

OKEMOS PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary
and additional supplementary information)
YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Okemos Public Schools

Report on the Financial Statements

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, 2019, and the related notes to the financial statements, which collectively comprise the Okemos Public Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2019, 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.

Other Matters

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, 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.

Other 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 additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary 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. Such 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 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 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2019, on our consideration of Okemos Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Okemos Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Okemos Public Schools' internal control over financial reporting and compliance.

Maney Costeiran PC

September 4, 2019

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, 2019. 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

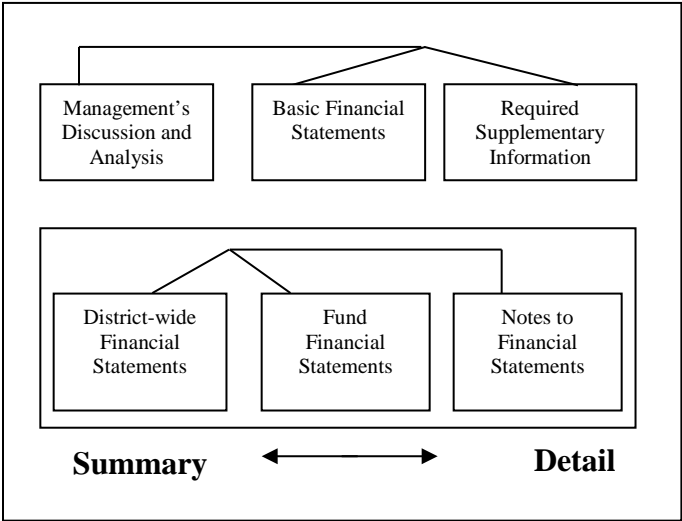
- The District’s financial status remained stable. The District’s overall revenues were \$65.0 million dollars.
- Total general fund revenues were \$52.1 million. Revenues for the 2018-2019 school year increased 3% from the previous year primarily due to an increases in blended student enrollment and other additional funding from the State of Michigan. Expenditures increased 3% over the same period due to slight increases in employee compensation and group health insurance costs as well as the corresponding increase in MPSERS expenditures.
- The District issued new building and site improvement bonds which increased its outstanding long-term bonded debt by \$22.0 million
- The District’s enrollment showed encouraging growth with a 1.8% increase over the previous fiscal year. This equated to an approximate increase of 79 student FTEs.

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.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

Figure A-1
Organization of Okemos Public Schools’
Annual Financial Report



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

Figure A-2			
Major Features of District-wide and Fund Financial Statements			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic 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	All assets and liabilities, both short-term and long-term, Okemos' funds do not currently contain capital assets, although they can
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	All additions and deductions during the year, regardless of when cash is received or paid

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.

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 trust activities).

The District has two kinds of funds:

- 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.
- Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

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		
	2019	2018
Current and other assets	\$ 37,259,974	\$ 12,418,385
Capital and other non-current assets	50,254,054	49,613,342
Total assets	87,514,028	62,031,727
Deferred outflows	36,557,281	22,229,094
Noncurrent liabilities	53,773,969	36,074,473
Net pension liability	89,526,314	76,307,692
Net OPEB liability	23,839,817	26,066,532
Other liabilities	8,645,668	6,240,662
Total liabilities	175,785,768	144,689,359
Deferred inflows	15,509,115	8,049,257
Net position:		
Net investment in capital assets	36,721,821	37,676,559
Restricted for capital projects - sinking fund	786,825	298,873
Unrestricted	(104,732,220)	(106,453,227)
Total net position	\$ (67,223,574)	\$ (68,477,795)

Table A-4 Changes in Okemos Public Schools' Net Position		
	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 4,539,397	\$ 4,444,986
Federal and state categorical grants	7,531,263	7,972,534
General revenues:		
Property taxes	18,905,150	18,121,912
State aid - unrestricted	29,039,767	28,084,690
Ingham ISD	3,793,141	3,406,594
Investment and other	908,494	654,089
Total revenues	64,717,212	62,684,805
Expenses:		
Instruction	36,518,697	33,157,775
Support services	17,875,622	16,306,382
Community services	2,507,268	2,401,111
Food services	1,848,756	1,763,639
Athletics	858,332	783,306
Interest on long-term debt	2,060,435	2,319,677
Unallocated depreciation	1,793,881	1,789,019
Total expenses	63,462,991	58,520,909
Change in net position	\$ 1,254,221	\$ 4,163,896

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 2018-2019.

- The District continued to remain fiscally responsible, initiating prudent budget decisions resulting in balanced or better operating results. In the end, the District was able to improve their unassigned fund balance to 9.9% of expenditures at June 30, 2019 in the General Fund.
- One of the most important factors affecting the budget is our student enrollment. Enrollment increased by 79 students in 2018-19, which was on target with the projected increase. Over the last 5 years the District has grown by over 500 students. With the increased population, the District is continuously monitoring staffing and non-staffing adjustments to accommodate student needs
- Employee bargaining groups continued to work with the District in a positive and collaborative manner, agreeing to modest wage increases for 2018-2019, with the potential of receiving additional adjustments based on the November 2018 budget revision. At that time, if revenues exceeded expenses, employees could realize up to an additional 1.0% between on and off schedule payments. As a result of decreased expenditures from staff transitions, employees received a .5% on schedule payment and an additional .25% one-time stipend.
- The District maintained rental agreements of its facilities for 2018-2019. Most notably, the established 60 month agreement with Community Mental Health Authority of Clinton-Ingham Counties for lease of Wardcliff Elementary building (closed in 2011). The District also maintains space agreements with Ingham Intermediate School District, allowing them to rent the former community education building as well as office space for county wide speech and language services. The District generated approximately \$105,000 in 2018-2019.
- The District's food service program successfully completed its thirteenth year of providing food service management in a cooperative agreement to local area school districts, resulting in increased revenues without substantially increasing costs. Controlled streamlining of overall expenditures along with an increase in cooperative agreement revenue enabled the school lunch operation to contribute \$80,000 to the District's General Fund balance while achieving an operating surplus and maintaining a fund balance of roughly \$595,000.

As a result of a continued emphasis on conservative management and control of expenditure levels throughout the District, the positive impact on the general fund balance in 2018-2019 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 \$28,640,147, an increase of \$22,558,136 compared to the ending funding balance of \$6,082,011 as of June 30, 2018 reflecting increases primarily in the 2019 capital projects fund and the related bond proceeds.

General Fund Highlights

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

- Revisions to the budget were approved in November 2018 to reflect the actual enrollment counts, as well as the finalized State determined per pupil funding allowance. The revisions also reflected other changes in assumptions since the original budget was adopted including: actual reflection of health insurance premium increases; finalization of staffing; adjustment of wages; adjustment of supply and textbook budgets (based on enrollments); and adjustments to more accurately reflect spending trends. Further revisions were made to the General Fund budget in May 2019. Revenues (Federal, State and Local) and expenditures were adjusted, resulting in net changes to the November, 2018 Board adopted budget.
- The District's final budget for the general fund anticipated an operating surplus of \$405,323, the actual results were \$788,037, primarily due to cost control across all areas of the district.
- The District invested \$4.8 million in capital assets during 2018-2019, including school building repairs and improvements, computer equipment and vehicles. Total depreciation expense for the year amounted to 4.1 million.

Table A-5 Okemos Public Schools' Capital Assets		
	2019	2018
Land and land improvements	\$ 7,884,131	\$ 7,411,522
Building and improvements	37,598,432	38,644,036
Equipment and furniture	4,426,833	3,092,519
Vehicles	344,658	465,265
Total - net of accumulated depreciation	\$ 50,254,054	\$ 49,613,342

The District's fiscal year 2019-20 capital expenditures budget anticipates spending approximately \$1.6 million. \$200 thousand is estimated to be spent on asphalt replacement and \$1.4 million is estimated for the last phase of building renovations to Chippewa Middle School. These projects are funded through the District's Building and Site Sinking fund. In addition, the District will begin projects, such as the Bennett Woods expansion, in relation to the May 2019 bond election.

Long-term Debt

At June 30, 2019 the District had \$52.0 million in long-term obligations outstanding - a increase of 50.3% from last year due to the issuance of 2019 school building and site bonds. In 2019, the District continued borrowing from the School Loan Revolving Fund. (More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.)

	2019	2018
Bond and related debt	\$ 42,542,852	\$ 26,732,959
Notes from direct borrowings and direct placements	6,893,687	5,279,419
Compensated absences and other benefits	2,610,483	2,608,235
Total	\$ 52,047,022	\$ 34,620,613

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 2018-2019 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:

- The District has budgeted an increase of \$100 in state per pupil funding in 2019-20 which does not fully offset wage increases associated with "steps", modest cost increases in negotiated wages, and increases in group health premium costs. A projected enrollment increase of 50 students in 2019-20 and local revenues from other than conventional state and local sources will enable the District to achieve a balanced budget.
- Health care premiums continue to experience overall upward trends and continues to pose a financial challenge to the District. Health care costs increases have been mitigated over the years thanks to employee group concessions in plan and benefit level changes. However, health care cost pressures remain a concern given the labor-intensive nature of education.
- The financial status of the State of Michigan can result in future Executive Order Cuts from the Governor. The District does not anticipate such cuts in 2019-20.
- The upward enrollment trend for the District is projected to continue over the next 5 years with enrollment growth of 2-3% annually. However, Michigan's slow economic recovery and political climate could continue to adversely affect funding for public schools. The level of funding provided to schools through the state foundation allowance is not aligned with the increased cost of delivering a sustained quality of education. If current trends continue, so will the financial challenges facing K-12 education, including Okemos Public Schools.

- The District has benefited from increases in student enrollment, strong financial performances by Community Education and Food Service programs and supplemental local revenues beyond conventional funding. These factors, along with a 2013 sale of land and prudent management of expenditures have contributed to achieving modest operating surpluses over the last several fiscal years, increasing the District's General Fund Balance from \$2.7 million in 2012 to \$5.5 million as of June 30, 2019. It should be noted that financial experts have suggested that a sufficient fund balance level for public school districts is between 12% - 15% of expenditures. The District's current level of approximately 10.8% of expenditures reflects inadequate K-12 funding in Michigan and portends likely continued significant budgetary challenges in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

**OKEMOS PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Governmental activities
ASSETS:	
Cash and cash equivalents	\$ 3,013,075
Investments	4,012,690
Receivables:	
Intergovernmental	6,883,606
Property taxes and other receivables	85,673
Due from trust and agency funds	58,415
Inventories	24,523
Prepays	286,774
Restricted investments capital projects fund	22,895,218
Capital assets not being depreciated	4,353,355
Capital assets, net of accumulated depreciation	45,900,699
TOTAL ASSETS	87,514,028
DEFERRED OUTFLOWS OF RESOURCES:	
Related to OPEB	4,948,978
Related to pensions	31,608,303
TOTAL DEFERRED OUTFLOWS OF RESOURCES	36,557,281
LIABILITIES:	
Accounts payable	2,004,882
Accrued salaries and related items	3,296,061
Accrued retirement	2,046,056
Accrued interest	125,841
Due to other governments	277,623
Unearned revenue	575,205
Note payable	320,000
Noncurrent liabilities:	
Due within one year	10,880,524
Due in more than one year	41,166,498
Net pension liability	89,526,314
Net other postemployment benefits liability	23,839,817
Accrued interest payable - school loan revolving fund	420,518
Accrued interest payable - capital appreciation bonds	1,306,429
TOTAL LIABILITIES	175,785,768
DEFERRED INFLOWS OF RESOURCES:	
Related to OPEB	5,357,485
Related to pensions	6,836,795
Related to state aid funding for pension	3,314,835
TOTAL DEFERRED INFLOWS OF RESOURCES	15,509,115
NET POSITION:	
Net investment in capital assets	36,721,821
Restricted for capital projects (sinking fund)	786,825
Unrestricted - net of accreted bond interest of \$14,388,922	(104,732,220)
TOTAL NET POSITION	\$ (67,223,574)

See notes to financial statements.

**OKEMOS PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Governmental activities</u>
		<u>Charges for services</u>	<u>Operating grants</u>	<u>Net (expense) revenue and changes in net position</u>
Governmental activities:				
Instruction	\$ 36,518,697	\$ -	\$ 5,556,759	\$ (30,961,938)
Support services	18,733,954	553,378	1,412,685	(16,767,891)
Community services	2,507,268	2,657,449	-	150,181
Food services	1,848,756	1,328,570	561,819	41,633
Interest and fees on long-term debt	2,060,435	-	-	(2,060,435)
Unallocated depreciation	1,793,881	-	-	(1,793,881)
Total governmental activities	<u>\$ 63,462,991</u>	<u>\$ 4,539,397</u>	<u>\$ 7,531,263</u>	<u>(51,392,331)</u>
General revenues:				
Property taxes, levied for general purposes				8,623,621
Property taxes, levied for debt service				9,010,865
Property taxes, levied for capital projects				1,270,664
State sources - unrestricted				29,039,767
Ingham ISD special educational allocation				3,793,141
Investment earnings				77,706
Other				830,788
Total general revenues				<u>52,646,552</u>
CHANGE IN NET POSITION				1,254,221
NET POSITION, beginning of year				<u>(68,477,795)</u>
NET POSITION, end of year				<u>\$ (67,223,574)</u>

**OKEMOS PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	<u>General fund</u>	<u>2019 Capital projects fund</u>	<u>1993 Debt service fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
ASSETS					
ASSETS:					
Cash and cash equivalents	\$ 1,971,420	\$ -	\$ 165,789	\$ 875,866	\$ 3,013,075
Investments	3,008,399	-	-	1,004,291	4,012,690
Receivables:					
Property taxes and other receivables	83,420	-	-	2,253	85,673
Intergovernmental	6,822,700	-	-	60,906	6,883,606
Due from other funds	160,239	47,692	-	24,069	232,000
Due from agency funds	58,415	-	-	-	58,415
Inventories	7,867	-	-	16,656	24,523
Prepays	282,864	-	-	3,910	286,774
Restricted investments capital projects fund	-	22,895,218	-	-	22,895,218
TOTAL ASSETS	\$ 12,395,324	\$ 22,942,910	\$ 165,789	\$ 1,987,951	\$ 37,491,974
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 355,832	\$ 1,442,109	\$ -	\$ 206,941	\$ 2,004,882
Accrued salaries and related items	3,286,371	-	-	9,690	3,296,061
Accrued retirement	2,043,704	-	-	2,352	2,046,056
Due to other funds	-	-	30,415	201,585	232,000
Due to other governments	277,623	-	-	-	277,623
Unearned revenue	493,228	-	-	81,977	575,205
Note payable	320,000	-	-	-	320,000
TOTAL LIABILITIES	6,776,758	1,442,109	30,415	502,545	8,751,827
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue	100,000	-	-	-	100,000
FUND BALANCES:					
Nonspendable:					
Inventories	7,867	-	-	16,656	24,523
Prepays	282,864	-	-	3,910	286,774

See notes to financial statements.

	<u>General fund</u>	<u>2019 Capital projects fund</u>	<u>1993 Debt service fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
FUND BALANCES (Concluded):					
Assigned for:					
Capital projects	\$ -	\$ -	\$ -	\$ 104,111	104,111
Curriculum	33,776	-	-	-	33,776
Restricted for:					
Debt service	-	-	135,374	-	135,374
Food service	-	-	-	573,904	573,904
Capital projects - sinking fund	-	-	-	786,825	786,825
Capital projects - school improvements	-	21,500,801	-	-	21,500,801
Unassigned	5,194,059	-	-	-	5,194,059
TOTAL FUND BALANCES	<u>5,518,566</u>	<u>21,500,801</u>	<u>135,374</u>	<u>1,485,406</u>	<u>28,640,147</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 12,395,324</u>	<u>\$ 22,942,910</u>	<u>\$ 165,789</u>	<u>\$ 1,987,951</u>	<u>\$ 37,491,974</u>
Total governmental fund balances					\$ 28,640,147
Amounts reported for governmental activities in the statement of net position are different because:					
Deferred outflows of resources - related to pensions				\$ 31,608,303	
Deferred outflows of resources - related to OPEB				4,948,978	
Deferred inflows of resources - related to pensions				(6,836,795)	
Deferred inflows of resources - related to OPEB				(5,357,485)	
Deferred inflows of resources - related to state pension funding				(3,314,835)	
Deferred inflows at June 30, 2019 expected to be collected after September 1, 2019				<u>100,000</u>	
					21,148,166
Capital assets used in governmental activities are not financial resources and are not reported in the funds:					
Cost of the capital assets				124,547,659	
Accumulated depreciation				<u>(74,293,605)</u>	
					50,254,054
Long-term liabilities are not due and payable in the current period and are not reported in the funds:					
Bonds and other long-term obligations					(49,436,539)
Compensated absences and other benefits					(2,610,483)
Net pension liability					(89,526,314)
Net OPEB liability					<u>(23,839,817)</u>
Accrued interest is not included as a liability in governmental funds, it is recorded when paid:					
Accrued interest capital appreciation bonds					(1,306,429)
Accrued interest other debt					<u>(546,359)</u>
Net position of governmental activities					<u>\$ (67,223,574)</u>

See notes to financial statements.

OKEMOS PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	<u>General fund</u>	<u>2019 Capital projects fund</u>	<u>1993 Debt service fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
REVENUES:					
Local sources:					
Property taxes	\$ 8,623,621	\$ -	\$ 7,714,694	\$ 2,566,835	\$ 18,905,150
Community service	2,657,449	-	-	-	2,657,449
Intermediate district	3,821,012	-	-	-	3,821,012
Interest	13,460	7,842	43,734	12,670	77,706
Food service sales	-	-	-	958,254	958,254
Athletics	298,195	-	-	-	298,195
Other	502,787	-	-	570,067	1,072,854
Total local sources	15,916,524	7,842	7,758,428	4,107,826	27,790,620
State sources	35,808,673	-	37,076	100,190	35,945,939
Federal sources	372,778	-	-	470,248	843,026
Incoming transfers and other transactions	-	-	-	376,392	376,392
Total revenues	52,097,975	7,842	7,795,504	5,054,656	64,955,977
EXPENDITURES:					
Current:					
Instruction	32,263,883	-	-	-	32,263,883
Support services	16,621,769	-	-	-	16,621,769
Community services	2,480,217	-	-	-	2,480,217
Food service	-	-	-	1,796,890	1,796,890
Capital outlay	-	3,282,723	-	1,600,394	4,883,117

See notes to financial statements.

	General fund	2019 Capital projects fund	1993 Debt service fund	Total nonmajor funds	Total governmental funds
EXPENDITURES (Concluded):					
Debt service:					
Principal repayment	\$ -	\$ -	\$ 1,659,732	\$ 1,715,000	\$ 3,374,732
Interest	-	-	7,350,268	25,725	7,375,993
Bond issuance costs	-	119,894	-	-	119,894
Miscellaneous	-	-	777	830	1,607
Total expenditures	51,365,869	3,402,617	9,010,777	5,138,839	68,918,102
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	732,106	(3,394,775)	(1,215,273)	(84,183)	(3,962,125)
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of bonds	-	21,965,000	-	-	21,965,000
Premium on bonds issued	-	2,930,576	-	-	2,930,576
Proceeds from the school loan revolving fund	-	-	1,203,064	421,621	1,624,685
Transfers in	80,000	-	23,528	24,069	127,597
Transfers out	(24,069)	-	-	(103,528)	(127,597)
Total other financing sources (uses)	55,931	24,895,576	1,226,592	342,162	26,520,261
NET CHANGE IN FUND BALANCES	788,037	21,500,801	11,319	257,979	22,558,136
FUND BALANCES:					
Beginning of year	4,730,529	-	124,055	1,227,427	6,082,011
End of year	\$ 5,518,566	\$ 21,500,801	\$ 135,374	\$ 1,485,406	\$ 28,640,147

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, 2019

Net change in fund balances total governmental funds	\$ 22,558,136
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:	
Depreciation expense	(4,143,785)
Capital outlay	4,784,497
Accrued interest on bonds and other debt is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	1,458,148
Accrued interest payable, end of the year	(1,852,788)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Proceeds from sale of bonds	(21,965,000)
Premium on bonds issued	(2,930,576)
Proceeds from school loan revolving fund	(1,624,685)
Payment on debt principal	3,385,149
Payment on debt accretion on capital appreciation bonds	7,350,268
Amortization of bond premium	24,279
Current year accretion on bonds	(1,663,596)
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Unavailable revenue, beginning of the year	(100,000)
Unavailable revenue, end of the year	100,000
Compensated absences and other benefits are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences and other benefits, beginning of the year	2,608,235
Accrued compensated absences and other benefits, end of the year	(2,610,483)
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 items	649,660
Pension related items	(4,534,473)
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	(238,765)
Change in net position of governmental activities	<u><u>\$ 1,254,221</u></u>

**OKEMOS PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2019**

	<u>Agency fund</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 743,499</u>
LIABILITIES	
Liabilities:	
Payable to Okemos Public Schools	\$ 58,415
Due to student groups:	
Elementary	95,388
Middle school	115,891
High school	324,906
Business office	<u>148,899</u>
TOTAL LIABILITIES	<u>\$ 743,499</u>

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

B. 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.

C. 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. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District’s funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. 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.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - Fund Financial Statements (Continued)

The *1993 debt service fund* accounts for the resources accumulated and payments made for principal and interest on the 1993 long-term general obligation debt.

The *2019 capital projects fund* accounts for the debt proceeds received in June of the current year and the acquisition of fixed assets related to technology, transportation, and overall school improvement.

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

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

	<u>2019 Capital projects fund</u>
Revenue and other financing sources	<u>\$ 24,903,418</u>
Expenditures and outgoing transfers	<u>\$ 3,402,617</u>

Revenue and other financing sources include the net bond proceeds of \$24,895,576.

Other Nonmajor Funds

The *special revenue fund* 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 program as a special revenue fund.

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

The *capital projects sinking fund* accounts for the receipt of property taxes and the acquisition of capital assets or construction of major capital projects.

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

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - Fund Financial Statements (Concluded)

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(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

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.

E. 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*, as are the fiduciary fund financial statements. 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.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Continued)

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 capital 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.

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.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

F. Budgetary Information

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and food service special revenue fund. 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:

1. 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.
2. Public hearings are conducted to obtain taxpayer comments.
3. 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.
4. 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.
5. The budget was amended during the year with supplemental appropriations, the last one was approved prior to year ended June 30, 2019. 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)

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

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of 3 months or less from the date of acquisition.

2. Investments

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

3. 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)

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

4. Capital assets

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

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

Land is not depreciated. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Land improvements	10 - 27.5 years
Building and improvements	10 - 50 years
Furniture and fixtures	7 - 20 years
Machinery and equipment	5 - 20 years
Computers and equipment	5 - 10 years
Transportation equipment	5 - 10 years

5. Defined benefit plans

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

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Deferred outflows

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

7. Deferred inflows

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

8. 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.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Net position flow assumption (Concluded)

In the computation of net investment in capital assets, capital appreciation bonds principal proceeds are considered capital-related debt. Accreted interest on these bonds of \$14,388,922 is not considered capital related debt and the school loan revolving fund principal proceeds of \$6,854,104 are considered capital-related debt. Accrued interest on the school loan revolving fund of \$420,518 is not considered capital related debt.

9. 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.

10. 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.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Fund balance policies (Concluded)

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.

H. Revenues and Expenditures/Expenses

1. 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.

2. 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.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

H. Revenues and Expenditures/Expenses (Concluded)

2. Property taxes (Concluded)

For the year ended June 30, 2019, 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	0.9878

3. Compensated absences

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

4. 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.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2019, the District had the following investments.

<u>Investment type</u>	<u>Fair value</u>	<u>Weighted average maturity (years)*</u>	<u>Standard & Poor's rating</u>	<u>%</u>
MILAF - cash management	\$ 2,503,589	0.0027	AAAm	9.3%
MILAF - MAX Class	24,404,319	0.0027	AAAm	90.7%
Total fair value	<u>\$ 26,907,908</u>			<u>100.0%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

*1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2019, the fair value of the District’s investments is the same as the value of the pool shares.

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.

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.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

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.

OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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, 2019 \$3,907,999 of the District's bank balance of \$4,157,999 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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.

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

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.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)

The District does not have any investments subject to the fair value measurement.

The carrying amount of deposits and investments are as follows:

Investments	\$ 26,907,908
Deposits - including fiduciary funds of \$743,499	<u>3,756,574</u>
	<u><u>\$ 30,664,482</u></u>

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

Cash and cash equivalents - agency fund	\$ 743,499
Cash and investments - District-wide	7,025,765
Investments restricted for capital projects fund	<u>22,895,218</u>
	<u><u>\$ 30,664,482</u></u>

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables as of June 30, 2019 consist of the following:

State aid - Michigan Department of Education	\$ 6,510,628
Federal	83,913
Intermediate school district and other	<u>289,065</u>
Total	<u><u>\$ 6,883,606</u></u>

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

No allowance for doubtful accounts is considered necessary.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Assets, not being depreciated:				
Land	\$ 4,353,355	\$ -	\$ -	\$ 4,353,355
Capital assets, being depreciated:				
Land improvements	10,718,674	772,219	-	11,490,893
Building and improvements	81,361,457	748,277	(144,158)	81,965,576
Furniture and fixtures	7,487,905	-	-	7,487,905
Machinery and equipment	4,353,210	17,728	-	4,370,938
Computers and equipment	10,988,241	3,246,273	(1,093,016)	13,141,498
Transportation equipment	1,796,439	-	(58,945)	1,737,494
Total capital assets, being depreciated	<u>116,705,926</u>	<u>4,784,497</u>	<u>(1,296,119)</u>	<u>120,194,304</u>
Accumulated depreciation:				
Land improvements	7,660,507	299,610	-	7,960,117
Building and improvements	42,717,421	1,793,881	(144,158)	44,367,144
Furniture and fixtures	7,054,421	74,905	-	7,129,326
Machinery and equipment	3,302,498	180,098	-	3,482,596
Computers and equipment	9,379,918	1,674,684	(1,093,016)	9,961,586
Transportation equipment	1,331,174	120,607	(58,945)	1,392,836
Total accumulated depreciation	<u>71,445,939</u>	<u>4,143,785</u>	<u>(1,296,119)</u>	<u>74,293,605</u>
Net capital assets, being depreciated	<u>45,259,987</u>	<u>640,712</u>	<u>-</u>	<u>45,900,699</u>
Net governmental capital assets	<u>\$ 49,613,342</u>	<u>\$ 640,712</u>	<u>\$ -</u>	<u>\$ 50,254,054</u>

Depreciation for the fiscal year ended June 30, 2019 amounted to \$4,143,785. The District allocated depreciation to the various activities as follows:

Instruction	\$ 1,444,576
Support	898,224
Community service	7,104
Unallocated	<u>1,793,881</u>
	<u>\$ 4,143,785</u>

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE

At June 30, 2019, the District has issued a state aid anticipation note payable of \$1,600,000. The note had an interest rate of 2.4318% and matured in July 2019. Proceeds of the note were used to fund school operations. The note is secured by the full faith and credit of the District as well as pledged state aid. The note required payments to an irrevocable set-aside account of \$1,280,000 at June 30, 2019. In an event of a default on the note, the state may impose a penalty interest rate and at the state's discretion, accelerate the repayment terms. Activity for the year ended June 30, 2019 is as follows:

Balance July 1, 2018	Additions	Payments	Balance June 30, 2019
\$ 314,286	\$ 1,600,000	\$ (1,594,286)	\$ 320,000

NOTE 6 - LONG-TERM OBLIGATIONS

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

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2019:

	Compensated absences and other benefits	General obligation bonds	Notes from direct borrowings and direct placements	Total
Balance July 1, 2018	\$ 2,608,235	\$ 26,732,959	\$ 5,279,419	\$ 34,620,613
Additions	-	26,559,172	1,624,685	28,183,857
Deletions	2,248	(10,749,279)	(10,417)	(10,757,448)
Balance, June 30, 2019	2,610,483	42,542,852	6,893,687	52,047,022
Due within one year including accretion	(130,524)	(10,739,583)	(10,417)	(10,880,524)
Due in more than year	\$ 2,479,959	\$ 31,803,269	\$ 6,883,270	\$ 41,166,498

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$6,893,687 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (Continued)

Long-term obligations currently outstanding is as follows:

General obligation bonds:

1993 Capital appreciation (serial) bonds due in annual installment of \$9,475,000 to \$9,960,000 from May 1, 2020 to May 1, 2021 with effective interest at 6.45% to 6.55% (maturity value \$80,225,000).	\$ 3,249,250	
Recorded accretion	14,388,922	\$ 17,638,172
2019 Building and site bond due in annual installments of \$1,250,000 to \$5,090,000 through May 1, 2025 with interest at 5%.		21,965,000
Premium on bonds		2,939,680
Total general obligation debt		42,542,852

Notes from direct borrowings and direct placements:

Borrowing from the State of Michigan under the School Loan Revolving Fund, with interest at 3.44% at June 30, 2019.		6,854,104
Installment purchase agreement due in monthly installments of \$2,083.		39,583
Total notes from direct borrowings and direct placements		6,893,687
Total general obligation bonds and notes from direct borrowings and direct placements		49,436,539
Obligation under contract for compensated absences and other benefits.		2,610,483
Total general long-term obligations		\$ 52,047,022

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2019, bonds outstanding and considered defeased were \$19,697,217.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (Concluded)

Borrowing from the State of Michigan - The school loan revolving fund (SLRF) payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rates of 3.44% for the SLRF notes have been assessed at June 30, 2019. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.0 mills. The District is required to levy 7.0 mills and repay to the state any excess of the amount levied over the bonded debt service agreements. The District currently levies 7.0 debt mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the following amortization schedule. The state may apply a default late charge on the note if the District does not make the repayments, or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

The annual requirements to amortize debt outstanding as of June 30, 2019, including interest payments are as follows:

Year ending June 30,	General obligation bonds		Notes from direct borrowings and direct placements		Compensated absences and other benefits	Total
	Principal	Interest	Principal	Interest		
2020	\$ 2,886,427	\$ 8,769,035	\$ 25,000	\$ -	\$ -	\$ 11,680,462
2021	3,362,823	9,382,927	14,583	-	-	12,760,333
2022	4,400,000	948,250	-	-	-	5,348,250
2023	4,620,000	728,250	-	-	-	5,348,250
2024	4,855,000	497,250	-	-	-	5,352,250
2025	5,090,000	254,500	-	-	-	5,344,500
	25,214,250	20,580,212	39,583	-	-	45,834,045
Recorded accretion	14,388,922	-	-	-	-	14,388,922
Premium on bonds	2,939,680	-	-	-	-	2,939,680
Compensated absences and other benefits	-	-	-	-	2,610,483	2,610,483
School loan revolving fund	-	-	6,854,104	420,518	-	7,274,622
	<u>\$ 42,542,852</u>	<u>\$ 20,580,212</u>	<u>\$ 6,893,687</u>	<u>\$ 420,518</u>	<u>\$ 2,610,483</u>	<u>\$ 73,047,752</u>

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2019 are as follows:

Receivable fund		Payable fund	
Food service fund	\$ -	Food service fund	\$ 41,501
1993 debt service fund	-	1993 debt service fund	30,415
Sinking fund	-	Sinking fund	160,084
2019 Capital projects fund	47,692	2019 Capital projects fund	-
Capital projects fund	24,069	Capital projects fund	-
General fund	160,239	General fund	-
	\$ 232,000		\$ 232,000

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.

NOTE 8 - RETIREMENT 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 Comprehensive Annual Financial Report that can be obtained at www.michigan.gov/ors schools.

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 Treasurer serves as the investment officer and custodian of the System.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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%.

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.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Reform 2012

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

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

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

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

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

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

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

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Reform 2012 (Concluded)

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 closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid 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 new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

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

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT 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 members and retiree Other Postemployment Benefits (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 portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 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, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%

The District's pension contributions for the year ended June 30, 2019 were equal to the required contribution total. Pension contributions were approximately \$8,063,000, with \$7,890,000 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2019 were equal to the required contribution total. OPEB benefits were approximately \$2,305,000 with \$2,182,000 specifically for the Defined Benefit Plan.

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

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Pension Liabilities

At June 30, 2019, the District reported a liability of \$89,526,314 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2017 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. At September 30, 2018 and 2017, the District's proportion was 0.29781% and 0.29446%.

<u>MPERS (Plan) non-university employers</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Total pension liability	\$ 79,863,694,444	\$ 72,407,218,688
Plan fiduciary net position	\$ 49,801,889,205	\$ 46,492,967,573
Net pension liability	\$ 30,061,805,239	\$ 25,914,251,115
Proportionate share	0.29781%	0.29446%
Net pension liability for the District	\$ 89,526,314	\$ 76,307,692

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

For the year ended June 30, 2019, the District recognized pension expense of \$12,424,067.

At June 30, 2019, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Change of assumptions	\$ 20,734,221	\$ -
Net difference between projected and actual earnings on pension plan investments	-	6,121,324
Differences between expected and actual experience	415,419	650,572
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,988,265	64,899
Reporting Unit's contributions subsequent to the measurement date	7,470,398	-
	\$ 31,608,303	\$ 6,836,795

\$7,470,398, 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.

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

Year ended September 30,	Amount
2019	\$ 7,213,792
2020	5,330,221
2021	3,453,566
2022	1,303,531

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

OPEB Liabilities

At June 30, 2019, the District reported a liability of \$23,839,817 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2017 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the District's proportion was 0.29991% and 0.29436%.

<u>MPERS (Plan) non-university employers</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Total other postemployment benefit liability	\$ 13,932,170,264	\$ 13,920,945,991
Plan fiduciary net position	\$ 5,983,218,473	\$ 5,065,474,948
Net other postemployment benefit liability	\$ 7,948,951,791	\$ 8,855,471,043
Proportionate share	0.29991%	0.29436%
Net other postemployment benefit liability for the District	\$ 23,839,817	\$ 26,066,532

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,533,249.

At June 30, 2019, 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
Differences between expected and actual experience	\$ -	\$ 4,437,202
Changes of assumptions	2,524,649	-
Net difference between projected and actual earnings on OPEB plan investments	-	916,221
Changes in proportion and differences between employer contributions and proportionate share of contributions	428,080	4,062
Employer contributions subsequent to the measurement date	1,996,249	-
	\$ 4,948,978	\$ 5,357,485

\$1,996,249 reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year ended September 30,	Amount
2019	\$ (606,736)
2020	(606,736)
2021	(606,736)
2022	(419,130)
2023	(165,418)

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions

Investment rate of return for pension - 7.05% a year, compounded annually net of investment and administrative expenses for the non-hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the hybrid group (Pension Plus Plan).

Investment rate of return for OPEB - 7.15% a year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 2.75%.

Inflation - 3.0%.

Mortality assumptions:

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

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

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

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

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 7.05% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.15%, 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 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 - 7.5% for year one and graded to 3.0% in year twelve.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT 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, 2018 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	28.00%	5.70%
Private Equity Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.50%
Real Estate and Infrastructure Pools	10.00%	3.90%
Absolute Return Pools	15.50%	5.20%
Short Term Investment Pools	2.00%	0.00%
	<u>100.00%</u>	

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

Pension discount rate - A single discount rate of 7.05% was used to measure the total pension liability (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan). This discount rate was based on the long-term rate of return on pension plan investments of 7.05% (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

OPEB discount rate - A single discount rate of 7.15% 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 7.15%. 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 7.05% (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 117,541,135	\$ 89,526,314	\$ 66,250,551

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 7.15%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Discount rate	1% Increase
Reporting Unit's proportionate of the net other postemployment benefit liability	\$ 28,619,216	\$ 23,839,817	\$ 19,819,759

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS (Concluded)

Actuarial Assumptions (Concluded)

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.0%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Healthcare cost trend rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 19,607,987	\$ 23,839,817	\$ 28,694,591

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 2018 Comprehensive Annual Financial Report.

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

NOTE 9 - COMMITMENTS AND CONTINGENCIES

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

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - RISK MANAGEMENT

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

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

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

NOTE 11 - TRANSFERS

The food service fund transferred \$80,000 to the general fund for indirect cost expenditure reimbursement. The general fund transferred \$24,069 to the energy initiative fund for capital expenditures. \$23,528 was transferred among the debt service funds to close out the debt refunding and 2014 debt retirement funds.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent to year-end, the District entered into an agreement to borrow \$1,000,000 as a State aid note maturing August 2020. The note is secured by the full faith and credit of the District as well as pledged state aid.

NOTE 13 - RECLASSIFICATIONS

Certain prior year numbers have been reclassified to be in conformity with the current year presentation.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 14 - 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
Alaiedon Township	\$ 21,233
Meridian Township	13,192
Total	\$ 34,425

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.

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the District’s 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District’s 2021 year end. The objective of this Statement is to increase the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

**OKEMOS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2019**

	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Local sources	\$ 15,034,071	\$ 15,750,245	\$ 15,916,524	\$ 166,279
State sources	35,942,965	35,923,557	35,808,673	(114,884)
Federal sources	391,976	407,383	372,778	(34,605)
Total revenues	<u>51,369,012</u>	<u>52,081,185</u>	<u>52,097,975</u>	<u>16,790</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	25,898,940	26,328,849	26,229,650	99,199
Added needs	6,203,882	6,181,911	6,034,233	147,678
Total instruction	<u>32,102,822</u>	<u>32,510,760</u>	<u>32,263,883</u>	<u>246,877</u>
Supporting services:				
Pupil	3,054,799	3,067,239	3,050,152	17,087
Instructional staff	2,261,316	2,147,402	2,112,565	34,837
General administration	495,234	467,387	467,586	(199)
School administration	2,857,298	2,816,459	2,867,330	(50,871)
Business	669,316	697,777	675,573	22,204
Operations and maintenance	3,964,754	4,021,586	4,001,850	19,736
Transportation	1,093,629	1,086,256	1,088,176	(1,920)
Central	1,568,483	1,502,139	1,498,109	4,030
Athletics	798,928	831,707	860,428	(28,721)
Total supporting services	<u>16,763,757</u>	<u>16,637,952</u>	<u>16,621,769</u>	<u>16,183</u>
Community services	2,531,496	2,603,733	2,480,217	123,516
Payments to other public schools	12,015	3,417	-	3,417
Total expenditures	<u>51,410,090</u>	<u>51,755,862</u>	<u>51,365,869</u>	<u>389,993</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(41,078)</u>	<u>325,323</u>	<u>732,106</u>	<u>406,783</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	80,000	80,000	80,000	-
Transfers out	-	-	(24,069)	(24,069)
Total other financing sources (uses)	<u>80,000</u>	<u>80,000</u>	<u>55,931</u>	<u>(24,069)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 38,922</u>	<u>\$ 405,323</u>	<u>788,037</u>	<u>\$ 382,714</u>
FUND BALANCE:				
Beginning of year			<u>4,730,529</u>	
End of year			<u>\$ 5,518,566</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 10 FISCAL YEARS (DETERMINED AS OF
THE PLAN YEAR ENDED SEPTEMBER 30)**

	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.29781%	0.29446%	0.28402%	0.27502%	0.26922%
Reporting Unit's proportionate share of net pension liability	\$ 89,526,314	\$ 76,307,692	\$ 70,861,622	\$ 67,174,817	\$ 59,299,481
Reporting Unit's covered-employee payroll	\$ 25,503,566	\$ 25,027,904	\$ 24,336,762	\$ 22,962,203	\$ 22,692,532
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	351.03%	304.89%	291.17%	292.55%	261.32%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, The District presents information for those years for which information is available.

**OKEMOS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF
THE YEAR ENDED JUNE 30)**

	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 7,889,595	\$ 7,849,263	\$ 6,885,428	\$ 6,193,998	\$ 4,935,873
Contributions in relation to statutorily required contributions	7,889,595	7,849,263	6,885,428	6,193,998	4,935,873
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Reporting Unit's covered-employee payroll	\$ 26,507,293	\$ 25,450,771	\$ 25,807,538	\$ 23,952,924	\$ 22,692,073
Contributions as a percentage of covered-employee payroll	29.76%	30.84%	26.68%	25.86%	21.75%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**OKEMOS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED
AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	2018	2017
Reporting Unit's proportion of net OPEB liability (%)	0.29991%	0.29436%
Reporting Unit's proportionate share of net OPEB liability	\$ 23,839,817	\$ 26,066,532
Reporting Unit's covered-employee payroll	\$ 25,503,566	\$ 25,027,904
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	93.48%	104.15%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 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 10 FISCAL YEARS (DETERMINED AS OF
THE YEAR ENDED JUNE 30)**

	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 2,182,909	\$ 2,217,970
Contributions in relation to statutorily required contributions	<u>2,182,909</u>	<u>2,217,970</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 26,507,293	\$ 25,450,771
Contributions as a percentage of covered-employee payroll	8.24%	8.71%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**OKEMOS PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019**

Pension Information

Benefit changes - there were no changes of benefit terms in 2018.

Changes of assumptions - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

Discount rate for MIP and Basic plans decreased to 7.05% from 7.50%.

Projected salary increases decreased to 2.75%-11.55%, including wage inflation at 2.75% from 3.50-12.30%, including wage inflation of 3.50%.

Mortality assumptions were updated to the RP-2014 Male and Female Healthy Annuitant table from the RP-2000 Combined Healthy Life Mortality table.

OPEB Information

Benefit changes - there were no changes of benefit terms in 2018.

Changes of assumptions - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

Discount rate for decreased to 7.15% from 7.50%.

Projected salary increases decreased to 2.75%-11.55%, including wage inflation at 2.75% from 3.50-12.30%, including wage inflation of 3.50%.

Healthcare cost trend rate decreased to 7.50% Year 1 graded to 3.00% Year 12 from 7.50% Year 1 graded to 3.50% Year 12.

Mortality assumptions were updated to the RP-2014 Male and Female Healthy Annuitant table from the RP-2000 Combined Healthy Life Mortality table.

ADDITIONAL SUPPLEMENTARY INFORMATION

**OKEMOS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2019**

	Food service fund	Nonmajor capital projects funds	Total nonmajor funds
ASSETS			
ASSETS:			
Cash and cash equivalents	\$ 648,841	\$ 227,025	\$ 875,866
Investments	-	1,004,291	1,004,291
Accounts receivable	2,253	-	2,253
Due from other governments	60,906	-	60,906
Due from other funds	-	24,069	24,069
Prepaid expenses	3,910	-	3,910
Inventories	16,656	-	16,656
	TOTAL ASSETS	\$ 1,255,385	\$ 1,987,951
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 2,576	\$ 204,365	\$ 206,941
Accrued salaries and related items	9,690	-	9,690
Accrued retirement	2,352	-	2,352
Due to other funds	41,501	160,084	201,585
Unearned revenue	81,977	-	81,977
	TOTAL LIABILITIES	364,449	502,545
FUND BALANCES:			
Nonspendable:			
Inventories	16,656	-	16,656
Prepaid expenses	3,910	-	3,910
Assigned for:			
Capital projects	-	104,111	104,111
Restricted for:			
Capital projects - sinking fund	-	786,825	786,825
Food service	573,904	-	573,904
	TOTAL FUND BALANCES	890,936	1,485,406
	TOTAL LIABILITIES AND FUND BALANCES	\$ 1,255,385	\$ 1,987,951

**OKEMOS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2019**

	Food service fund	Nonmajor debt service funds	Nonmajor capital projects	Total nonmajor funds
REVENUES:				
Local sources:				
Property taxes	\$ -	\$ 1,296,171	\$ 1,270,664	\$ 2,566,835
Investment earnings	-	3,393	9,277	12,670
Food service sales	958,254	-	-	958,254
Other	-	-	570,067	570,067
Total local sources	958,254	1,299,564	1,850,008	4,107,826
State sources	94,243	5,947	-	100,190
Federal sources	470,248	-	-	470,248
Incoming transfers and other	370,316	-	6,076	376,392
Total revenues	1,893,061	1,305,511	1,856,084	5,054,656
EXPENDITURES:				
Food service	1,796,890	-	-	1,796,890
Capital outlay	1,292	-	1,599,102	1,600,394
Debt service:				
Principal repayment	-	1,715,000	-	1,715,000
Interest expense	-	25,725	-	25,725
Miscellaneous	-	830	-	830
Total expenditures	1,798,182	1,741,555	1,599,102	5,138,839
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	94,879	(436,044)	256,982	(84,183)
OTHER FINANCING SOURCES (USES):				
Proceeds from the school loan revolving fund	-	421,621	-	421,621
Transfers in	-	-	24,069	24,069
Transfers out	(80,000)	(23,528)	-	(103,528)
Total other financing sources (uses)	(80,000)	398,093	24,069	342,162
NET CHANGE IN FUND BALANCES	14,879	(37,951)	281,051	257,979
FUND BALANCES:				
Beginning of year	579,591	37,951	609,885	1,227,427
End of year	\$ 594,470	\$ -	\$ 890,936	\$ 1,485,406

**OKEMOS PUBLIC SCHOOLS
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2019
 (with comparative totals for the year ended 2018)**

			<u>Totals</u>	
			<u>2019</u>	<u>2018</u>
	<u>Capital projects fund</u>	<u>Sinking fund</u>		
ASSETS				
Cash and cash equivalents	\$ 80,042	\$ 146,983	\$ 227,025	\$ 614,241
Investments	-	1,004,291	1,004,291	-
Accounts receivable	-	-	-	3,787
Due from other funds	24,069	-	24,069	165
TOTAL ASSETS	<u>\$ 104,111</u>	<u>\$ 1,151,274</u>	<u>\$ 1,255,385</u>	<u>\$ 618,193</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Liabilities:				
Accounts payable	\$ -	\$ 204,365	\$ 204,365	\$ -
Due to other funds	-	160,084	160,084	8,308
TOTAL LIABILITIES	<u>-</u>	<u>364,449</u>	<u>364,449</u>	<u>8,308</u>
FUND BALANCES:				
Assigned	104,111	-	104,111	311,012
Restricted	-	786,825	786,825	298,873
TOTAL FUND BALANCES	<u>104,111</u>	<u>786,825</u>	<u>890,936</u>	<u>609,885</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 104,111</u>	<u>\$ 1,151,274</u>	<u>\$ 1,255,385</u>	<u>\$ 618,193</u>

**OKEMOS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2019
(with comparative totals for the year ended 2018)**

	Capital projects fund	Sinking fund	Totals	
			2019	2018
REVENUES:				
Local sources:				
Property taxes	\$ -	\$ 1,270,664	\$ 1,270,664	\$ 1,218,224
Investment earnings	827	8,450	9,277	-
Other	570,067	-	570,067	335,367
Total local sources	570,894	1,279,114	1,850,008	1,553,591
State sources	-	6,076	6,076	8,965
Total revenues	570,894	1,285,190	1,856,084	1,562,556
EXPENDITURES:				
Capital outlay	801,864	797,238	1,599,102	1,263,610
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(230,970)	487,952	256,982	298,946
OTHER FINANCING SOURCES (USES):				
Transfers in	24,069	-	24,069	7,034
Proceeds from installment purchase agreement	-	-	-	50,000
Total other financing sources (uses)	24,069	-	24,069	57,034
NET CHANGE IN FUND BALANCES				
	(206,901)	487,952	281,051	355,980
FUND BALANCES:				
Beginning of year	311,012	298,873	609,885	253,905
End of year	\$ 104,111	\$ 786,825	\$ 890,936	\$ 609,885

**OKEMOS PUBLIC SCHOOLS
 COMBINING BALANCE SHEET
 DEBT SERVICE FUNDS
 JUNE 30, 2019
 (with comparative totals for the year ended 2018)**

ASSETS	Debt service funds		Totals	
	Debt refunding	2014 Debt retirement	2019	2018
ASSETS:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 37,625
Due from other funds	-	-	-	326
TOTAL ASSETS	\$ -	\$ -	\$ -	\$ 37,951
FUND BALANCES:				
Restricted for debt service	\$ -	\$ -	\$ -	\$ 37,951

OKEMOS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2019
(with comparative totals for the year ended 2018)

	Debt service funds		Totals	
	Debt refunding	2014 Debt retirement	2019	2018
REVENUES:				
Local sources:				
Property taxes	\$ 82,539	\$ 1,213,632	\$ 1,296,171	\$ 1,852,944
Interest	330	3,063	3,393	4,349
Total local sources	82,869	1,216,695	1,299,564	1,857,293
State sources	357	5,590	5,947	870
Total revenues	83,226	1,222,285	1,305,511	1,858,163
EXPENDITURES:				
Principal retirement	100,000	1,615,000	1,715,000	1,800,000
Interest	1,500	24,225	25,725	52,722
Miscellaneous expense	272	558	830	650
Total expenditures	101,772	1,639,783	1,741,555	1,853,372
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(18,546)	(417,498)	(436,044)	4,791
OTHER FINANCING SOURCES (USES):				
Proceeds from the school loan revolving fund	13,164	408,457	421,621	3,489
Transfers out	(3,207)	(20,321)	(23,528)	-
Total other financing sources (uses)	9,957	388,136	398,093	3,489
NET CHANGE IN FUND BALANCES	(8,589)	(29,362)	(37,951)	8,280
FUND BALANCES:				
Beginning of year	8,589	29,362	37,951	29,671
End of year	\$ -	\$ -	\$ -	\$ 37,951

**OKEMOS PUBLIC SCHOOLS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED JUNE 30, 2019**

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
ELEMENTARY AGENCY FUND				
ASSETS				
Cash and cash equivalents	\$ 108,530	\$ 90,367	\$ 103,509	\$ 95,388
LIABILITIES				
Due to student groups	\$ 108,530	\$ 90,367	\$ 103,509	\$ 95,388
MIDDLE SCHOOL AGENCY FUND				
ASSETS				
Cash and cash equivalents	\$ 132,368	\$ 299,260	\$ 315,737	\$ 115,891
LIABILITIES				
Due to student groups	\$ 132,368	\$ 299,260	\$ 315,737	\$ 115,891
HIGH SCHOOL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 392,457	\$ 443,199	\$ 452,335	\$ 383,321
LIABILITIES				
Due to other government	\$ 63,046	\$ 58,415	\$ 63,046	\$ 58,415
Due to student groups	329,411	384,784	389,289	324,906
	\$ 392,457	\$ 443,199	\$ 452,335	\$ 383,321

**OKEMOS PUBLIC SCHOOLS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED JUNE 30, 2019**

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2019</u>
BUSINESS OFFICE AGENCY FUND				
ASSETS				
Cash and cash equivalents	<u>\$ 221,817</u>	<u>\$ 94,781</u>	<u>\$ 167,699</u>	<u>\$ 148,899</u>
LIABILITIES				
Due to student groups	<u>\$ 221,817</u>	<u>\$ 94,781</u>	<u>\$ 167,699</u>	<u>\$ 148,899</u>
 TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	<u>\$ 855,172</u>	<u>\$ 927,607</u>	<u>\$ 1,039,280</u>	<u>\$ 743,499</u>
LIABILITIES				
Due to other government	<u>\$ 63,046</u>	<u>\$ 58,415</u>	<u>\$ 63,046</u>	<u>\$ 58,415</u>
Due to student groups	<u>792,126</u>	<u>869,192</u>	<u>976,234</u>	<u>685,084</u>
	<u>\$ 855,172</u>	<u>\$ 927,607</u>	<u>\$ 1,039,280</u>	<u>\$ 743,499</u>

**OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
YEAR ENDED JUNE 30, 2019**

<u>Date</u>	<u>Name</u>	<u>Kind</u>	<u>Original issue</u>
02/02/93	Capital appreciation bonds	Serial	<u>\$ 17,321,722</u>

Purpose: The proceeds from the bonds will be used for the purpose of refunding a portion of the School District's outstanding school bonds dated August 22, 1991 which bonds are due and payable through 2021 and to pay the cost of issuance.

Capital appreciation (serial) bonds issued for \$17,321,722 (face amount at maturity \$80,225,000). On February 2, 1993, the approximate yield of the bond's appreciation ranges from 6.45% to 6.55%.

<u>Date</u>	<u>Accretion</u>	<u>Payments</u>	<u>Appreciation value</u>
06/30/19	\$ -	\$ -	\$ 17,638,172
11/01/19	577,668	-	18,215,840
05/01/20	597,037	9,475,000	9,337,877
11/01/20	305,812	-	9,643,689
05/01/21	316,311	9,960,000	-

**OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
YEAR ENDED JUNE 30, 2019**

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

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

Debt service fiscal year June 30th	Interest rate	Principal due May 1	Interest due		Total
			May 1	November 1	
2020	5.00%	\$ 1,250,000	\$ 549,125	\$ 381,337	\$ 2,180,462
2021	5.00%	1,750,000	517,875	517,875	2,785,750
2022	5.00%	4,400,000	474,125	474,125	5,348,250
2023	5.00%	4,620,000	364,125	364,125	5,348,250
2024	5.00%	4,855,000	248,625	248,625	5,352,250
2025	5.00%	5,090,000	127,250	127,250	5,344,500
		<u>\$ 21,965,000</u>	<u>\$ 2,281,125</u>	<u>\$ 2,113,337</u>	<u>\$ 26,359,462</u>

**OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT
INSTALLMENT PURCHASE AGREEMENT
YEAR ENDED JUNE 30, 2019**

2018 Lighting Upgrades

Annual principal payments	Annual interest payments	June 30,	Amount
\$ 25,000	\$ -	2020	\$ 25,000
<u>14,583</u>	<u>-</u>	2021	<u>14,583</u>
<u><u>\$ 39,583</u></u>	<u><u>\$ -</u></u>		<u><u>\$ 39,583</u></u>

Installment purchase agreement was executed in January of 2018 for the purchase of lighting upgrades at school facilities.

**OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT
SCHOOL LOAN REVOLVING FUND
YEAR ENDED JUNE 30, 2019**

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

Year ended June 30,	School loan revolving fund (SLRF)		
	Loan proceeds	Accrued interest	Loan balance (net change)
2015	\$ 370,777	\$ 3,404	\$ 374,181
2016	1,839,078	23,560	1,862,638
2017	1,253,575	78,980	1,332,555
2018	1,765,989	122,871	1,888,860
2019	1,624,685	191,703	1,816,388
Total June 30, 2019	\$ 6,854,104	\$ 420,518	\$ 7,274,622

**OKEMOS PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (unearned) revenue 6/30/2018	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts (cash basis)	Accrued (unearned) revenue 6/30/2019
<u>U.S. Department of Agriculture:</u>								
Passed through Michigan Department of Education:								
Child nutrition cluster:								
Non-cash assistance (donated foods):								
National School Lunch Program - non bonus	10.555		\$ 116,640	\$ -	\$ 93,111	\$ 116,640	\$ 116,640	\$ -
Cash assistance:								
National School Lunch Program	10.555	181960	286,814	13,424	286,814	-	13,424	-
		191960	314,996	-	-	314,996	314,996	-
			<u>601,810</u>	<u>13,424</u>	<u>286,814</u>	<u>314,996</u>	<u>328,420</u>	<u>-</u>
Total National School Lunch Program Subtotal			<u>718,450</u>	<u>13,424</u>	<u>379,925</u>	<u>431,636</u>	<u>445,060</u>	<u>-</u>
School Breakfast Program	10.553	181970	37,532	2,022	37,532	-	2,022	-
		191970	38,612	-	-	38,612	38,612	-
Total National School Breakfast Program Subtotal			<u>76,144</u>	<u>2,022</u>	<u>37,532</u>	<u>38,612</u>	<u>40,634</u>	<u>-</u>
Total Child Nutrition Cluster			<u>794,594</u>	<u>15,446</u>	<u>417,457</u>	<u>470,248</u>	<u>485,694</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>794,594</u>	<u>15,446</u>	<u>417,457</u>	<u>470,248</u>	<u>485,694</u>	<u>-</u>
<u>U.S. Department of Education:</u>								
Passed through Michigan Department of Education:								
Title I Part A	84.010	181530 1718	200,345	53,189	200,345	-	53,189	-
		191530 1819	192,834	-	-	192,834	169,720	23,114
Total Title I Part A			<u>393,179</u>	<u>53,189</u>	<u>200,345</u>	<u>192,834</u>	<u>222,909</u>	<u>23,114</u>
Title II Part A	84.367	180520 1718	69,596	18,646	69,596	-	18,646	-
		190520 1819	87,283	-	-	87,283	70,308	16,975
Total Title II Part A			<u>156,879</u>	<u>18,646</u>	<u>69,596</u>	<u>87,283</u>	<u>88,954</u>	<u>16,975</u>

The accompanying notes are an integral part of the schedule.

**OKEMOS PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (unearned) revenue 6/30/2018	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts (cash basis)	Accrued (unearned) revenue 6/30/2019
<u>U.S. Department of Education (Continued):</u>								
Passed through Michigan Department of Education:								
Title III, Limited English	84.365	170580 1617	\$ 32,270	\$ -	\$ 32,432	\$ (1,151)	\$ (1,151)	\$ -
		180580 1718	34,777	13,109	13,109	21,668	34,777	-
		190580 1819	48,767	-	-	20,956	-	20,956
Total Title III			<u>115,814</u>	<u>13,109</u>	<u>45,541</u>	<u>41,473</u>	<u>33,626</u>	<u>20,956</u>
Title IV, Part A Student Support and Enrichment	84.424	180750 1718	10,000	10,000	10,000	-	10,000	-
		190750 1819	13,103	-	-	13,103	13,103	-
Total Title IV			<u>23,103</u>	<u>10,000</u>	<u>10,000</u>	<u>13,103</u>	<u>23,103</u>	<u>-</u>
Total Michigan Department of Education			<u>688,975</u>	<u>94,944</u>	<u>325,482</u>	<u>334,693</u>	<u>368,592</u>	<u>61,045</u>
Passed through Ingham Intermediate School District:								
Special Education Cluster:								
Special Ed - Preschool	84.173	180460 1718	18,616	18,616	18,616	-	18,616	-
		190460 1819	21,747	-	-	21,747	-	21,747
Total Special Ed - Preschool			<u>40,363</u>	<u>18,616</u>	<u>18,616</u>	<u>21,747</u>	<u>18,616</u>	<u>21,747</u>
Special Ed - Flowthrough	84.027	170450-1617	7,918	7,918	7,918	-	7,918	-
		180450-1718	1,121	-	-	1,121	-	1,121
Total Special Ed - Flowthrough			<u>9,039</u>	<u>7,918</u>	<u>7,918</u>	<u>1,121</u>	<u>7,918</u>	<u>1,121</u>
Total IDEA Cluster			<u>49,402</u>	<u>26,534</u>	<u>26,534</u>	<u>22,868</u>	<u>26,534</u>	<u>22,868</u>
Total passed through Ingham Intermediate School District			<u>49,402</u>	<u>26,534</u>	<u>26,534</u>	<u>22,868</u>	<u>26,534</u>	<u>22,868</u>
Total U.S. Department of Education			<u>738,377</u>	<u>121,478</u>	<u>352,016</u>	<u>357,561</u>	<u>395,126</u>	<u>83,913</u>
<u>U.S. Department of Health and Human Services</u>								
Passed through Ingham Intermediate School District								
Medicaid Outreach and transportation	93.778	2019	15,217	-	9,800	15,217	15,217	-
Total Federal Assistance			<u>\$ 1,548,188</u>	<u>\$ 136,924</u>	<u>\$ 779,273</u>	<u>\$ 843,026</u>	<u>\$ 896,037</u>	<u>\$ 83,913</u>

The accompanying notes are an integral part of the schedule.

**OKEMOS PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

1. Basis of Presentation - The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Okemos Public Schools under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Okemos Public Schools, it is not intended to and does not present the financial position or changes in net position of Okemos Public Schools.
2. Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Okemos Public Schools has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. Management has utilized the Cash Management System (CMS) and the Grant Auditor Report in preparing the schedule of expenditures of federal awards.
4. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 372,778
Other nonmajor governmental fund	470,248
Total	\$ 843,026

**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, 2019, and the related notes to the financial statements, which collectively comprise the Okemos Public Schools' basic financial statements and have issued our report thereon dated September 4, 2019.

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 may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Maney Costeiran PC

September 4, 2019

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

To the Board of Education
Okemos Public Schools

Report on Compliance for Each Major Federal Program

We have audited Okemos Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Okemos Public Schools' major federal programs for the year ended June 30, 2019. Okemos Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Okemos Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Okemos Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unmodified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of Okemos Public Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Okemos Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Okemos Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Okemos Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Okemos Public Schools' internal control over compliance.

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

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

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

Maney Costeiran PC

September 4, 2019

**OKEMOS PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unmodified*

➤ Material weakness(es) identified? _____ Yes _____ X No

➤ Significant deficiency(ies) identified? _____ Yes _____ X None reported

Noncompliance material to financial statements noted? _____ Yes _____ X No

Federal Awards

Internal control over major programs:

➤ Material weakness(es) identified? _____ Yes _____ X No

➤ Significant deficiency(ies) identified? _____ Yes _____ X None reported

Type of auditor's report issued on compliance for major *Unmodified*

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)? _____ Yes _____ X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 & 10.555	National School Lunch Cluster

Dollar threshold used to distinguish between type A _____ \$750,000 _____

Auditee qualified as low-risk auditee? _____ X Yes _____ No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**OKEMOS PUBLIC SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no audit findings in either of the prior 2 years.