

OKEMOS PUBLIC SCHOOLS

REPORT ON FINANCIAL STATEMENTS
(with required supplementary
and additional supplementary information)

YEAR ENDED JUNE 30, 2020

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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, 2020, 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, 2020, 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.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 14 to the financial statements, Okemos Public Schools implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

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 15, 2020, 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 15, 2020

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, 2020. 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.

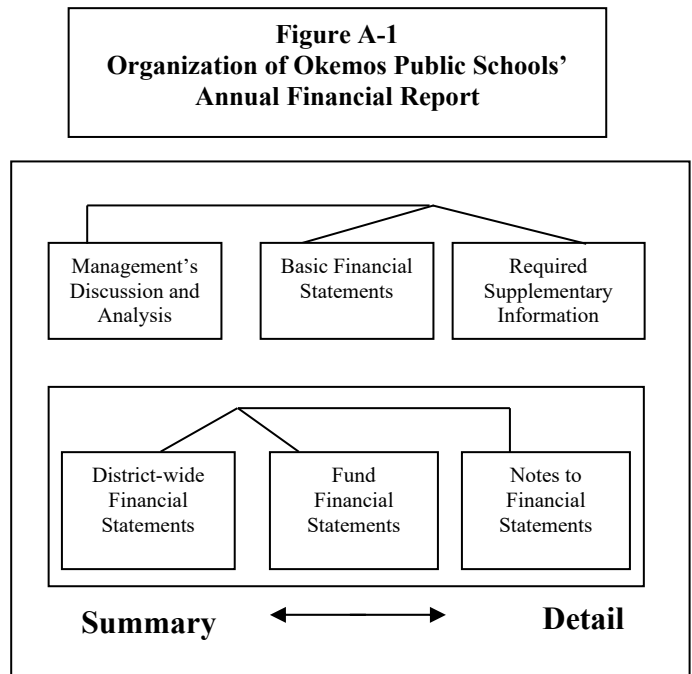
FINANCIAL HIGHLIGHTS

- The District's financial status remained stable. The District's overall revenues were \$67.2 million dollars.
- Total general fund revenues were \$53.5 million. Revenues for the 2019-2020 school year increased 2.7% from the previous year primarily due to an increase in blended student enrollment and other additional funding from the State of Michigan. Expenditures increased 4% over the same period due to slight increases in employee compensation and group health insurance costs as well as the corresponding increase in MPSERS expenditures.
- The District's enrollment showed encouraging growth with a 1.6% increase over the previous fiscal year. This equated to an approximate increase of 74 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.



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

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

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

DISTRICT-WIDE STATEMENTS

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the District's assets, deferred outflows, deferred inflows, and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how they have changed. Net position - the difference between the District's assets, deferred outflows, deferred inflows, and liabilities - is one way to measure the District's financial health or *position*.

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

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

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

FUND FINANCIAL STATEMENTS

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

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

The District has one kind of fund:

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

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		
	2020	2019
Current and other assets	\$ 33,504,585	\$ 37,259,974
Capital and other non-current assets	52,101,041	50,254,054
Total assets	85,605,626	87,514,028
Deferred outflows	37,953,733	36,557,281
Noncurrent liabilities	46,874,595	53,773,969
Net pension liability	100,024,383	89,526,314
Net OPEB liability	21,922,632	23,839,817
Other liabilities	8,306,383	8,645,668
Total liabilities	177,127,993	175,785,768
Deferred inflows	15,515,802	15,509,115
Net position		
Net investment in capital assets	35,155,981	36,721,821
Restricted for capital projects - sinking fund	750,187	786,825
Unrestricted	(104,990,604)	(104,732,220)
Total net position	\$ (69,084,436)	\$ (67,223,574)

Table A-4 Changes in Okemos Public Schools' Net Position		
	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 3,725,446	\$ 4,539,397
Operating grants and contributions	9,759,853	7,531,263
General revenues		
Property taxes	19,602,175	18,905,150
State aid - unrestricted	29,033,696	29,039,767
Ingham ISD	4,029,384	3,793,141
Investment and other	981,630	908,494
Total revenues	67,132,184	64,717,212
Expenses		
Instruction	39,818,410	36,518,697
Support services	19,447,416	17,875,622
Community services	2,569,334	2,507,268
Food services	2,086,768	1,848,756
Student/school activities	650,790	-
Athletics	852,193	858,332
Interest on long-term debt	2,474,344	2,060,435
Unallocated depreciation	1,779,185	1,793,881
Total expenses	69,678,440	63,462,991
Change in net position	\$ (2,546,256)	\$ 1,254,221

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 2019-2020.

- The District continued to remain fiscally responsible, initiating prudent budget decisions resulting in balanced or better operating results prior to the August state aid reduction. In the end, the District's unassigned fund balance decreased to 7.8% of expenditures at June 30, 2020 in the General Fund.
- One of the most important factors affecting the budget is our student enrollment. Enrollment increased by 74 students in 2019-20, 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 2019-2020, with the potential of receiving additional adjustments based on the November 2019 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 2019-2020. 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 \$109,000 in 2019-2020.
- The District's food service program successfully completed its fourteenth 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 maintaining a fund balance of roughly \$494,000.

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 2019-2020 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 \$25,269,101, a decrease of \$4,056,440 compared to the ending funding balance of \$29,325,541, as restated, as of June 30, 2019.

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 2019 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 2020. Revenues (Federal, State and Local) and expenditures were adjusted, resulting in net changes to the November, 2019 Board adopted budget.
- The District's final budget for the general fund anticipated an operating deficit of \$2,722,618, the actual results were a deficit of \$269,723, primarily due to cost control across all areas of the district and a lower than anticipated August state aid adjustment.
- The District invested approximately \$5.5 million in capital assets during 2019-2020, including school building repairs and improvements, computer equipment and vehicles. Total depreciation expense for the year amounted to approximately 3.7 million.

Table A-5 Okemos Public Schools' Capital Assets		
	2020	2019
Land and land improvements	\$ 7,749,093	\$ 7,884,131
Building and improvements	39,692,597	37,598,432
Equipment and furniture	4,016,600	4,426,833
Vehicles	642,751	344,658
Total - net of accumulated depreciation	\$ 52,101,041	\$ 50,254,054

The District's fiscal year 2020-21 capital expenditures budget anticipates spending approximately \$700,000. \$120,000 is estimated to be spent on a roof replacement at Chippewa and \$580,000 is estimated for electrical upgrades throughout the District. These projects are funded through the District's Building and Site Sinking fund. In addition, the District will continue projects, such as common area restroom renovations, air conditioning upgrades, tennis court resurfacing, and auditorium stage floor replacement, in relation to the May 2019 bond election.

Long-term Debt

At June 30, 2020 the District had approximately \$45 million in long-term obligations outstanding - a decrease of 13.9% from last year due to paying down existing bonded debt. In 2020, 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.)

	2020	2019
Bond and related debt	\$ 32,983,453	\$ 42,542,852
Notes from direct borrowings and direct placements	9,108,152	6,893,687
Compensated absences and other benefits	2,724,329	2,610,483
Total	<u>\$ 44,815,934</u>	<u>\$ 52,047,022</u>

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 2019-2020 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 COVID-19 pandemic has created an unstable environment for schools. Due to timing, the District had to revise their 2019-20 budget knowing there were significant downward trends in State revenues related to the Executive Orders, but not knowing how the State would respond. In addition, the 2020-21 budget was legislatively required to be adopted before June 30th, well before the District knew per pupil and other funding sources.
- The upward enrollment trend for the District was projected to continue over the next 5 years with enrollment growth of 2-3% annually. The 2020-21 budget projected an enrollment increase of 35 students in 2020-21. The impact of the COVID pandemic on the District's enrollment is not known and will be closely monitored.
- Approximately \$2,033,000 in expenditure reductions and revenue enhancements were identified to offset anticipated revenue reductions. The areas included central office, elementary and secondary instruction, operations and maintenance, transportation, media and technology, community education as well as other district level categories. Recognizing the funding cuts, employee groups worked collaboratively with the Board of Education to help address the financial challenges by agreeing to wage and step freezes.
- Subsequent to the 2019-20 budget revision and the 2020-21 budget adoption, the State acted upon revised 2019-20 State Aid funding which included a \$175 per pupil funding reduction. The reduction was offset by \$350 per pupil in Covid Relief Funds. However, 2020-21, State Aid is not yet known. Given the proactive measures by the District to address anticipated shortfalls of revenue, the District is financially well positioned for the 2020-21 school year.

- Michigan's slow economic recovery from the recession, the political climate and now the COVID pandemic 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.

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, 2020**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 6,675,393
Investments	1,177,946
Receivables	
Intergovernmental	6,482,322
Property taxes and other receivables	64,450
Inventories	18,099
Prepays	377,388
Restricted investments capital projects fund	18,708,987
Capital assets not being depreciated	4,353,355
Capital assets, net of accumulated depreciation	<u>47,747,686</u>
TOTAL ASSETS	<u>85,605,626</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to OPEB	7,637,223
Related to pensions	<u>30,316,510</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>37,953,733</u>
LIABILITIES	
Accounts payable	1,744,622
Accrued salaries and related items	3,473,186
Accrued retirement	2,149,895
Accrued interest	170,899
Due to other governments	152,857
Unearned revenue	414,924
Note payable	200,000
Noncurrent liabilities	
Due within one year	11,860,799
Due in more than one year	32,955,135
Net pension liability	100,024,383
Net other postemployment benefits liability	21,922,632
Accrued interest payable - school loan revolving fund	667,465
Accrued interest payable - capital appreciation bonds	<u>1,391,196</u>
TOTAL LIABILITIES	<u>177,127,993</u>
DEFERRED INFLOWS OF RESOURCES	
Related to OPEB	8,450,755
Related to pensions	3,697,598
Related to state aid funding for pension	<u>3,367,449</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>15,515,802</u>
NET POSITION	
Net investment in capital assets	35,155,981
Restricted for capital projects (sinking fund)	750,187
Unrestricted - net of accreted bond interest of \$7,725,054	<u>(104,990,604)</u>
TOTAL NET POSITION	<u><u>\$ (69,084,436)</u></u>

See notes to financial statements.

**OKEMOS PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating grants and contributions</u>	<u>Net (expense) Revenue and Changes in Net Position</u>
Governmental activities				
Instruction	\$ 39,818,410	\$ -	\$ 6,725,313	\$ (33,093,097)
Support services	20,299,609	435,915	1,705,821	(18,157,873)
Community services	2,569,334	2,095,010	-	(474,324)
Food services	2,086,768	1,194,521	725,219	(167,028)
Student/school activities	650,790	-	603,500	(47,290)
Interest and fees on long-term debt	2,474,344	-	-	(2,474,344)
Unallocated depreciation	1,779,185	-	-	(1,779,185)
Total governmental activities	<u>\$ 69,678,440</u>	<u>\$ 3,725,446</u>	<u>\$ 9,759,853</u>	<u>(56,193,141)</u>
General revenues				
Property taxes, levied for general purposes				8,862,636
Property taxes, levied for debt service				9,415,196
Property taxes, levied for capital projects				1,324,343
State sources - unrestricted				29,033,696
Ingham ISD special educational allocation				4,029,384
Investment earnings				453,049
Other				528,581
Total general revenues				<u>53,646,885</u>
CHANGE IN NET POSITION				<u>(2,546,256)</u>
NET POSITION, beginning of year, as restated				<u>(66,538,180)</u>
NET POSITION, end of year				<u>\$ (69,084,436)</u>

See notes to financial statements.

**OKEMOS PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

ASSETS	General Fund	2019 Capital Projects Fund	1993 Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,873,951	\$ -	\$ 173,867	\$ 1,627,575	\$ 6,675,393
Investments	615,309	-	-	562,637	1,177,946
Receivables					
Property taxes and other receivables	64,450	-	-	-	64,450
Intergovernmental	6,377,038	-	-	105,284	6,482,322
Due from other funds	-	-	1,396	355,967	357,363
Inventories	867	-	-	17,232	18,099
Prepays	377,388	-	-	-	377,388
Restricted investments capital projects fund	-	18,708,987	-	-	18,708,987
TOTAL ASSETS	\$ 12,309,003	\$ 18,708,987	\$ 175,263	\$ 2,668,695	\$ 33,861,948
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 403,729	\$ 1,287,496	\$ -	\$ 53,397	\$ 1,744,622
Accrued salaries and related items	3,458,366	-	-	14,820	3,473,186
Accrued retirement	2,146,212	-	-	3,683	2,149,895
Due to other funds	319,343	-	-	38,020	357,363
Due to other governments	152,857	-	-	-	152,857
Unearned revenue	279,653	-	-	135,271	414,924
Note payable	200,000	-	-	-	200,000
TOTAL LIABILITIES	6,960,160	1,287,496	-	245,191	8,492,847
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	100,000	-	-	-	100,000
FUND BALANCES					
Nonspendable					
Inventories	867	-	-	17,232	18,099
Prepays	377,388	-	-	-	377,388

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 (continued)					
Restricted for:					
Debt service	\$ -	\$ -	\$ 175,263	\$ 29,035	\$ 204,298
Food service	-	-	-	477,212	477,212
Capital projects - sinking fund	-	-	-	750,187	750,187
Capital projects - school improvements	-	17,421,491	-	-	17,421,491
Committed for student/school activities	-	-	-	638,104	638,104
Assigned for:					
Capital projects	-	-	-	511,734	511,734
Subsequent years expenditures	135,962	-	-	-	135,962
Unassigned	4,734,626	-	-	-	4,734,626
TOTAL FUND BALANCES	<u>5,248,843</u>	<u>17,421,491</u>	<u>175,263</u>	<u>2,423,504</u>	<u>25,269,101</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 12,309,003</u>	<u>\$ 18,708,987</u>	<u>\$ 175,263</u>	<u>\$ 2,668,695</u>	<u>\$ 33,861,948</u>
Total governmental fund balances					\$ 25,269,101
Amounts reported for governmental activities in the statement of net position are different because:					
Deferred outflows of resources - related to pensions				\$ 30,316,510	
Deferred outflows of resources - related to OPEB				7,637,223	
Deferred inflows of resources - related to pensions				(3,697,598)	
Deferred inflows of resources - related to OPEB				(8,450,755)	
Deferred inflows of resources - related to state pension funding				(3,367,449)	
Deferred inflows at June 30, 2020 expected to be collected after September 1, 2020				<u>100,000</u>	
					22,537,931
Capital assets used in governmental activities are not financial resources and are not reported in the funds:					
Cost of the capital assets				128,414,546	
Accumulated depreciation				<u>(76,313,505)</u>	
					52,101,041
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					(42,091,605)
Compensated absences and other benefits					(2,724,329)
Net pension liability					(100,024,383)
Net OPEB liability					(21,922,632)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid:					
Accrued interest capital appreciation bonds					(1,391,196)
Accrued interest other debt					<u>(838,364)</u>
Net position of governmental activities					<u>\$ (69,084,436)</u>

See notes to financial statements.

**OKEMOS PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020**

	<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	\$ 8,862,636	\$ -	\$ 8,071,056	\$ 2,668,483	\$ 19,602,175
Community service	2,094,638	-	-	-	2,094,638
Intermediate district	4,060,877	-	-	-	4,060,877
Interest	27,483	390,180	22,958	12,800	453,421
Food service sales	-	-	-	761,706	761,706
Athletics	216,807	-	-	-	216,807
Student/school activity income	-	-	-	603,500	603,500
Other	745,949	-	-	1,740	747,689
Total local sources	16,008,390	390,180	8,094,014	4,048,229	28,540,813
State sources	36,957,275	-	46,957	105,596	37,109,828
Federal sources	517,427	-	-	577,289	1,094,716
Incoming transfers and other transactions	-	-	-	439,441	439,441
Total revenues	53,483,092	390,180	8,140,971	5,170,555	67,184,798
EXPENDITURES					
Current:					
Instruction	33,837,101	-	-	-	33,837,101
Support services	17,182,652	-	-	-	17,182,652
Community services	2,444,236	-	-	-	2,444,236
Food service	-	-	-	1,825,818	1,825,818
Student/school activities	-	-	-	650,790	650,790
Capital outlay	-	4,469,490	-	1,584,044	6,053,534

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>
EXPENDITURES (continued)					
Debt service					
Principal repayment	\$ -	\$ -	\$ 1,636,427	\$ 1,250,000	\$ 2,886,427
Interest	-	-	7,838,573	930,462	8,769,035
Miscellaneous	-	-	868	639	1,507
Total expenditures	<u>53,477,046</u>	<u>4,469,490</u>	<u>9,475,868</u>	<u>6,241,753</u>	<u>73,664,157</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	<u>6,046</u>	<u>(4,079,310)</u>	<u>(1,334,897)</u>	<u>(1,071,198)</u>	<u>(6,479,359)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of assets	-	-	-	183,454	183,454
Proceeds from the school loan revolving fund	-	-	1,374,786	864,679	2,239,465
Transfers in	80,000	-	-	355,769	435,769
Transfers out	(355,769)	-	-	(80,000)	(435,769)
Total other financing sources (uses)	<u>(275,769)</u>	<u>-</u>	<u>1,374,786</u>	<u>1,323,902</u>	<u>2,422,919</u>
NET CHANGE IN FUND BALANCES					
	<u>(269,723)</u>	<u>(4,079,310)</u>	<u>39,889</u>	<u>252,704</u>	<u>(4,056,440)</u>
FUND BALANCES					
Beginning of year, as restated	<u>5,518,566</u>	<u>21,500,801</u>	<u>135,374</u>	<u>2,170,800</u>	<u>29,325,541</u>
End of year	<u>\$ 5,248,843</u>	<u>\$ 17,421,491</u>	<u>\$ 175,263</u>	<u>\$ 2,423,504</u>	<u>\$ 25,269,101</u>

See notes to financial statements.

**OKEMOS PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Net change in fund balances total governmental funds	\$ (4,056,440)
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	(3,669,152)
Capital outlay	5,516,139
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	1,852,788
Accrued interest payable, end of the year	(2,229,560)
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 school loan revolving fund	(2,239,465)
Payment on debt principal	2,911,427
Payment on debt accretion on capital appreciation bonds	7,838,573
Amortization of bond premium	9,104
Current year accretion on bonds	(1,174,705)
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	2,610,483
Accrued compensated absences and other benefits, end of the year	(2,724,329)
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	1,512,160
Pension related items	(8,650,665)
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	(52,614)
Change in net position of governmental activities	\$ (2,546,256)

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

Reporting Entity

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

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

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

The District reports the following major governmental funds:

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

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2019 and the acquisition of fixed assets related to technology, transportation, and overall school improvement.

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

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

	2019 Capital Projects Fund
Revenue and other financing sources	\$ 25,293,598
Expenditures and outgoing transfers	\$ 7,872,107

Other Nonmajor Funds

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

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

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

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

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

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

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

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

Measurement Focus and Basis of Accounting

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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.

Budgetary Information

Budgetary basis of accounting:

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

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

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

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

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- e. The budget was amended during the year with supplemental appropriations, the last one was approved prior to year ended June 30, 2020. The District does not consider these amendments to be significant.

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

Cash and Cash Equivalents

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

Investments

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

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

Inventories and Prepaid Items

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

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

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.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Defined Benefit Plans

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

Deferred Outflows

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

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.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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 \$7,725,054 is not considered capital related debt and the school loan revolving fund principal proceeds of \$9,093,569 are considered capital-related debt. Accrued interest on the school loan revolving fund of \$667,465 is not considered capital related debt.

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.

Fund Balance Policies

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

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

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

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

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

For the year ended June 30, 2020, 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

Compensated Absences

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

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Long-Term Obligations

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2020, the District had the following deposits and investments subject to the following risks

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2020, \$6,920,469 of the District's bank balance of \$7,170,469 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$6,675,393.

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.

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.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (years)</u>
U.S. Treasury Notes	\$ 8,108,358	0.6708
Commercial Paper	2,679,019	0.1455
MILAF External Investment pool - CMC	4,219,732	N/A
MILAF External Investment pool - Max	2,624,824	N/A
MILAF External Investment pool - Term	<u>2,255,000</u>	0.1512
Total Fair Value	<u>\$ 19,886,933</u>	
Portfolio weighted average maturity		<u>0.4730</u>

1 day maturity equals approximately .0027 years.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Standard & Poor's Rating</u>	<u>Rating Agency</u>
MILAF External Investment pool - CMC	\$ 4,219,732	AAAm	Standard & Poor's
MILAF External Investment pool - Max	2,624,824	AAAm	Standard & Poor's
MILAF External Investment pool - Term	2,255,000	AAAkf	Kroll
U.S. Treasury Notes	8,108,358	AA+	Standard & Poor's
Commercial Paper	<u>2,679,019</u>	A-1	Standard & Poor's
Total fair value	<u>\$ 19,886,933</u>		

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:

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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.

	Level 1	Level 2	Level 3	Balance at June 30, 2020
Investments by fair value level				
U.S. Treasury Notes	\$ 8,108,358	\$ -	\$ -	\$ 8,108,358
Commercial Paper	-	2,679,019	-	2,679,019
	\$ 8,108,358	\$ 2,679,019	\$ -	\$ 10,787,377
Total	\$ 8,108,358	\$ 2,679,019	\$ -	\$ 10,787,377

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

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

	Amortized Cost
MILAF External Investment pool - CMC	\$ 4,219,732
MILAF External Investment pool - Max	2,624,824
	\$ 6,844,556

The District holds shares or interests in the Michigan Liquid Asset Fund (MILAF) Term Series, where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

The MILAF Term Series includes investments that the District does not control. The investment pool invests primarily in high-quality money market instruments, including certificates of deposit, commercial paper, and U.S. government and agency obligations, to protect the investment principal and provide liquidity.

At the year ended June 30, 2019, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
MILAF External Investment pool - Term	<u>\$ 2,255,000</u>	<u>\$ -</u>	No restrictions	None

The carrying amount of deposits and investments are as follows:

Investments	\$ 19,886,933
Deposits	<u>6,675,393</u>
	<u>\$ 26,562,326</u>

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

Cash and cash equivalents	\$ 6,675,393
Investments	1,177,946
Investments restricted for capital projects fund	<u>18,708,987</u>
	<u>\$ 26,562,326</u>

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables as of June 30, 2020 consist of the following:

State aid - Michigan Department of Education	\$ 6,061,782
Federal	262,344
Intermediate school district and other	<u>158,196</u>
Total	<u>\$ 6,482,322</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, 2019	Additions	Deletions	Balance June 30, 2020
Assets, not being depreciated				
Land	\$ 4,353,355	\$ -	\$ -	\$ 4,353,355
Capital assets, being depreciated:				
Land improvements	11,490,893	189,549	(3,385)	11,677,057
Building and improvements	81,965,576	3,873,349	-	85,838,925
Furniture and fixtures	7,487,905	53,404	-	7,541,309
Machinery and equipment	4,370,938	49,425	-	4,420,363
Computers and equipment	13,141,498	904,398	(1,641,842)	12,404,054
Transportation equipment	1,737,494	446,014	(4,025)	2,179,483
Total capital assets, being depreciated	<u>120,194,304</u>	<u>5,516,139</u>	<u>(1,649,252)</u>	<u>124,061,191</u>
Accumulated depreciation				
Land improvements	7,960,117	324,587	(3,385)	8,281,319
Building and improvements	44,367,144	1,779,184	-	46,146,328
Furniture and fixtures	7,129,326	48,738	-	7,178,064
Machinery and equipment	3,482,596	182,245	-	3,664,841
Computers and equipment	9,961,586	1,186,477	(1,641,842)	9,506,221
Transportation equipment	1,392,836	147,921	(4,025)	1,536,732
Total accumulated depreciation	<u>74,293,605</u>	<u>3,669,152</u>	<u>(1,649,252)</u>	<u>76,313,505</u>
Net capital assets, being depreciated	<u>45,900,699</u>	<u>1,846,987</u>	<u>-</u>	<u>47,747,686</u>
Net governmental capital assets	<u>\$ 50,254,054</u>	<u>\$ 1,846,987</u>	<u>\$ -</u>	<u>\$ 52,101,041</u>

Depreciation for the fiscal year ended June 30, 2020 amounted to \$3,669,152. The District allocated depreciation to the various activities as follows:

Instruction	\$ 876,037
Support	1,007,165
Community service	6,765
Unallocated	1,779,185
	<u>\$ 3,669,152</u>

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE

At June 30, 2020, the District has issued a state aid anticipation note payable of \$1,000,000. The note had an interest rate of 1.30% and matured in July 2020. 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 \$810,400 at June 30, 2020. 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, 2020 is as follows:

Balance July 1, 2019	Additions	Payments	Balance June 30, 2020
\$ 320,000	\$ 1,000,000	\$ (1,120,000)	\$ 200,000

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, 2020:

	Compensated Absences and Other Benefits	General Obligation	Notes from Direct Borrowings and Direct Placements	Total
Balance July 1, 2019	\$ 2,610,483	\$ 42,542,852	\$ 6,893,687	\$ 52,047,022
Additions	-	1,174,705	2,239,465	3,414,170
Deletions	113,846	(10,734,104)	(25,000)	(10,645,258)
Balance, June 30, 2020	2,724,329	32,983,453	9,108,152	44,815,934
Due within one year	(136,216)	(11,710,000)	(14,583)	(11,860,799)
Due in more than year	\$ 2,588,113	\$ 21,273,453	\$ 9,093,569	\$ 32,955,135

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$14,583 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 an annual installment of \$9,960,000 on May 1, 2021 with effective interest of 6.55% (maturity value \$80,225,000).	\$ 1,612,823	
Recorded accretion	7,725,054	\$ 9,337,877
2019 Building and site bond due in annual installments of \$1,750,000 to \$5,090,000 through May 1, 2025 with interest at 5%.		20,715,000
Premium on bonds		2,930,576
Total general obligation debt		32,983,453

Notes from Direct Borrowings and Direct Placements

Borrowing from the State of Michigan under the School Loan Revolving Fund, with interest at 3.12% at June 30, 2020.		9,093,569
Installment purchase agreement due in monthly installments of \$2,083.		14,583
Total notes from direct borrowings and direct placements		9,108,152
Total general obligation bonds and notes from direct borrowings and direct placements		42,091,605
Obligation under contract for compensated absences and other benefits.		2,724,329
Total general long-term obligations		\$ 44,815,934

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, 2020, bonds outstanding and considered defeased were \$9,550,145.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

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 3.12% for the SLRF notes have been assessed at June 30, 2020. 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, 2020, 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		
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
	22,327,823	11,811,177	14,583	-	-	34,153,583
Recorded accretion	7,725,054	-	-	-	-	7,725,054
Premium on bonds	2,930,576	-	-	-	-	2,930,576
Compensated absences and other benefits	-	-	-	-	2,724,329	2,724,329
School loan revolving fund	-	-	9,093,569	667,465	-	9,761,034
	<u>\$ 32,983,453</u>	<u>\$ 11,811,177</u>	<u>\$ 9,108,152</u>	<u>\$ 667,465</u>	<u>\$ 2,724,329</u>	<u>\$ 57,294,576</u>

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2020 are as follows:

Receivable Fund		Payable Fund	
General fund	\$ -	General fund	\$ 319,343
Food service fund	-	Food service fund	35,982
Student/school activities fund	-	Student/school activities fund	2,038
1993 debt service fund	1,396	1993 debt service fund	-
Sinking fund	197	Sinking fund	-
Capital Projects Fund	355,770	Capital Projects Fund	-
	\$ 357,363		\$ 357,363

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 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available 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 of Michigan Investment Board serves as the investment fiduciary and custodian for the System.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION 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.

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.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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.

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.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017

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

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.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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.

Member Contributions

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

Employer Contributions

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2019 were determined as of the September 30, 2016 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2016 are amortized over a 20-year period beginning October 1, 2018 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, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%

The District's pension contributions for the year ended June 30, 2020 were equal to the required contribution total. Total pension contributions were approximately \$8,583,000. Of the total pension contributions approximately \$8,356,000 was contributed to fund the Defined Benefit Plan and approximately \$227,000 was contributed to fund the Defined Contribution Plan.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

The District's OPEB contributions for the year ended June 30, 2020 were equal to the required contribution total. Total OPEB contributions were approximately \$2,506,000. Of the total OPEB contributions approximately \$2,357,000 was contributed to fund the Defined Benefit Plan and approximately \$149,000 was contributed to fund the Defined Contribution Plan.

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

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

Pension Liabilities

The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Total pension liability	\$ 80,442,507,212	\$ 79,863,694,444
Plan fiduciary net position	\$ 50,325,869,388	\$ 49,801,889,205
Net pension liability	\$ 30,116,637,824	\$ 30,061,805,239
Proportionate share	0.30204%	0.29781%
Net pension liability for the District	\$ 100,024,383	\$ 89,526,314

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

For the year ended June 30, 2020, the District recognized pension expense of \$17,006,877.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

At June 30, 2020, 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	\$ 19,584,845	\$ -
Net difference between projected and actual earnings on pension plan investments	-	3,205,612
Differences between expected and actual experience	448,341	417,092
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,410,738	74,894
Reporting Unit's contributions subsequent to the measurement date	7,872,584	-
	\$ 30,316,508	\$ 3,697,598

\$7,872,584, 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 Ending September 30,	Amount
2020	\$ 7,750,390
2021	5,854,808
2022	3,679,386
2023	1,461,742

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2018 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.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Total other postemployment benefit	\$ 13,925,860,688	\$ 13,932,170,264
Plan fiduciary net position	\$ 6,748,112,668	\$ 5,983,218,473
Net other postemployment benefit liability	\$ 7,177,748,020	\$ 7,948,951,791
Proportionate share	0.30542%	0.29991%
Net other postemployment benefit liability for the District	\$ 21,922,632	\$ 23,839,817

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$844,509.

At June 30, 2020, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 4,750,191	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	381,245
Differences between expected and actual experience	-	8,044,034
Changes in proportion and differences between employer contributions and proportionate share of contributions	739,462	25,476
Reporting Unit's contributions subsequent to the measurement date	2,147,570	-
	<u>\$ 7,637,223</u>	<u>\$ 8,450,755</u>

\$2,147,570, 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.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

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

Year Ending September 30,	Amount
2020	\$ (847,667)
2021	(847,667)
2022	(656,623)
2023	(397,578)
2024	(211,567)

Actuarial Assumptions

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

Investment Rate of Return for OPEB - 6.95% a year, compounded annually net of investment and administrative expenses.

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

Inflation - 3.0%.

Mortality Assumptions:

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

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

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

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2018. 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.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Healthcare Cost Trend Rate for Other Postemployment Benefit - 7.5% for year one and graded to 3.5% in year twelve.

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, 2019 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%	5.5%
Private Equity Pools	18.00%	8.6%
International Equity Pools	16.00%	7.3%
Fixed Income Pools	10.50%	1.2%
Real Estate and Infrastructure Pools	10.00%	4.2%
Absolute Return Pools	15.50%	5.4%
Short Term Investment Pools	2.00%	0.8%
	<u>100.00%</u>	

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

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Rate of Return - For fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.14% and 5.37% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate - A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB Discount Rate - A single discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	<u>\$ 130,038,097</u>	<u>\$ 100,024,383</u>	<u>\$ 75,141,981</u>

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate -The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.95%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate of the net other postemployment benefit liability	\$ 26,891,402	\$ 21,922,632	\$ 17,750,245

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 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 17,573,354	\$ 21,922,632	\$ 26,890,813

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 2019 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).

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

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.

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 \$355,769 to the energy initiative fund for capital expenditures.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent to year-end, the District entered into an agreement to borrow \$4,000,000 as a State aid note maturing August 2021. The note is secured by the full faith and credit of the District as well as pledged state aid.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - TAX ABATEMENTS

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

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

Municipality	Taxes Abated
Meridian Township	\$ 58,098

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 14 - NEW ACCOUNTING STANDARD

For the year ended June 30, 2020, the District implemented the following new pronouncement, GASB Statement No. 84, *Fiduciary Activities*.

Summary

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017. 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.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 14 - NEW ACCOUNTING STANDARD (continued)

The restatement of the beginning of the year fund balances and net position is as follows:

	Fund Balances	
	Student/School Activity Fund	Total Governmental Funds
Fund balances as of July 1, 2019, as previously stated	\$ -	\$ 28,640,147
Adoption of GASB Statement 84	685,394	685,394
Fund balance as of July 1, 2019, as restated	\$ 685,394	\$ 29,325,541
		Net Position
		Governmental Activities
Net position as of July 1, 2019, as previously stated		\$ (67,223,574)
Adoption of GASB Statement 84		685,394
Net position as of July 1, 2019, as restated		\$ (66,538,180)

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENT

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 2022 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, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 15,737,495	\$ 16,028,943	\$ 16,008,390	\$ (20,553)
State sources	37,252,792	34,915,788	36,957,275	2,041,487
Federal sources	407,383	402,484	517,427	114,943
Total revenues	<u>53,397,670</u>	<u>51,347,215</u>	<u>53,483,092</u>	<u>2,135,877</u>
EXPENDITURES				
Current				
Instruction				
Basic programs	27,010,625	27,327,898	27,271,193	56,705
Added needs	6,690,938	6,715,552	6,565,908	149,644
Total instruction	<u>33,701,563</u>	<u>34,043,450</u>	<u>33,837,101</u>	<u>206,349</u>
Supporting services				
Pupil	3,366,624	3,374,412	3,340,327	34,085
Instructional staff	2,248,814	2,557,393	2,504,940	52,453
General administration	516,372	519,300	516,700	2,600
School administration	2,847,328	2,881,350	2,898,457	(17,107)
Business	713,370	716,474	708,943	7,531
Operations and maintenance	4,129,601	4,090,471	3,990,516	99,955
Transportation	1,116,415	1,050,993	1,047,662	3,331
Central	1,404,794	1,403,045	1,324,588	78,457
Athletics	819,520	846,114	850,519	(4,405)
Total supporting services	<u>17,162,838</u>	<u>17,439,552</u>	<u>17,182,652</u>	<u>256,900</u>
Community services	2,609,472	2,323,976	2,444,236	(120,260)
Payments to other public schools	3,417	13,057	13,057	-
Total expenditures	<u>53,477,290</u>	<u>53,820,035</u>	<u>53,477,046</u>	<u>342,989</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(79,620)</u>	<u>(2,472,820)</u>	<u>6,046</u>	<u>2,478,866</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	80,000	80,000	80,000	-
Transfers out	-	(329,798)	(355,769)	(25,971)
Total other financing sources (uses)	<u>80,000</u>	<u>(249,798)</u>	<u>(275,769)</u>	<u>(25,971)</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ 380</u>	<u>\$ (2,722,618)</u>	<u>(269,723)</u>	<u>\$ 2,452,895</u>
FUND BALANCE				
Beginning of year			5,518,566	
End of year			<u>\$ 5,248,843</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)**

	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.30204%	0.29781%	0.29446%	0.28402%	0.27502%	0.26922%
Reporting Unit's proportionate share of net pension liability	\$ 100,024,383	\$ 89,526,314	\$ 76,307,692	\$ 70,861,622	\$ 67,174,817	\$ 59,299,481
Reporting Unit's covered-employee payroll	\$ 26,737,156	\$ 25,503,566	\$ 25,027,904	\$ 24,336,762	\$ 22,962,203	\$ 22,692,532
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	374.10%	351.03%	304.89%	291.17%	292.55%	261.32%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	60.31%	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)**

	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 8,356,210	\$ 7,889,595	\$ 7,849,263	\$ 6,885,428	\$ 6,193,998	\$ 4,935,873
Contributions in relation to statutorily required contributions	8,356,210	7,889,595	7,849,263	6,885,428	6,193,998	4,935,873
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reporting Unit's covered-employee payroll	\$ 27,754,219	\$ 26,507,293	\$ 25,450,771	\$ 25,807,538	\$ 23,952,924	\$ 22,692,073
Contributions as a percentage of covered-employee payroll	30.11%	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)**

	2019	2018	2017
Reporting Unit's proportion of net OPEB liability (%)	0.30542%	0.29991%	0.29436%
Reporting Unit's proportionate share of net OPEB liability	\$ 21,922,632	\$ 23,839,817	\$ 26,066,532
Reporting Unit's covered-employee payroll	\$ 26,737,156	\$ 25,503,566	\$ 25,027,904
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	81.99%	93.48%	104.15%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	48.48%	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>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 2,356,668	\$ 2,182,909	\$ 2,217,970
Contributions in relation to statutorily required contributions	<u>2,356,668</u>	<u>2,182,909</u>	<u>2,217,970</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 27,754,219	\$ 26,507,293	\$ 25,450,771
Contributions as a percentage of covered-employee payroll	8.49%	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, 2020**

NOTE 1 - PENSION INFORMATION

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

Discount rate for MIP and Basic plans decreased to 6.80% from 7.05%.

Discount rate for Pension Plus decreased to 6.80% from 7.00%.

NOTE 2 - OPEB INFORMATION

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

Discount rate for decreased to 6.95% from 7.15%.

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

ADDITIONAL SUPPLEMENTARY INFORMATION

**OKEMOS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2020**

	<u>Special Revenue</u>				Total Nonmajor Funds
	Food Service Fund	Student/ School Activities Fund	Nonmajor debt service funds	Nonmajor Capital Projects Funds	
ASSETS					
ASSETS					
Cash and cash equivalents	\$ 565,445	\$ 644,756	\$ 29,035	\$ 388,339	\$1,627,575
Investments	-	-	-	562,637	562,637
Due from other governments	105,284	-	-	-	105,284
Due from other funds	-	-	-	355,967	355,967
Inventories	17,232	-	-	-	17,232
TOTAL ASSETS	\$ 687,961	\$ 644,756	\$ 29,035	\$ 1,306,943	\$ 2,668,695
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 3,761	\$ 4,614	\$ -	\$ 45,022	\$ 53,397
Accrued salaries and related items	14,820	-	-	-	14,820
Accrued retirement	3,683	-	-	-	3,683
Due to other funds	35,982	2,038	-	-	38,020
Unearned revenue	135,271	-	-	-	135,271
TOTAL LIABILITIES	193,517	6,652	-	45,022	245,191
FUND BALANCES					
Nonspendable					
Inventories	17,232	-	-	-	17,232
Restricted for:					
Debt service	-	-	29,035	-	29,035
Capital projects - sinking fund	-	-	-	750,187	750,187
Food service	477,212	-	-	-	477,212
Committed for:					
Student/school activities	-	638,104	-	-	638,104
Assigned for:					
Capital projects	-	-	-	511,734	511,734
TOTAL FUND BALANCES	494,444	638,104	29,035	1,261,921	2,423,504
TOTAL LIABILITIES AND FUND BALANCES	\$ 687,961	\$ 644,756	\$ 29,035	\$ 1,306,943	\$ 2,668,695

**OKEMOS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2020**

	Special Revenue		Nonmajor Debt Service Funds	Nonmajor Capital Projects	Total Nonmajor Funds
	Food Service Fund	Student/ School Activities Fund			
REVENUES					
Local sources					
Property taxes	\$ -	\$ -	\$ 1,344,140	\$ 1,324,343	\$ 2,668,483
Investment earnings	-	-	1,317	11,483	12,800
Food service sales	761,706	-	-	-	761,706
Student/school activity income	-	603,500	-	-	603,500
Other	-	-	-	1,740	1,740
Total local sources	761,706	603,500	1,345,457	1,337,566	4,048,229
State sources	105,596	-	-	-	105,596
Federal sources	577,289	-	-	-	577,289
Incoming transfers and other	432,815	-	-	6,626	439,441
Total revenues	1,877,406	603,500	1,345,457	1,344,192	5,170,555
EXPENDITURES					
Food service	1,825,818	-	-	-	1,825,818
Student/school activities	-	650,790	-	-	650,790
Capital outlay	71,614	-	-	1,512,430	1,584,044
Debt service:					
Principal repayment	-	-	1,250,000	-	1,250,000
Interest expense	-	-	930,462	-	930,462
Miscellaneous	-	-	639	-	639
Total expenditures	1,897,432	650,790	2,181,101	1,512,430	6,241,753
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(20,026)	(47,290)	(835,644)	(168,238)	(1,071,198)
OTHER FINANCING SOURCES (USES)					
Proceeds from the school loan revolving fund	-	-	864,679	-	864,679
Proceeds from sale of assets	-	-	-	183,454	183,454
Transfers in	-	-	-	355,769	355,769
Transfers out	(80,000)	-	-	-	(80,000)
Total other financing sources (uses)	(80,000)	-	864,679	539,223	1,323,902
NET CHANGE IN FUND BALANCES	(100,026)	(47,290)	29,035	370,985	252,704
FUND BALANCES					
Beginning of year, as restated	594,470	685,394	-	890,936	2,170,800
End of year	\$ 494,444	\$ 638,104	\$ 29,035	\$ 1,261,921	\$ 2,423,504

**OKEMOS PUBLIC SCHOOLS
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2020
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2019)**

	Capital Projects	Sinking Fund	Totals	
			2020	2019
ASSETS				
Cash and cash equivalents	\$ 190,986	\$ 197,353	\$ 388,339	\$ 227,025
Investments	-	562,637	562,637	1,004,291
Accounts receivable	-	-	-	-
Due from other funds	355,770	197	355,967	24,069
TOTAL ASSETS	\$ 546,756	\$ 760,187	\$ 1,306,943	\$ 1,255,385
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Liabilities				
Accounts payable	\$ 35,022	\$ 10,000	\$ 45,022	\$ 204,365
Due to other funds	-	-	-	160,084
TOTAL LIABILITIES	35,022	10,000	45,022	364,449
FUND BALANCES				
Restricted	-	750,187	750,187	786,825
Assigned	511,734	-	511,734	104,111
TOTAL FUND BALANCES	511,734	750,187	1,261,921	890,936
TOTAL LIABILITIES AND FUND BALANCE	\$ 546,756	\$ 760,187	\$ 1,306,943	\$ 1,255,385

**OKEMOS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2019)**

	Capital Projects		Totals	
	Fund	Sinking Fund	2020	2019
REVENUES				
Local sources				
Property taxes	\$ -	\$ 1,324,343	\$ 1,324,343	\$ 1,270,664
Investment earnings	575	10,908	11,483	9,277
Other	1,740	-	1,740	570,067
Total local sources	2,315	1,335,251	1,337,566	1,850,008
State sources	-	6,626	6,626	6,076
Total revenues	2,315	1,341,877	1,344,192	1,856,084
EXPENDITURES				
Capital outlay	133,915	1,378,515	1,512,430	1,599,102
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(131,600)	(36,638)	(168,238)	256,982
OTHER FINANCING SOURCES (USES)				
Transfers in	355,769	-	355,769	24,069
Proceeds from sale of assets	183,454	-	183,454	-
Total other financing sources (uses)	539,223	-	539,223	24,069
NET CHANGE IN FUND BALANCES	407,623	(36,638)	370,985	281,051
FUND BALANCES:				
Beginning of year	104,111	786,825	890,936	609,885
End of year	\$ 511,734	\$ 750,187	\$ 1,261,921	\$ 890,936

OKEMOS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2019)

		<u>2019 Debt Retirement</u>	
ASSETS		<u>2020</u>	<u>2019</u>
ASSETS			
Cash and cash equivalents		<u>\$ 29,035</u>	<u>\$ -</u>
FUND BALANCES			
Restricted for debt service		<u><u>\$ 29,035</u></u>	<u><u>\$ -</u></u>

**OKEMOS PUBLIC SCHOOLS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 DEBT SERVICE FUNDS
 YEAR ENDED JUNE 30, 2020
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2019)**

	2019 Debt Retirement	Totals	
		2020	2019
REVENUES			
Local sources			
Property taxes	\$ 1,344,140	\$ 1,344,140	\$ 1,296,171
Interest	1,317	1,317	3,393
Total local sources	1,345,457	1,345,457	1,299,564
State sources	-	-	5,947
Total revenues	1,345,457	1,345,457	1,305,511
EXPENDITURES			
Principal retirement	1,250,000	1,250,000	1,715,000
Interest	930,462	930,462	25,725
Miscellaneous expense	639	639	830
Total expenditures	2,181,101	2,181,101	1,741,555
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(835,644)	(835,644)	(436,044)
OTHER FINANCING SOURCES (USES)			
Proceeds from the school loan revolving fund	864,679	864,679	421,621
Transfers out	-	-	(23,528)
Total other financing sources (uses)	864,679	864,679	398,093
NET CHANGE IN FUND BALANCES	29,035	29,035	(37,951)
FUND BALANCES			
Beginning of year	-	-	37,951
End of year	\$ 29,035	\$ 29,035	\$ -

**OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
YEAR ENDED JUNE 30, 2020**

<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 is 6.55%.

<u>Date</u>	<u>Accretion</u>	<u>Payments</u>	<u>Appreciation Value</u>
06/30/20	\$ -	\$ -	\$ 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, 2020**

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	
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>\$ 20,715,000</u>	<u>\$ 1,732,000</u>	<u>\$ 1,732,000</u>	<u>\$ 24,179,000</u>

**OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT
INSTALLMENT PURCHASE AGREEMENT
YEAR ENDED JUNE 30, 2020**

2018 Lighting Upgrades

Annual Principal Payments	Annual Interest Payments	June 30,	Amount
\$ 14,583	\$ -	2021	\$ 14,583

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, 2020**

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 Ending 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
2020	2,239,465	246,947	2,486,412
Total June 30, 2020	<u>\$ 9,093,569</u>	<u>\$ 667,465</u>	<u>\$ 9,761,034</u>

**OKEMOS PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Pass- through Grantor's Number	Award Amount	Accrued (unearned) Revenue 6/30/2019	Prior Year Expenditures (memorandum only)	Current Year Expenditures	Current Year Receipts (cash basis)	Accrued (unearned) Revenue 6/30/2020
<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		\$ 99,798	\$ -	\$ -	\$ 99,798	\$ 99,798	\$ -
Cash assistance								
National School Lunch Program	10.555	191960	44,042	-	-	44,042	44,042	-
		201960	192,797	-	-	192,797	192,797	-
Covid-19 - National School Lunch Program		200902	169,526	-	-	212,242	169,526	42,716
			406,365	-	-	449,081	406,365	42,716
Total National School Lunch Program Subtotal			506,163	-	-	548,879	506,163	42,716
School Breakfast Program	10.553	191970	4,985	-	38,612	4,985	4,985	-
		201970	23,425	-	-	23,425	23,425	-
Total National School Breakfast Program Subtotal			28,410	-	38,612	28,410	28,410	-
Total Child Nutrition Cluster			534,573	-	38,612	577,289	534,573	42,716
Total U.S. Department of Agriculture			534,573	-	38,612	577,289	534,573	42,716
<u>U.S. Department of Education</u>								
Passed through Michigan Department of Education								
Title I Part A								
	84.010	191530 1819	192,834	23,114	192,834	-	23,114	-
		201530 1920	188,828	-	-	188,828	158,460	30,368
Total Title I Part A			381,662	23,114	192,834	188,828	181,574	30,368
Title II Part A								
	84.367	190520 1819	87,283	16,975	87,283	-	16,975	-
		200520 1920	72,810	-	-	72,810	56,468	16,342
Total Title II Part A			160,093	16,975	87,283	72,810	73,443	16,342

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, 2020**

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Pass- through Grantor's Number	Award Amount	Accrued (unearned) Revenue 6/30/2019	Prior Year Expenditures (memorandum only)	Current Year Expenditures	Current Year Receipts (cash basis)	Accrued (unearned) Revenue 6/30/2020
U.S. Department of Education (continued)								
Passed through Michigan Department of Education								
Title III, Limited English	84.365	190580 1819	\$ 48,767	\$ 20,956	\$ 20,956	\$ 24,251	\$ 45,207	\$ -
		200570 1920	9,636	-	-	9,636	9,636	-
		200580 1920	52,295	-	-	22,132	9,075	13,057
Total Title III			110,698	20,956	20,956	56,019	63,918	13,057
Title IV, Part A Student Support and Enrichment	84.424	200750 1920	13,771	-	-	13,771	12,623	1,148
Total Michigan Department of Education			666,224	61,045	301,073	331,428	331,558	60,915
Passed through Ingham Intermediate School District								
Special Education Cluster								
Special Ed - Preschool	84.173	190460 1819	21,747	21,747	21,747	-	21,747	-
		200460 1920	25,893	-	-	25,893	-	25,893
Total Special Ed - Preschool			47,640	21,747	21,747	25,893	21,747	25,893
Special Ed - Flowthrough	84.027	180450 1718	1,121	1,121	1,121	-	1,121	-
		190450 1819	2,320	-	-	2,320	-	2,320
Total Special Ed - Flowthrough			3,441	1,121	1,121	2,320	1,121	2,320
Total Special Education Cluster			51,081	22,868	22,868	28,213	22,868	28,213
Total passed through Ingham Intermediate School District			51,081	22,868	22,868	28,213	22,868	28,213
Total U.S. Department of Education			717,305	83,913	323,941	359,641	354,426	89,128

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, 2020**

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Pass- through Grantor's Number	Award Amount	Accrued (unearned) Revenue 6/30/2019	Prior Year Expenditures (memorandum only)	Current Year Expenditures	Current Year Receipts (cash basis)	Accrued (unearned) Revenue 6/30/2020
<u>U.S. Department of Health and Human Services</u>								
Passed through Michigan Department of Education Covid-19 - Child Development & Care Block Grant - CCDF Cluster	93.575	2020	\$ 130,500	\$ -	\$ -	\$ 130,500	\$ -	\$ 130,500
Passed through Ingham Intermediate School District Medical Assistance Program - Medicaid Cluster	93.778	2020	27,286	-	-	27,286	27,286	-
Total U.S. Department of Health and Human Services			157,786	-	-	157,786	27,286	130,500
Total Federal Assistance			<u>\$ 1,409,664</u>	<u>\$ 83,913</u>	<u>\$ 362,553</u>	<u>\$ 1,094,716</u>	<u>\$ 916,285</u>	<u>\$ 262,344</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, 2020**

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, 2020. 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.

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.

Management has utilized the Cash Management System (CMS) and the Grant Auditor Report in preparing the schedule of expenditures of federal awards.

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

General fund	\$ 517,427
Other nonmajor governmental fund	<u>577,289</u>
Total	<u><u>\$ 1,094,716</u></u>

**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, 2020, 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 15, 2020.

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 15, 2020

**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, 2020. 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, 2020.

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 Costerian PC

September 15, 2020

**OKEMOS PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section I - Summary of Auditor's Results

Financial Statements

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

Unmodified

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None reported

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

Unmodified

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

Identification of major programs:

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 and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**OKEMOS PUBLIC SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

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