit's Pension Contributions.....	55
Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability (Asset)	56
Schedule of the Reporting Unit's OPEB Contributions	57
Notes to Required Supplementary Information	58-59
ADDITIONAL SUPPLEMENTARY INFORMATION	60
Nonmajor Governmental Fund Types	
Combining Balance Sheet.....	61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	62
Capital Project Funds	
Combining Balance Sheet	63
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	64
Debt Service Funds	
Combining Balance Sheet.....	65
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	66

TABLE OF CONTENTS

	<u>Page</u>
Long-Term Debt	
Bonded Debt	67-68
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	69-70



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
☎ 517.323.7500
🖨 517.323.6346

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, 2025, 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, 2025, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Okemos Public Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 13 to the financial statements, the District adopted GASB Statement No. 101, *Compensated Absences*. 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, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2025 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.

Manes Costeiran PC

October 14, 2025

**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, 2025. 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.

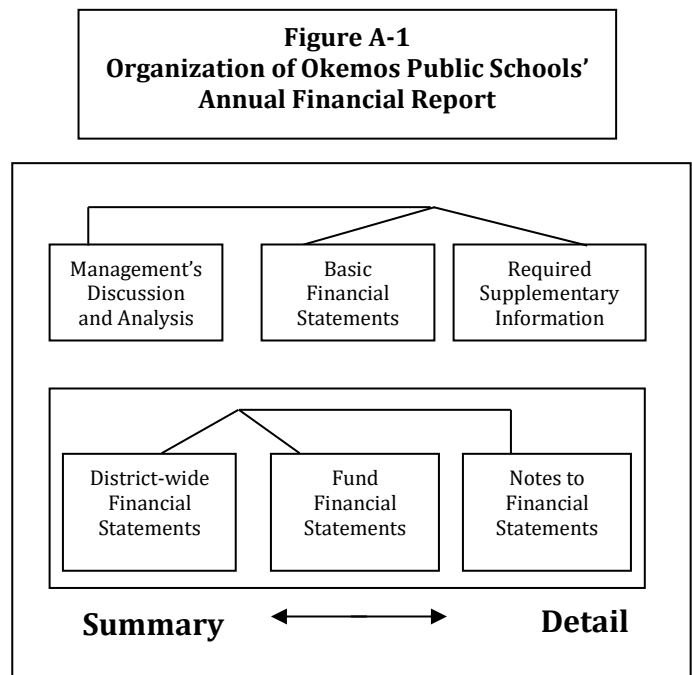
FINANCIAL HIGHLIGHTS

- The District's financial status remained stable. The District's overall revenues were \$93.5 million dollars.
- Total general fund revenues were \$70.3 million. Revenues for the 2024-2025 school year decreased 0.9% from the previous year primarily due to an decrease in federal funding from the State of Michigan. Expenditures increased 2.9% over the same period due to slight increases in employee compensation and group health insurance costs as well as the corresponding increase in MPERS expenditures.
- The District's enrollment has increased showing a growth of over 15 students in fiscal year 2024-25.

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 as well as required schedules related to the net pension liability and net OPEB asset. 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		
	2025	2024*
Current and other assets	\$ 75,977,294	\$ 106,765,302
Net other postemployment benefits asset	13,555,098	1,782,556
Capital assets	109,673,791	75,421,427
Total assets	199,206,183	183,969,285
Deferred outflows	27,172,416	37,535,174
Noncurrent liabilities	93,309,574	100,676,854
Net pension liability	77,238,939	102,134,550
Other liabilities	22,644,413	15,386,671
Total liabilities	193,192,926	218,198,075
Deferred inflows	43,567,432	31,061,169
Net position		
Net investment in capital assets	58,389,881	53,415,932
Restricted for debt service	213,488	34,127
Restricted for capital projects - sinking fund	3,375,151	3,018,713
Restricted for food service	114,929	147,937
Restricted for net other postemployment benefits	13,555,098	1,782,556
Unrestricted	(86,030,306)	(86,154,050)
Total net position	\$ (10,381,759)	\$ (27,754,785)
*The 2024 numbers have not been updated for the adoption of GASB 101		

OKEMOS PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-4 Changes in Okemos Public Schools' Net Position		
	2025	2024*
Revenues		
Program revenues		
Charges for services	\$ 2,955,479	\$ 2,988,326
Operating grants and contributions	22,596,736	22,557,289
General revenues		
Property taxes	23,603,082	22,718,849
State aid - unrestricted	34,473,433	35,813,305
Ingham ISD	5,626,680	5,202,193
Investment and other	4,238,788	1,644,855
Total revenues	93,494,198	90,924,817
Expenses		
Instruction	34,104,904	39,045,897
Support services	25,153,492	24,803,763
Community services	3,050,944	3,209,908
Food services	2,713,220	2,483,562
Student/school activities	1,211,207	1,177,855
Athletics	983,891	983,742
Interest on long-term debt	4,320,415	1,554,168
Unallocated depreciation/amortization	3,539,768	2,372,557
Total expenses	75,077,841	75,631,452
Change in net position	\$ 18,416,357	\$ 15,293,365
*The 2024 numbers have not been updated for the adoption of GASB 101		

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 2024-2025.

- In 2024-25, the Board of Education adopted a deficit budget, understanding that a year of spending from the district's fund balance would allow the district to maintain current levels of support for our students and staff. While the district likely would have closed that gap, unexpected revenue losses from the State of Michigan and Ingham Intermediate School District (ISD), as well as increased costs due to health insurance premiums and environmental remediations in one of our buildings significantly impacted the budget. In the end the District's unassigned fund balance decreased to 11.6% of General Fund expenditures.

OKEMOS PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

District Governmental Activities (continued)

- One of the most important factors affecting the District's budget is student enrollment. Prior to the Pandemic, the District experienced consistent annual growth. Enrollment declined during the two years of the Pandemic; however, in the three years since, the District has returned to a pattern of steady growth. Preliminary data for the 2025-26 school year indicates encouraging enrollment numbers, exceeding our budget estimate of 25 additional students. The District continues to closely monitor trends and makes both staffing and non-staffing adjustments as needed to effectively support student needs.
- As of the time of the audit's preparation, the State of Michigan has not yet adopted a State School Aid budget. This delay has created significant uncertainty regarding funding levels for the 2025-26 school year. Traditionally, the District and its employee bargaining units have maintained a collaborative and constructive relationship, with collective bargaining agreements typically finalized prior to June 30. However, due to the ongoing uncertainty at the state level, collective bargaining has been delayed. Notwithstanding these circumstances, the District remains firmly committed to our shared goals of supporting student learning and maximizing instructional time, while also recognizing and valuing the hard work and dedication of our employees.

As a result of a continued emphasis on conservative management and control of expenditure levels throughout the District, the overall impact on the general fund balance in 2024-2025 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 \$53,906,873, a decrease of \$38,276,582 compared to the ending funding balance of \$92,183,455 as of June 30, 2024.

General Fund Highlights

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

- Revisions to the District's budget were approved in January 2025 to reflect actual student enrollment counts, the finalized State-determined per pupil funding allowance, and updates to other State and Federal funding sources. These revisions also incorporated updated assumptions that had changed since the adoption of the original budget. Key updates included the actual impact of health insurance premium increases, environmental remediation estimates, finalized staffing levels, wage adjustments, modifications to supply and textbook budgets based on enrollment figures, and adjustments reflecting actual expenditures.

A second round of revisions to the General Fund budget was approved in May 2025. These updates included adjustments to revenues—across Federal, State, and Local sources—as well as corresponding expenditure changes, resulting in net modifications to the Board-adopted budget.

- The District's final budget for the general fund anticipated an operating deficit of \$1,733,002, the actual results were a deficit of \$1,702,620. The deficit was due to decreased revenues from federal and state sources and increased expenditures due to staffing.

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

General Fund Highlights (continued)

- The District invested approximately \$41.1 million in capital assets during 2024-2025, including school building repairs and improvements, machinery and equipment, computer equipment and vehicles. Total depreciation/amortization expense for the year amounted to approximately 6.8 million.

Table A-5 Okemos Public Schools' Capital Assets		
	2025	2024
Land and land improvements	\$ 7,222,367	\$ 7,413,913
Building and improvements	87,640,884	53,892,135
Equipment and furniture	12,846,958	12,260,918
Right to use - leased equipment	125,372	176,533
Right to use - subscription-based IT	474,735	667,494
Transportation equipment	1,363,475	1,010,434
Total - net of accumulated depreciation/amortization	\$ 109,673,791	\$ 75,421,427

The District's fiscal year 2025-26 capital expenditures budget anticipates spending approximately \$48,000,000 for construction and design of the new 5-8 building and a new K-4 building as well as other projects determined to be pressing needs within our district. These projects are funded through the November 2022 bond election as well as District's Building and Site Sinking fund.

Long-term Debt

At June 30, 2025 the District had approximately \$93.3 million in long-term obligations outstanding - a decrease of 7.3% from last year due to paying down existing bonded debt. (More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.)

Table A-6 Okemos Public Schools' Long-term Obligations		
	2025	2024*
Bond and related debt	\$ 89,199,252	\$ 97,244,245
Notes from direct borrowings and direct placement	140,663	199,824
Compensated absences and other benefits	3,969,659	3,232,785
Total	\$ 93,309,574	\$ 100,676,854

*The 2024 numbers have not been updated for the adoption of GASB 101

OKEMOS PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2024-2025 fiscal year.

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 remain heavily reliant on State funding, with over 50% of total General Fund revenue derived from per pupil foundation allowance payments. For the 2024–25 school year, the State Legislature did not provide a traditional annual increase to the foundation allowance. Instead, an equivalent of approximately \$410 per pupil was appropriated through a one-time adjustment in retirement-related expenditures. Unlike foundation allowance increases, this adjustment does not represent a recurring source of funding and therefore does not provide ongoing financial stability.

As of the time of the audit's preparation, the State of Michigan has not yet adopted a School Aid budget for the 2025-26 school year. This delay continues to create significant uncertainty regarding future funding levels. The district will continue to closely monitor the 2025-26 legislative budget process and evaluate its impact on future budgeting and financial planning.

- Over the past 10 years, the District has experienced significant enrollment growth, with an increase of nearly 500 students. Only two of those years—during the COVID-19 pandemic—saw a decline in enrollment. As of the start of the 2025–26 school year, enrollment is once again rising and has already exceeded the original budget projection of 25 additional students. Actual enrollment figures will be reflected in the December 2025 budget revision.
- Health care premiums remained relatively stable for several years; however, they have begun to escalate once again. This trend presents a financial challenge for the District, particularly given the labor-intensive nature of the education sector, where personnel costs represent a significant portion of the overall budget.
- Overall, the 2024-25 General Fund original budget projected a decrease in fund balance of \$1,111,764 bringing the ending fund balance at June 30, 2025 to 12.90%. Following the ending results of FY 2024-25, the ending fund balance is now projected to be closer to 12.80%.
- Recognizing that continued deficit spending was unsustainable, the District undertook a budget reduction process in Spring 2025 to restore fiscal balance. In addition to updating key budgetary assumptions—such as enrollment projections and the State foundation allowance—the District implemented \$1,131,510 in expenditure reductions. As a result, a balanced budget was adopted for the 2025–26 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Executive Director of Finance's Office at 4406 Okemos Road, Okemos, Michigan 48864 or 517-706-5000.

BASIC FINANCIAL STATEMENTS

**OKEMOS PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2025**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 6,565,711
Investments	10,526,229
Receivables	
Intergovernmental	9,225,797
Property taxes and other receivables	81,217
Inventories	44,404
Prepays	829,267
Restricted investments capital projects fund	48,704,669
Net other postemployment benefits asset	13,555,098
Capital assets not being depreciated/amortized	4,353,355
Capital assets, net of accumulated depreciation/amortization	<u>105,320,436</u>
TOTAL ASSETS	<u>199,206,183</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to other postemployment benefits	3,317,771
Related to pensions	<u>23,854,645</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>27,172,416</u>
LIABILITIES	
Accounts payable	11,911,455
Accrued salaries and related items	5,161,191
Accrued retirement	2,336,504
Accrued interest	673,992
Unearned revenue	2,561,271
Noncurrent liabilities	
Due within one year	8,190,048
Due in more than one year	85,119,526
Net pension liability	<u>77,238,939</u>
TOTAL LIABILITIES	<u>193,192,926</u>
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	17,501,197
Related to pensions	21,816,301
Related to state aid funding for pension	<u>4,249,934</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>43,567,432</u>
NET POSITION	
Net investment in capital assets	58,389,881
Restricted for debt service	213,488
Restricted for food service	114,929
Restricted for capital projects - sinking fund	3,375,151
Restricted for net other postemployment benefits	13,555,098
Unrestricted	<u>(86,030,306)</u>
TOTAL NET POSITION	<u><u>\$ (10,381,759)</u></u>

See notes to financial statements.

**OKEMOS PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

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	\$ 34,104,904	\$ -	\$ 14,808,465	\$ (19,296,439)
Support services	26,137,383	465,073	3,714,607	(21,957,703)
Community services	3,050,944	2,281,806	-	(769,138)
Food services	2,713,220	208,600	2,809,551	304,931
Student/school activities	1,211,207	-	1,264,113	52,906
Interest and fees on long-term debt	4,320,415	-	-	(4,320,415)
Unallocated depreciation/amortization	3,539,768	-	-	(3,539,768)
Total governmental activities	<u>\$ 75,077,841</u>	<u>\$ 2,955,479</u>	<u>\$ 22,596,736</u>	<u>(49,525,626)</u>
General revenues				
Property taxes, levied for general purposes				10,361,391
Property taxes, levied for debt service				11,621,324
Property taxes, levied for capital projects				1,620,367
State sources - unrestricted				34,473,433
Ingham ISD special educational allocation				5,626,680
Investment earnings				3,434,867
Other				<u>803,921</u>
Total general revenues				<u>67,941,983</u>
CHANGE IN NET POSITION				18,416,357
NET POSITION, beginning of year as previously reported				(27,754,785)
Adjustment to beginning net position				<u>(1,043,331)</u>
NET POSITION, beginning of year as restated				<u>(28,798,116)</u>
NET POSITION, end of year				<u>\$ (10,381,759)</u>

See notes to financial statements.

**OKEMOS PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025**

	General Fund	2019 Capital Projects Fund	2023 Capital Projects Fund (Series I and II)	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,107,488	\$ -	\$ -	\$ 3,458,223	\$ 6,565,711
Investments	7,355,014	-	-	3,171,215	10,526,229
Receivables					
Property taxes and other receivables	63,399	-	-	17,818	81,217
Intergovernmental	8,985,887	-	-	239,910	9,225,797
Due from other funds	-	-	347,682	49,373	397,055
Inventories	-	-	-	44,404	44,404
Prepays	829,267	-	-	-	829,267
Restricted investments capital projects fund	-	-	48,704,669	-	48,704,669
TOTAL ASSETS	\$ 20,341,055	\$ -	\$ 49,052,351	\$ 6,980,943	\$ 76,374,349
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 858,328	\$ -	\$ 10,996,346	\$ 56,781	\$ 11,911,455
Accrued salaries and related items	5,154,581	-	-	6,610	5,161,191
Accrued retirement	2,334,579	-	-	1,925	2,336,504
Due to other funds	196,185	-	-	200,870	397,055
Unearned revenue	2,471,682	-	-	89,589	2,561,271
TOTAL LIABILITIES	11,015,355	-	10,996,346	355,775	22,367,476
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	100,000	-	-	-	100,000
FUND BALANCES					
Nonspendable					
Inventories	-	-	-	44,404	44,404
Prepays	829,267	-	-	-	829,267
Restricted for:					
Debt service	-	-	-	887,480	887,480
Food service	-	-	-	1,178,887	1,178,887
Capital projects	-	-	-	3,375,151	3,375,151
Capital projects - school improvements	-	-	38,056,005	-	38,056,005
Committed for student/school activities	-	-	-	826,380	826,380
Assigned for:					
Capital projects	-	-	-	312,866	312,866
Unassigned	8,396,433	-	-	-	8,396,433
TOTAL FUND BALANCES	9,225,700	-	38,056,005	6,625,168	53,906,873
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 20,341,055	\$ -	\$ 49,052,351	\$ 6,980,943	\$ 76,374,349

See notes to financial statements.

**OKEMOS PUBLIC SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025**

Total governmental fund balances		\$ 53,906,873
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources - related to pensions	\$ 23,854,645	
Deferred outflows of resources - related to OPEB	3,317,771	
Deferred inflows of resources - related to pensions	(21,816,301)	
Deferred inflows of resources - related to OPEB	(17,501,197)	
Deferred inflows of resources - related to state pension funding	(4,249,934)	
Deferred inflows at June 30, 2025 expected to be collected after September 1, 2025	<u>100,000</u>	
		(16,295,016)
Some assets are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.		
Noncurrent assets at year-end consist of:		
Net other postemployment benefits asset		13,555,098
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of the capital assets	197,435,042	
Accumulated depreciation/amortization is	<u>(87,761,251)</u>	
		109,673,791
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
General obligation bonds		(89,199,252)
Direct borrowings and direct placement		(140,663)
Compensated absences and other benefits		(3,969,659)
Net pension liability		(77,238,939)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid:		
Accrued interest		<u>(673,992)</u>
Net position of governmental activities		<u><u>\$ (10,381,759)</u></u>

OKEMOS PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	<u>General Fund</u>	<u>2019 Capital Projects Fund</u>	<u>2023 Capital Projects Fund (Series I and II)</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources					
Property taxes	\$ 10,361,391	\$ -	\$ -	\$ 13,241,691	\$ 23,603,082
Community service	2,281,806	-	-	-	2,281,806
Intermediate district	5,676,908	-	-	-	5,676,908
Investment earnings, net	197,919	(82,461)	3,067,206	260,813	3,443,477
Food service sales	-	-	-	199,990	199,990
Athletics	223,942	-	-	-	223,942
Student/school activity income	-	-	-	1,264,113	1,264,113
Other	667,047	-	347,993	30,012	1,045,052
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total local sources	19,409,013	(82,461)	3,415,199	14,996,619	37,738,370
State sources	49,965,106	-	-	1,885,831	51,850,937
Federal sources	891,838	-	-	1,027,342	1,919,180
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	70,265,957	(82,461)	3,415,199	17,909,792	91,508,487
EXPENDITURES					
Current					
Instruction	41,329,074	-	-	-	41,329,074
Support services	27,215,754	-	-	-	27,215,754
Community services	3,382,813	-	-	-	3,382,813
Interdistrict transactions	9,600	-	-	-	9,600
Food service	-	-	-	2,849,187	2,849,187
Student/school activities	-	-	-	1,211,207	1,211,207
Capital outlay	28,057	24,054	40,536,053	1,460,157	42,048,321

See notes to financial statements.

	<u>General Fund</u>	<u>2019 Capital Projects Fund</u>	<u>2023 Capital Projects Fund (Series I and II)</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
EXPENDITURES (continued)					
Debt service					
Principal repayment	\$ 59,161	\$ -	\$ -	\$ 7,315,000	\$ 7,374,161
Interest	7,083	-	-	4,356,244	4,363,327
Miscellaneous	-	-	-	1,625	1,625
	<u>72,031,542</u>	<u>24,054</u>	<u>40,536,053</u>	<u>17,193,420</u>	<u>129,785,069</u>
TOTAL EXPENDITURES					
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,765,585)</u>	<u>(106,515)</u>	<u>(37,120,854)</u>	<u>716,372</u>	<u>(38,276,582)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	80,000	-	-	17,035	97,035
Transfers out	<u>(17,035)</u>	<u>-</u>	<u>-</u>	<u>(80,000)</u>	<u>(97,035)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>62,965</u>	<u>-</u>	<u>-</u>	<u>(62,965)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(1,702,620)	(106,515)	(37,120,854)	653,407	(38,276,582)
FUND BALANCES					
Beginning of year	<u>10,928,320</u>	<u>106,515</u>	<u>75,176,859</u>	<u>5,971,761</u>	<u>92,183,455</u>
End of year	<u>\$ 9,225,700</u>	<u>\$ -</u>	<u>\$ 38,056,005</u>	<u>\$ 6,625,168</u>	<u>\$ 53,906,873</u>

See notes to financial statements.

OKEMOS PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Net change in fund balances total governmental funds \$ (38,276,582)

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	(6,796,448)
Capital outlay	41,063,804
Loss on disposal of capital assets	(14,992)

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	717,017
Accrued interest payable, end of the year	(673,992)

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:

Payment on debt principal	7,315,000
Amortization of bond premium	729,993
Payments on notes from direct borrowings and direct placement	59,161

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, as restated	4,276,116
Accrued compensated absences and other benefits, end of the year	(3,969,659)

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	4,869,307
Pension related items	6,943,988

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	1,985,837
---	-----------

Change in net position of governmental activities **\$ 18,416,357**

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

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

The District reports the following *Major Governmental Funds*:

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

The *2019 Capital Projects Fund* includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.. The project for which the 2019 Capital Projects Bond was issued was considered complete on June 30, 2025 (June 30 immediately following date of Certificate of Substantial Completion or 95% of proceeds expended).

The *2023 Capital Projects Fund (Series I and II)* includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code. The fund is not yet considered substantially complete and a subsequent year audit is expected.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Major Governmental Funds (continued):

Beginning with the year of bond issuance, the school district has reported the annual construction activity in the *2019 Capital Projects Fund* and the *2023 Capital Projects Fund (Series I and II)*.

The cumulative revenues and expenditures recognized for the construction period were as follows:

	2019 Capital Projects Fund	2023 Capital Projects Fund (Series I and II)
Revenue and other financing sources	\$ 25,639,377	\$ 97,599,071
Expenditures and outgoing transfers	\$ 25,639,377	\$ 59,543,066

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

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

Sinking Fund - The Okemos Public Schools capital project fund records capital project activities funded with Sinking Fund millage. For this fund, the District has complied with the applicable provisions of §1212(l) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2023-1.

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.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2025. The District does not consider these amendments to be significant.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

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

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

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

Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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

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

Defined Benefit Plans

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

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets 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 assets 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.

Fund Balance Flow Assumptions

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

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance Policies

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

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

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

Leases and Subscription-based IT Arrangements (SBITA)

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

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

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

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

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Leases and Subscription-based IT Arrangements (SBITA) (continued)

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

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

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

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

For the year ended June 30, 2025, the District levied the following amounts per \$1,000 of assessed valuation:

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

Compensated Absences

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide financial statements. 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, 2025, 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, 2025, \$6,456,283 of the District's bank balance of \$6,706,283 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 \$6,565,711.

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 - Max	<u>\$ 59,230,898</u>	N/A
Portfolio weighted average maturity		<u>N/A</u>

1 day maturity equals approximately .0027 years.

Concentration Of Credit Risk

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

Investment Type	Fair Value	Standard & Poor's Rating	Rating Agency
MILAF External Investment pool - Max	<u>\$ 59,230,898</u>	AAAm	Standard & Poor's

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 - Max	\$ 59,230,898

The carrying amount of deposits and investments are as follows:

Investments	\$ 59,230,898
Deposits	6,565,711
	\$ 65,796,609

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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

Cash and cash equivalents	\$ 6,565,711
Investments	10,526,229
Investments restricted for capital projects fund	<u>48,704,669</u>
	<u>\$ 65,796,609</u>

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables as of June 30, 2025 consist of the following:

State aid - Michigan Department of Education	\$ 9,007,516
Federal	92,893
Intermediate school district and other	<u>125,388</u>
Total	<u>\$ 9,225,797</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 <u>July 1, 2024</u>	Additions	Deletions	Balance <u>June 30, 2025</u>
Assets, not being depreciated/amortized				
Land	\$ 4,353,355	\$ -	\$ -	\$ 4,353,355
Capital assets, being depreciated/amortized				
Land improvements	12,704,588	170,639	-	12,875,227
Building and improvements	109,349,982	37,508,875	-	146,858,857
Furniture and fixtures	9,530,032	145,092	-	9,675,124
Machinery and equipment	4,966,007	421,080	-	5,387,087
Computers and equipment	12,773,597	2,245,464	(983,765)	14,035,296
Right to use - leased equipment	255,804	-	-	255,804
Right to use - subscription-based IT	1,026,265	-	-	1,026,265
Transportation equipment	2,417,821	572,654	(22,449)	2,968,026
Total capital assets, being depreciated/amortized	<u>153,024,096</u>	<u>41,063,804</u>	<u>(1,006,214)</u>	<u>193,081,686</u>
Accumulated depreciation/amortization				
Land improvements	9,644,030	362,185	-	10,006,215
Building and improvements	55,457,847	3,760,126	-	59,217,973
Furniture and fixtures	7,482,318	139,417	-	7,621,735
Machinery and equipment	4,218,370	102,364	-	4,320,734
Computers and equipment	3,308,030	1,968,823	(968,773)	4,308,080
Right to use - leased equipment	79,271	51,161	-	130,432
Right to use - subscription-based IT	358,771	192,759	-	551,530
Transportation equipment	1,407,387	219,613	(22,449)	1,604,551
Total accumulated depreciation/amortization	<u>81,956,024</u>	<u>6,796,448</u>	<u>(991,222)</u>	<u>87,761,250</u>
Net capital assets, being depreciated/amortized	<u>71,068,072</u>	<u>34,267,356</u>	<u>14,992</u>	<u>105,320,436</u>
Net governmental capital assets	<u>\$ 75,421,427</u>	<u>\$ 34,267,356</u>	<u>\$ 14,992</u>	<u>\$ 109,673,791</u>

Depreciation/amortization for the fiscal year ended June 30, 2025 amounted to \$6,796,448. The District allocated depreciation/amortization to the various activities as follows:

Instruction	\$ 6,874
Support	3,248,893
Community service	913
Unallocated	<u>3,539,768</u>
	<u>\$ 6,796,448</u>

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS

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

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2025:

	Compensated Absences and Other Benefits*	General Obligation Bonds	Direct Borrowings and Direct Placements	Total
Balance July 1, 2024, as restated	\$ 4,276,116	\$ 97,244,245	\$ 199,824	\$ 101,720,185
Additions	-	-	-	-
Deletions	<u>(306,457)</u>	<u>(8,044,993)</u>	<u>(59,161)</u>	<u>(8,410,611)</u>
Balance June 30, 2025	3,969,659	89,199,252	140,663	93,309,574
Due within one year	<u>(198,483)</u>	<u>(7,930,000)</u>	<u>(61,565)</u>	<u>(8,190,048)</u>
Due in more than year	<u>\$ 3,771,176</u>	<u>\$ 81,269,252</u>	<u>\$ 79,098</u>	<u>\$ 85,119,526</u>

*The change in the compensated absences liability is presented as a net change.

Long-term obligations currently outstanding is as follows:

General Obligation Bonds

2023 Bond (Series I) due in annual installments of \$125,000 to \$470,000 through May 1, 2043 with interest at 5% to 4%.	\$ 5,795,000
2023 Bond (Series II) due in annual installments of \$750,000 to \$7,805,000 through May 1, 2054 with interest at 5%.	76,695,000
Premium on bonds	<u>6,709,252</u>
Total general obligation debt	<u>89,199,252</u>

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS

Direct Borrowings and Direct Placement

Copier leases due in monthly installments ranging from \$508 to \$3,059, including an implied interest rate of 4.00%. The leases expire at various dates through March 2028. \$ 131,144

SBITA - During the 2024 fiscal year, the District entered into a SBITA agreement. An initial liability was recorded in the amount of \$28,572. Due in annual installments of \$9,900 with an implied interest rate of 4.0%. 9,519

Total direct borrowing and direct placement 140,663

Compensated Absences

Obligation under contract for compensated absences and other benefits. 3,969,659

Total general long-term obligations \$ 93,309,574

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$140,663 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize debt outstanding as of June 30, 2025, 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		
2026	\$ 7,930,000	\$ 4,084,800	\$ 61,565	\$ 4,679	\$ -	\$ 12,081,044
2027	2,450,000	3,688,300	52,020	2,181	-	6,192,501
2028	2,745,000	3,565,800	27,078	452	-	6,338,330
2029	970,000	3,428,550	-	-	-	4,398,550
2030	1,070,000	3,380,050	-	-	-	4,450,050
2031 - 2035	6,705,000	16,021,550	-	-	-	22,726,550
2036 - 2040	11,885,000	13,942,650	-	-	-	25,827,650
2041 - 2045	14,710,000	10,684,300	-	-	-	25,394,300
2046 - 2050	17,045,000	6,884,750	-	-	-	23,929,750
2051 - 2054	16,980,000	2,174,250	-	-	-	19,154,250
	82,490,000	67,855,000	140,663	7,312	-	150,492,975
Premium on bonds	6,709,252	-	-	-	-	6,709,252
Compensated absences and other benefits	-	-	-	-	3,969,659	3,969,659
	<u>\$ 89,199,252</u>	<u>\$ 67,855,000</u>	<u>\$ 140,663</u>	<u>\$ 7,312</u>	<u>\$ 3,969,659</u>	<u>\$ 161,171,886</u>

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2025 are as follows:

Receivable Fund		Payable Fund	
2023 Capital Projects Fund (Series I and II)	\$ 347,682	General fund	\$ 196,185
Nonmajor Governmental Funds	<u>49,373</u>	Nonmajor Governmental Funds	<u>200,870</u>
Total	<u>\$ 397,055</u>		<u>\$ 397,055</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.michigan.gov/orsschools.

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

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

Benefits Provided - Overall

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

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

Benefits Provided - Pension

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2010

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

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

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

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

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

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

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

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

Pension Reform of 2017

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

New employees hired between February 1, 2018 and June 30, 2024, are automatically enrolled as members in the Pension Plus 2 plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus 2 plan and become a qualified participant to the DC plan; if no election is made they will default to the DC plan. If they elect to opt out of the Pension Plus 2 plan, their participation in the DC plan will be retroactive to their date of hire.

Pension Reform of 2023

On November 29, 2023, the Governor signed Public Act 250 of 2023 into law. New employees hired after June 30, 2024, are automatically enrolled as members in the Pension Plus 2 plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus 2 plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus 2 plan. If they elect to opt out of the Pension Plus 2 plan, their participation in the DC plan will be retroactive to their date of hire.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Other Postemployment Benefit (OPEB)

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Retiree Healthcare Reform of 2012

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

Regular Retirement (no reduction factor for age)

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

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

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Member Contributions

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

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and OPEB. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2024 were determined as of the September 30, 2021 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2021 are amortized over a 15-year period beginning October 1, 2023 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, 2024 - September 30, 2025	20.96% - 30.11%	0.00% - 1.25%
October 1, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%

The District's pension contributions for the year ended June 30, 2025 were equal to the required contribution total. Total pension contributions were approximately \$14,528,000. Of the total pension contributions approximately \$14,056,000 was contributed to fund the Defined Benefit Plan and approximately \$472,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2025 were equal to the required contribution total. Total OPEB contributions were approximately \$463,000. Of the total OPEB contributions approximately \$181,000 was contributed to fund the Defined Benefit Plan and approximately \$282,000 was contributed to fund the Defined Contribution Plan.

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

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Pension Liabilities

The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2023 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>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Total pension liability	\$ 95,765,499,515	\$ 94,947,828,557
Plan fiduciary net position	\$ 71,283,482,728	\$ 62,581,762,238
Net pension liability	\$ 24,482,016,787	\$ 32,366,066,319
Proportionate share	0.31549%	0.31556%
Net pension liability for the District	\$ 77,238,939	\$ 102,134,550

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

For the year ended June 30, 2025, the District recognized pension expense of \$7,111,698.

At June 30, 2025, 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	\$ 8,052,617	\$ 5,659,171
Net difference between projected and actual earnings on pension plan investments	-	14,740,464
Differences between expected and actual experience	2,095,547	839,212
Changes in proportion and differences between employer contributions and proportionate share of contributions	678,918	577,454
Reporting Unit's contributions subsequent to the measurement date	<u>13,027,563</u>	<u>-</u>
	<u>\$ 23,854,645</u>	<u>\$ 21,816,301</u>

\$13,027,563, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2026	\$ (2,175,621)
2027	557,946
2028	(5,501,463)
2029	(3,870,081)

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

OPEB Liabilities (Assets)

The net OPEB liability (asset) was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30, 2023 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability (asset) 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.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Total other postemployment benefit liability	\$ 9,991,545,923	\$ 11,223,648,949
Plan fiduciary net position	\$ 14,295,943,589	\$ 11,789,347,341
Net other postemployment benefit liability (asset)	\$ (4,304,397,666)	\$ (565,698,392)
Proportionate share	0.31491%	0.31511%
Net other postemployment benefit liability (asset) for the District	\$ (13,555,098)	\$ (1,782,556)

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

For the year ended June 30, 2025, the District recognized OPEB benefit of \$4,687,988.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Liabilities (Assets), 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, 2025, 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	\$ 2,960,629	\$ 340,300
Net difference between projected and actual earnings on OPEB plan investments	-	2,566,136
Differences between expected and actual experience	-	14,364,265
Changes in proportion and differences between employer contributions and proportionate share of contributions	273,388	230,496
Reporting Unit's contributions subsequent to the measurement date	83,754	-
	\$ 3,317,771	\$ 17,501,197

\$83,754, 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 (asset) 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 June 30,	Amount
2026	\$ (4,565,252)
2027	(2,826,218)
2028	(2,742,237)
2029	(2,503,240)
2030	(1,371,568)
2031	(258,665)

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

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

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

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

Inflation - 3.0%.

Mortality Assumptions -

Retirees: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and MP-202 adjusted for mortality improvements using projection scale from 2010.

Disabled Retirees: PubNS-2010 Male and Female Disabled Retiree Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Experience Study - Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2023 valuation.

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan, and Pension Plus 2 Plan), and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.25% for year one and graded to 3.5% in year fifteen. Post 65, 6.50% for year one and graded to 3.5% in year fifteen.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

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

The target asset allocation at September 30, 2024 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%	5.3%
International Equity Pools	15.0%	6.5%
Private Equity Pools	16.0%	9.0%
Real Estate and Infrastructure Pools	10.0%	7.1%
Fixed Income Pools	13.0%	2.2%
Absolute Return Pools	9.0%	5.2%
Real Return/Opportunistic Pools	10.0%	6.9%
Short Term Investment Pools	2.0%	1.4%
	<u>100.0%</u>	

* Long term rate of return are net of administrative expenses and 2.3% inflation.

Rate of Return - For fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 15.47% and 15.45% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 113,233,115	\$ 77,238,939	\$ 47,266,863

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability (asset) calculated using a single discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net OPEB liability (asset) 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 (asset)	\$ (10,475,492)	\$ (13,555,098)	\$ (16,217,744)

Sensitivity to the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability (asset) calculated using the healthcare cost trend rate, as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability (asset) 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 (asset)	\$ (16,217,773)	\$ (13,555,098)	\$ (10,699,395)

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension and OPEB Plan Fiduciary Net Position

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

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

NOTE 8 - COMMITMENTS AND CONTINGENCIES

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

NOTE 9 - RISK MANAGEMENT

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

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

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

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2025 are as follows:

	General Fund	Transfers in Nonmajor Governmental Funds	Total
Transfers out			
General fund	\$ -	\$ 17,035	\$ 17,035
Nonmajor Governmental Funds	80,000	-	80,000
Total	\$ 80,000	\$ 17,035	

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

Further, during the year ended June 30, 2025, Okemos Public Schools made the following one-time transfers:

- A transfer of \$80,000 from the food service fund to the general fund for indirect cost expenditure reimbursement.
- A transfer of \$17,035 from the general fund to various non major funds for capital and bond related expenditures.

NOTE 11 - TAX ABATEMENTS

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

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

Municipality	Taxes Abated
Meridian Township	\$ 125,348

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

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements - or modifies existing requirements - related to the following:

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2025, the District implemented GASB Statement No. 101, *Compensated Absences*.

Summary: This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements.

NOTE 14 - ADJUSTMENTS TO BEGINNING NET POSITION

During fiscal year 2025, changes to beginning net position, are as follows:

	Governmental Activities	
	Net Position	Compensated Absences
Balance as of July 1, 2024, as previously stated	\$ (27,754,785)	\$ 3,232,785
Adoption of GASB Statement 101	(1,043,331)	1,043,331
Balance as of July 1, 2024 as restated	\$ (28,798,116)	\$ 4,276,116

REQUIRED SUPPLEMENTARY INFORMATION

**OKEMOS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2025**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 18,261,798	\$ 19,356,765	\$ 19,409,013	\$ 52,248
State sources	50,646,868	51,370,962	49,965,106	(1,405,856)
Federal sources	1,073,771	1,011,521	891,838	(119,683)
TOTAL REVENUES	69,982,437	71,739,248	70,265,957	(1,473,291)
EXPENDITURES				
Current				
Instruction				
Basic programs	32,474,673	32,958,209	32,490,064	468,145
Added needs	9,289,678	9,309,622	8,839,010	470,612
Total instruction	41,764,351	42,267,831	41,329,074	938,757
Supporting services				
Pupil	5,881,408	5,807,016	5,908,868	(101,852)
Instructional staff	4,037,823	3,563,347	3,359,359	203,988
General administration	779,456	852,714	860,719	(8,005)
School administration	4,005,073	3,911,634	3,916,118	(4,484)
Business	994,185	1,008,237	1,033,951	(25,714)
Operations and maintenance	5,684,078	7,447,833	7,286,364	161,469
Transportation	1,419,905	1,398,084	1,391,818	6,266
Central	2,417,078	2,488,210	2,454,440	33,770
Athletics	900,947	1,009,449	1,004,117	5,332
Total supporting services	26,119,953	27,486,524	27,215,754	270,770
Community services	3,279,997	3,687,162	3,382,813	304,349
Interdistrict transactions	-	9,600	9,600	-
Capital outlay	-	30,000	28,057	1,943
Debt Service				
Principal repayment	9,153	63,448	59,161	4,287
Interest	747	7,685	7,083	602
Total debt service	9,900	71,133	66,244	4,889
TOTAL EXPENDITURES	71,174,201	73,552,250	72,031,542	1,520,708
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,191,764)	(1,813,002)	(1,765,585)	47,417
OTHER FINANCING SOURCES (USES)				
Transfers in	80,000	80,000	80,000	-
Transfers out	-	-	(17,035)	(17,035)
TOTAL OTHER FINANCING SOURCES (USES)	80,000	80,000	62,965	(17,035)
NET CHANGE IN FUND BALANCE	\$ (1,111,764)	\$ (1,733,002)	(1,702,620)	\$ 30,382
FUND BALANCE				
Beginning of year			10,928,320	
End of year			<u>\$ 9,225,700</u>	

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Reporting Unit's proportion of net pension liability (%)	0.31549%	0.31556%	0.31377%	0.31378%	0.30913%	0.30204%	0.29781%	0.29446%	0.28402%	0.27502%
Reporting Unit's proportionate share of net pension	\$ 77,238,939	\$ 102,134,550	\$ 118,003,532	\$ 73,405,268	\$ 106,189,243	\$ 100,024,383	\$ 89,526,314	\$ 76,307,692	\$ 70,861,622	\$ 67,174,817
Reporting Unit's covered-employee payroll	\$ 33,323,639	\$ 31,537,299	\$ 30,631,496	\$ 28,065,403	\$ 27,818,733	\$ 26,737,156	\$ 25,503,566	\$ 25,027,904	\$ 24,336,762	\$ 22,962,203
Reporting Unit's proportionate share of net pension as a percentage of its covered-employee payroll	231.78%	323.85%	385.24%	261.55%	381.72%	374.10%	351.03%	304.89%	291.17%	292.55%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contributions	\$ 14,055,687	\$ 13,093,983	\$ 14,322,599	\$ 10,303,088	\$ 9,079,868	\$ 8,356,210	\$ 7,889,595	\$ 7,849,263	\$ 6,885,428	\$ 6,193,998
Contributions in relation to statutorily required contributions	<u>14,055,687</u>	<u>13,093,983</u>	<u>14,322,599</u>	<u>10,303,088</u>	<u>9,079,868</u>	<u>8,356,210</u>	<u>7,889,595</u>	<u>7,849,263</u>	<u>6,885,428</u>	<u>6,193,998</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 34,628,310	\$ 32,882,072	\$ 30,975,699	\$ 29,284,255	\$ 27,770,543	\$ 27,754,219	\$ 26,507,293	\$ 25,450,771	\$ 25,807,538	\$ 23,952,924
Contributions as a percentage of covered-employee payroll	40.59%	39.82%	46.24%	35.18%	32.70%	30.11%	29.76%	30.84%	26.68%	25.86%

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

	2024	2023	2022	2021	2020	2019	2018	2017
Reporting Unit's proportion of net OPEB liability (%)	0.31491%	0.31511%	0.31504%	0.31016%	0.31348%	0.30542%	0.29991%	0.29436%
Reporting Unit's proportionate share of net OPEB (asset) liability	\$ (13,555,098)	\$ (1,782,556)	\$ 6,672,724	\$ 4,734,265	\$ 16,794,102	\$ 21,922,632	\$ 23,839,817	\$ 26,066,532
Reporting Unit's covered-employee payroll	\$ 33,323,639	\$ 31,537,299	\$ 30,631,496	\$ 28,065,403	\$ 27,818,733	\$ 26,737,156	\$ 25,503,566	\$ 25,027,904
Reporting Unit's proportionate share of net OPEB liability (asset) as a percentage of its covered-employee payroll	40.68%	5.65%	21.78%	16.87%	60.37%	81.99%	93.48%	104.15%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	143.08%	105.04%	83.09%	87.33%	59.44%	48.48%	42.95%	36.39%

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

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

	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions	\$ 181,319	\$ 2,825,377	\$ 2,540,790	\$ 2,402,148	\$ 2,377,660	\$ 2,356,668	\$ 2,182,909	\$ 2,217,970
Contributions in relation to statutorily required contributions	181,319	2,825,377	2,540,790	2,402,148	2,377,660	2,356,668	2,182,909	2,217,970
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 34,628,310	\$ 32,882,072	\$ 30,975,699	\$ 29,284,255	\$ 27,770,543	\$ 27,754,219	\$ 26,507,293	\$ 25,450,771
Contributions as a percentage of covered-employee payroll	0.52%	8.59%	8.20%	8.20%	8.56%	8.49%	8.24%	8.71%

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

OKEMOS PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - PENSION INFORMATION

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of benefit assumptions for each of the reported plan years ended September 30 except for the following:

- 2023 - The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.80 percentage points.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

NOTE 2 - OPEB INFORMATION

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of benefit assumptions for each of the reported plan years ended September 30 except for the following:

- 2024 - The health care cost trend rate used in the September 30, 2023 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 0.25 percentage point for members over 65.
- 2023 - The health care cost trend rate used in the September 30, 2022 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 1.00 percentage point for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022.

OKEMOS PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025

NOTE 2 - OPEB INFORMATION (continued)

Changes in Assumptions (continued)

- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.1 billion in 2022.
- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.3 billion in 2021.
- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points and actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.8 billion in 2020.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

ADDITIONAL SUPPLEMENTARY INFORMATION

**OKEMOS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2025**

	Special Revenue		Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Funds
	Food Service Fund	Student/ School Activities Fund			
ASSETS					
Cash and cash equivalents	\$ 1,009,316	\$ 877,769	\$ 867,303	\$ 703,835	\$ 3,458,223
Investments	-	-	-	3,171,215	3,171,215
Property taxes and other receivables	9,600	-	8,218	-	17,818
Due from other governments	231,467	-	8,443	-	239,910
Due from other funds	28,822	-	3,516	17,035	49,373
Inventories	44,404	-	-	-	44,404
TOTAL ASSETS	\$ 1,323,609	\$ 877,769	\$ 887,480	\$ 3,892,085	\$ 6,980,943
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 2,194	\$ -	\$ -	\$ 54,587	\$ 56,781
Accrued salaries and related items	6,610	-	-	-	6,610
Accrued retirement	1,925	-	-	-	1,925
Due to other funds	-	51,389	-	149,481	200,870
Unearned revenue	89,589	-	-	-	89,589
TOTAL LIABILITIES	100,318	51,389	-	204,068	355,775
FUND BALANCES					
Nonspendable					
Inventories	44,404	-	-	-	44,404
Restricted for:					
Debt service	-	-	887,480	-	887,480
Capital projects	-	-	-	3,375,151	3,375,151
Food service	1,178,887	-	-	-	1,178,887
Committed for:					
Student/school activities	-	826,380	-	-	826,380
Assigned for:					
Capital projects	-	-	-	312,866	312,866
TOTAL FUND BALANCES	1,223,291	826,380	887,480	3,688,017	6,625,168
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,323,609	\$ 877,769	\$ 887,480	\$ 3,892,085	\$ 6,980,943

**OKEMOS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2025**

	Special Revenue		Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Funds
	Food Service Fund	Student/ School Activities Fund			
REVENUES					
Local sources					
Property taxes	\$ -	\$ -	\$ 11,621,324	\$ 1,620,367	\$ 13,241,691
Investment earnings	8,610	-	98,420	153,783	260,813
Food service sales	199,990	-	-	-	199,990
Student/school activity income	-	1,264,113	-	-	1,264,113
Other	-	-	-	30,012	30,012
Total local sources	208,600	1,264,113	11,719,744	1,804,162	14,996,619
State sources	1,783,781	-	89,461	12,589	1,885,831
Federal sources	1,027,342	-	-	-	1,027,342
TOTAL REVENUES	3,019,723	1,264,113	11,809,205	1,816,751	17,909,792
EXPENDITURES					
Food service	2,849,187	-	-	-	2,849,187
Student/school activities	-	1,211,207	-	-	1,211,207
Capital outlay	23,067	-	-	1,437,090	1,460,157
Debt service:					
Principal repayment	-	-	7,315,000	-	7,315,000
Interest	-	-	4,356,244	-	4,356,244
Miscellaneous	-	-	1,625	-	1,625
TOTAL EXPENDITURES	2,872,254	1,211,207	11,672,869	1,437,090	17,193,420
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	147,469	52,906	136,336	379,661	716,372
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	67,469	52,906	136,336	396,696	653,407
FUND BALANCES					
Beginning of year	1,155,822	773,474	751,144	3,291,321	5,971,761
End of year	\$ 1,223,291	\$ 826,380	\$ 887,480	\$ 3,688,017	\$ 6,625,168

**OKEMOS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
JUNE 30, 2025
(with comparative totals for the year ended 2024)**

	Capital Projects		Totals	
	Fund	Sinking Fund	2025	2024
ASSETS				
Cash and cash equivalents	\$ 295,831	\$ 408,004	\$ 703,835	\$ 651,529
Investments	-	3,171,215	3,171,215	2,634,907
Due from other funds	17,035	-	17,035	17,371
TOTAL ASSETS	<u>\$ 312,866</u>	<u>\$ 3,579,219</u>	<u>\$ 3,892,085</u>	<u>\$ 3,303,807</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 54,587	\$ 54,587	\$ 12,486
Due to other funds	-	149,481	149,481	-
TOTAL LIABILITIES	<u>-</u>	<u>204,068</u>	<u>204,068</u>	<u>12,486</u>
FUND BALANCES				
Restricted	-	3,375,151	3,375,151	3,018,713
Assigned	312,866	-	312,866	272,608
TOTAL FUND BALANCES	<u>312,866</u>	<u>3,375,151</u>	<u>3,688,017</u>	<u>3,291,321</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 312,866</u>	<u>\$ 3,579,219</u>	<u>\$ 3,892,085</u>	<u>\$ 3,303,807</u>

**OKEMOS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2025
(with comparative totals for the year ended 2024)**

	Capital Projects		Totals	
	Fund	Sinking Fund	2025	2024
REVENUES				
Local sources				
Property taxes	\$ -	\$ 1,620,367	\$ 1,620,367	\$ 1,543,249
Investment earnings	5,751	148,032	153,783	170,560
Other	30,012	-	30,012	22,281
Total local sources	35,763	1,768,399	1,804,162	1,736,090
State sources	-	12,589	12,589	12,751
TOTAL REVENUES	35,763	1,780,988	1,816,751	1,748,841
EXPENDITURES				
Capital outlay	12,540	1,424,550	1,437,090	1,437,461
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	23,223	356,438	379,661	311,380
OTHER FINANCING SOURCES (USES)				
Transfers in	17,035	-	17,035	17,035
TOTAL OTHER FINANCING SOURCES (USES)	17,035	-	17,035	17,035
NET CHANGE IN FUND BALANCES	40,258	356,438	396,696	328,415
FUND BALANCES				
Beginning of year	272,608	3,018,713	3,291,321	2,962,906
End of year	\$ 312,866	\$ 3,375,151	\$ 3,688,017	\$ 3,291,321

**OKEMOS PUBLIC SCHOOLS
 COMBINING BALANCE SHEET
 DEBT SERVICE FUNDS
 JUNE 30, 2025
 (with comparative totals for the year ended 2024)**

					Totals	
	2019 Debt Retirement	2021 Refunding Debt Service Fund	2023 Debt Retirement	2024 Debt Retirement	2025	2024
ASSETS						
Cash and cash equivalents	\$ 277,752	\$ 163,614	\$ 54,887	\$ 371,050	\$ 867,303	\$ 748,485
Property taxes and other receivables	6,063	2,155	-	-	8,218	-
Due from other governments	-	-	499	7,944	8,443	-
Due from other funds	1,581	575	115	1,245	3,516	2,659
TOTAL ASSETS	<u>\$ 285,396</u>	<u>\$ 166,344</u>	<u>\$ 55,501</u>	<u>\$ 380,239</u>	<u>\$ 887,480</u>	<u>\$ 751,144</u>
FUND BALANCES						
Restricted for debt service	<u>\$ 285,396</u>	<u>\$ 166,344</u>	<u>\$ 55,501</u>	<u>\$ 380,239</u>	<u>\$ 887,480</u>	<u>\$ 751,144</u>

**OKEMOS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2025
(with comparative totals for the year ended 2024)**

					Totals	
	2019 Debt Retirement	2021 Refunding Debt Service Fund	2023 Debt Retirement	2024 Debt Retirement	2025	2024
REVENUES						
Local sources						
Property taxes	\$ 5,196,424	\$ 1,909,519	\$ 65,980	\$ 4,449,401	\$ 11,621,324	\$ 11,051,187
Investment earnings	54,904	18,913	4,123	20,480	98,420	155,428
Total local sources	<u>5,251,328</u>	<u>1,928,432</u>	<u>70,103</u>	<u>4,469,881</u>	<u>11,719,744</u>	<u>11,206,615</u>
State sources	<u>40,002</u>	<u>14,697</u>	<u>511</u>	<u>34,251</u>	<u>89,461</u>	<u>90,615</u>
TOTAL REVENUES	<u>5,291,330</u>	<u>1,943,129</u>	<u>70,614</u>	<u>4,504,132</u>	<u>11,809,205</u>	<u>11,297,230</u>
EXPENDITURES						
Principal repayment	5,090,000	1,940,000	-	285,000	7,315,000	10,040,000
Interest	254,500	13,386	250,050	3,838,308	4,356,244	1,003,928
Miscellaneous	514	12	514	585	1,625	1,619
TOTAL EXPENDITURES	<u>5,345,014</u>	<u>1,953,398</u>	<u>250,564</u>	<u>4,123,893</u>	<u>11,672,869</u>	<u>11,045,547</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(53,684)</u>	<u>(10,269)</u>	<u>(179,950)</u>	<u>380,239</u>	<u>136,336</u>	<u>251,683</u>
NET CHANGE IN FUND BALANCES	(53,684)	(10,269)	(179,950)	380,239	136,336	251,683
FUND BALANCES						
Beginning of year	<u>339,080</u>	<u>176,613</u>	<u>235,451</u>	<u>-</u>	<u>751,144</u>	<u>499,461</u>
End of year	<u>\$ 285,396</u>	<u>\$ 166,344</u>	<u>\$ 55,501</u>	<u>\$ 380,239</u>	<u>\$ 887,480</u>	<u>\$ 751,144</u>

**OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
YEAR ENDED JUNE 30, 2025**

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

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

Debt Service Fiscal Year June 30th	Interest Rate	Principal Due May 1	Interest Due		Total
			May 1	November 1	
2026	5.00%	\$ 125,000	\$ 125,025	\$ 125,025	\$ 375,050
2027	5.00%	165,000	121,900	121,900	408,800
2028	5.00%	190,000	117,775	117,775	425,550
2029	5.00%	220,000	113,025	113,025	446,050
2030	5.00%	245,000	107,525	107,525	460,050
2031	5.00%	270,000	101,400	101,400	472,800
2032	5.00%	295,000	94,650	94,650	484,300
2033	5.00%	315,000	87,275	87,275	489,550
2034	4.00%	330,000	79,400	79,400	488,800
2035	4.00%	345,000	72,800	72,800	490,600
2036	4.00%	355,000	65,900	65,900	486,800
2037	4.00%	370,000	58,800	58,800	487,600
2038	4.00%	390,000	51,400	51,400	492,800
2039	4.00%	405,000	43,600	43,600	492,200
2040	4.00%	420,000	35,500	35,500	491,000
2041	4.00%	435,000	27,100	27,100	489,200
2042	4.00%	450,000	18,400	18,400	486,800
2043	4.00%	470,000	9,400	9,400	488,800
		<u>\$ 5,795,000</u>	<u>\$ 1,330,875</u>	<u>\$ 1,330,875</u>	<u>\$ 8,456,750</u>

**OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
YEAR ENDED JUNE 30, 2025**

Date	Name	Kind	Original Issue
05/02/24	2023 School building and site bonds (Series II)	General obligation	<u>\$ 76,980,000</u>

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

Debt Service Fiscal Year June 30th	Interest Rate	Principal Due May 1	Interest Due		Total
			May 1	November 1	
2026	5.00%	\$ 7,805,000	\$ 1,917,375	\$ 1,917,375	\$ 11,639,750
2027	5.00%	2,285,000	1,722,250	1,722,250	5,729,500
2028	5.00%	2,555,000	1,665,125	1,665,125	5,885,250
2029	5.00%	750,000	1,601,250	1,601,250	3,952,500
2030	5.00%	825,000	1,582,500	1,582,500	3,990,000
2031	5.00%	850,000	1,561,875	1,561,875	3,973,750
2032	5.00%	925,000	1,540,625	1,540,625	4,006,250
2033	5.00%	1,035,000	1,517,500	1,517,500	4,070,000
2034	5.00%	1,120,000	1,491,625	1,491,625	4,103,250
2035	5.00%	1,220,000	1,463,625	1,463,625	4,147,250
2036	5.00%	1,510,000	1,433,125	1,433,125	4,376,250
2037	5.00%	1,865,000	1,395,375	1,395,375	4,655,750
2038	5.00%	2,075,000	1,348,750	1,348,750	4,772,500
2039	5.00%	2,195,000	1,296,875	1,296,875	4,788,750
2040	5.00%	2,300,000	1,242,000	1,242,000	4,784,000
2041	5.00%	2,415,000	1,184,500	1,184,500	4,784,000
2042	5.00%	2,540,000	1,124,125	1,124,125	4,788,250
2043	5.00%	2,665,000	1,060,625	1,060,625	4,786,250
2044	5.00%	2,800,000	994,000	994,000	4,788,000
2045	5.00%	2,935,000	924,000	924,000	4,783,000
2046	5.00%	3,085,000	850,625	850,625	4,786,250
2047	5.00%	3,240,000	773,500	773,500	4,787,000
2048	5.00%	3,400,000	692,500	692,500	4,785,000
2049	5.00%	3,570,000	607,500	607,500	4,785,000
2050	5.00%	3,750,000	518,250	518,250	4,786,500
2051	5.00%	3,940,000	424,500	424,500	4,789,000
2052	5.00%	4,135,000	326,000	326,000	4,787,000
2053	5.00%	4,345,000	222,625	222,625	4,790,250
2054	5.00%	4,560,000	114,000	114,000	4,788,000
		<u>\$ 76,695,000</u>	<u>\$ 32,596,625</u>	<u>\$ 32,596,625</u>	<u>\$ 141,888,250</u>



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

☎ 517.323.7500

📠 517.323.6346

**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, 2025, 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 October 14, 2025.

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

October 14, 2025



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

☎ 517.323.7500

📠 517.323.6346

October 14, 2025

To the Board of Education
Okemos Public Schools

In planning and performing our audit of the financial statements of Okemos Public Schools as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered Okemos Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 14, 2025 on the financial statements of Okemos Public Schools. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows.

CURRENT YEAR COMMENTS

Food Service Fund Balance

Per Michigan Department of Education (MDE) guidelines, school food authorities (SFA) must operate food services on a nonprofit basis. We noted that the food service fund balance exceeded the three months' operating expenditures allowed. MDE requires that the SFA spend down the excess by the end of the next school year. We recommend that Okemos Public Schools develop a plan to spend down the excess by June 30, 2026.

Timeliness of Food Service Onsite Reviews

Per Michigan Department of Education (MDE) guidelines, the district is required to complete one lunch review at all buildings and 50% of buildings operating a school breakfast program by February 1, 2025. We noted that most of the reviews completed were done 1 to 15 days after the February 1, 2025 deadline. We recommend that Okemos Public Schools develop a plan to complete all reviews in a timely manner to satisfy the MDE requirements.

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

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

Very truly yours,

Maney Costeiman PC



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

☎ 517.323.7500

📠 517.323.6346

October 14, 2025

To the Board of Education
Okemos Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Okemos Public Schools for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Okemos Public Schools are described in Note 1 to the financial statements. As described in Note 13 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 101 *Compensated Absences*, during the year ended June 30, 2025. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by Okemos Public Schools during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

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

Management's estimate of the discount rate used for leases/SBITAs, the lease/subscription term and lease/subscription payments/receipts is based on the Okemos Public Schools incremental borrowing rate and consideration of the noncancelable period of the lease/subscription and reasonably certain lease/subscription options.

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 14, 2025.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Restriction on Use

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

Very truly yours,

Maney Costeiran PC