

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Owosso Public Schools

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Owosso Public Schools, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Owosso Public Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Owosso Public Schools, as of June 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 14 to the financial statements, the District adopted GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Owosso Public Schools' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Owosso Public Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Owosso Public Schools' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Owosso Public Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2025 on our consideration of Owosso 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 Owosso 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 Owosso Public Schools' internal control over financial reporting and compliance.

Maney Costeiran PC

October 27, 2025

MANAGEMENT DISCUSSION AND ANALYSIS

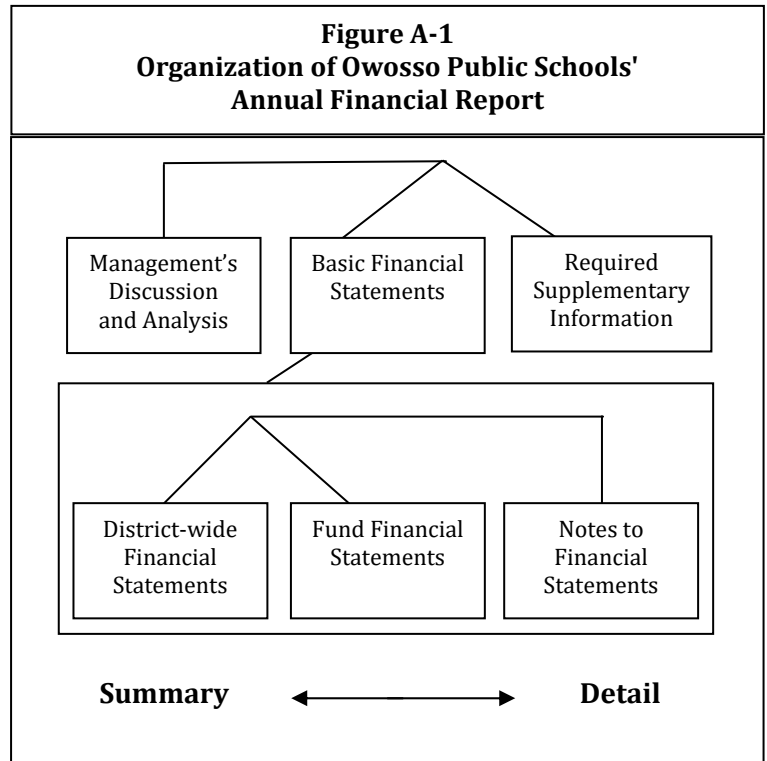
This section of Owosso Public Schools' (OPS) annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2025. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FORMAT 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 as well as required schedules related to the net pension liability and net OPEB asset. Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.



DISTRICT-WIDE STATEMENTS

The District-wide statements report information about the District as a whole using the accrual accounting method similar to those used by private-sector companies. The statement of net position includes *all* of the District's assets from all funds including the general, capital projects and other non-major governmental funds. 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 of resources, liabilities and deferred inflows of resources is one way to measure the District's financial health or *position* as of a point in time.

- 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 non-financial factors such as changes in the District's property tax base, the condition of school buildings and other facilities, and qualitative factors that are not indicated by financial information. In addition, it should be noted that one of the goals behind presenting a statement of net position is to make the school's financial statements look similar to that of commercial and private sector businesses whose primary purpose is to generate profits. The mission of the District is to continually provide excellent educational opportunities for students and adults to create lifelong learners. During some fiscal years, given the state of the economy, it may be necessary for the District, with the support of the Board, to use the fund balance to improve these opportunities or to save funds for use in future years to prevent future reductions in programming.

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 utilizing the modified accrual method of accounting. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs, some of which are required by law.

The District has one kind of funds:

- *Governmental Funds* - Most 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, additional information is provided with the governmental funds statements that explain the relationship (or differences) between them.

FINANCIAL HIGHLIGHTS OF THE DISTRICT AS A WHOLE

The following section provides a summary of the overall financial picture of the District as of and for the years ended June 30, 2025 and 2024, along with a brief discussion of the changes that took place and what precipitated those changes. The overall financial picture includes all funds, not just the results of the general fund, and includes entries to convert the modified accrual statements to full accrual statements. It should be noted that the focus of every financial decision that is made is to support the District's mission of "**ensuring rich educational opportunities for each student in an environment of mutual trust and respect**" as well as promoting a 21st Century learning environment. This is done through expectations that every employee will follow norms established by the District and utilize the International Baccalaureate Learner Profile as a guide to teaching the "whole" child. The first and most crucial norm is "Kids First."

There are certain adjustments that have been made to the financial statements to convert them into an “accrual” basis to represent conformity with the business industry. These adjustments result from pronouncements from GASB (Governmental Accounting Standards Board) that must be followed and provide information but do not change the basic operations of the District. Starting with the fiscal period ended June 30, 2016, GASB dictated that the District incorporate the full computed pension liability for its current and past employees as determined by actuaries at the State level. For the year ended June 30, 2018, accounting standards were again modified, and the District was required to report a liability (asset) for other postemployment benefits. These two accounting changes have resulted in two significant liabilities/assets being “recorded” in the “District-wide” financial statements, a pension liability of approximately \$44 million and other postemployment benefits asset of approximately \$8 million. As detailed in Note 9 to the financial statements, the Michigan Public School Employees’ Retirement System is responsible for payment/refunding of these two items. The District does have expense associated with the retirement system, as dictated by the state, and pays and recognizes the employer portion of the obligation every payroll. It should be noted that the District does not have any control over the type of benefits provided by the retirement system as it is a state run system and, therefore, has no influence on the short or long term costs (refer to Note 9 to the financial statements for additional information on the District’s Defined Benefit Plan and Post-Retirement Benefits).

Table A-2 Owosso Public Schools Summary of Net Position		
	2025	2024*
ASSETS		
Current assets	\$ 29,684,336	\$ 27,108,989
Net other postemployment benefits asset	7,962,461	1,006,663
Capital assets, net of depreciation/amortization	62,778,344	66,059,434
TOTAL ASSETS	100,425,141	94,175,086
DEFERRED OUTFLOWS OF RESOURCES		
Related to other postemployment benefits	2,183,395	3,972,881
Related to pensions	13,840,431	17,325,200
TOTAL DEFERRED OUTFLOWS OF RESOURCES	16,023,826	21,298,081
LIABILITIES		
Other liabilities	8,699,820	10,519,966
Long-term debt outstanding	42,132,975	41,259,281
Net pension liability	44,441,760	58,290,645
TOTAL LIABILITIES	95,274,555	110,069,892
DEFERRED INFLOWS OF RESOURCES		
Related to postemployment benefits	10,551,859	8,539,561
Related to pensions	13,196,468	7,352,686
Related to state aid funding pension	2,493,051	3,495,918
TOTAL DEFERRED INFLOWS OF RESOURCES	26,241,378	19,388,165
NET POSITION		
Net investment in capital assets	22,874,685	25,314,809
Restricted	14,676,460	6,556,598
Unrestricted	(42,618,111)	(45,856,297)
TOTAL NET POSITION	\$ (5,066,966)	\$ (13,984,890)
*The 2024 numbers have not been updated for the adoption of GASB 101.		

Table A-3
Owosso Public Schools
Changes in Net Position

	2025	2024*
Revenues		
General revenue		
Property taxes received for general operations	\$ 3,775,807	\$ 3,599,336
Property taxes received for debt service	3,496,490	3,211,405
Property taxes received for capital projects	6,849	1,335,829
Investment earnings	878,381	735,198
State sources - unrestricted	24,670,531	25,991,735
Intermediate sources	560,345	606,811
Other	996,757	690,763
Total general revenue	34,385,160	36,171,077
Operating grants and contributions		
Federal and state categorical grants	15,459,122	13,255,856
Student/school activities	884,866	657,294
Total operating grants and contributions	16,343,988	13,913,150
Charges for services		
Support services	43,654	58,204
Community services	500,472	471,086
Food service	145,473	127,527
Total charges for services	689,599	656,817
Total revenues	51,418,747	50,741,044
Expenses		
Instruction	20,270,341	21,467,709
Support services	12,167,299	11,219,304
Community services	365,161	347,562
Food services	1,811,537	2,033,239
Student/school activities	598,188	551,469
Interest on long-term debt	1,811,163	1,882,398
Unallocated depreciation	4,010,710	3,997,658
Total expenses	41,034,399	41,499,339
Change in net position	\$ 10,384,348	\$ 9,241,705

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

Again, it should be noted that the "Statement of Activities" reflects items that are not included in the "Statement of Revenues, Expenditures and Changes in Fund Balances." In order to reconcile from the net change in fund balance reflected in the governmental financial statements to the change in net position, the reader should review the "Reconciliation of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities." This provides a better comparison of the operations of the District in comparison to the previous year.

The following highlights some of the significant factors affecting net position during the year:

➤ General Fund Operations

The District's General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$1,956,991 for the fiscal year ended June 30, 2025; and for the fiscal year ended June 30, 2024, revenues and other financing sources exceeded expenditures and other financing uses by \$2,158,619. The comparison to budgeted figures, particularly in the instance of the comparison to the original budget adopted in June of 2024, results in variability. This variability stems from changes in pupil enrollment, staffing, retirement and health benefit elections, changes in operations, and refinement of other revenue and expenses stemming from programming changes. These changes are analyzed and adjusted as they occur with formal amendments to the budget taking place, typically, twice during the year (refer to the budget to actual analysis that follows in the MDA). It should also be noted, even in the case of the final adopted budget, there will be variability particularly in the area of expenditures. The development of the final adoption takes place during May to allow for adequate time for development of the final budget allocation for the current fiscal year and to prepare for the budget that must be adopted for the upcoming fiscal year. The final allocation must allow, by law, sufficient funds for the District to operate to the end of the fiscal year without exceeding the allocations adopted by the Board. This consistently results in variability in the area of expenditures.

➤ Sinking Fund

The Sinking Fund expenditures exceeded revenues by \$214,298 for the fiscal year ended June 30, 2025; for the fiscal year ended June 30, 2024, expenditures exceeded revenues by \$54,173. As of June 30, 2025, the Sinking Fund had a fund balance of \$3,484,838. The sinking fund authorized millage expired January 2024 and was not renewed by voters.

➤ Debt Service Fund

The Debt Service Fund revenues exceeded expenditures by \$1,164,755 for the fiscal year ended June 30, 2025; for the fiscal year ended June 30, 2024, revenues exceeded expenditures by \$418,405. As of June 30, 2025, the Debt Service Fund had a fund balance of \$3,303,338.

➤ Other Nonmajor Governmental Funds

This category includes the Food Service Fund, Student/school activities, and non-major Capital Projects Funds (i.e., revenues that are not derived from the sinking fund but are utilized for capital expenditures). The combined revenues and other financing sources exceeded expenditures and other financing uses by \$1,483,311 for the fiscal year ended June 30, 2025; for the fiscal year ended June 30, 2024, combined revenues and other financing sources exceeded expenditures and other financing uses by \$598,291.

REPORTING THE BUDGET VERSUS ACTUAL EXPENDITURES

All school districts are required to present to the public and to approve a budget for the next fiscal year by June 30 of the current fiscal year. The Owosso Public Schools Board of Education adopted the original or initial budget for 2024-25 on June 26, 2024. As a result of significant changes that occur in revenues and expenditures throughout the year, the Board adopted the final revision to the budget on June 25, 2025. The actual expenditures and revenue are compared in the supplementary information of these audited financial statements to the June 25, 2025, budget with the initial budget presented for comparison. The budgeting process incorporates plans designed by building and program administrators to ensure that all items that support the mission and vision of the District are considered.

The challenge in budgeting within the educational environment is evident when reviewing the budget-to-actual statements. This challenge stems from the heavy reliance that schools must place on the budgetary environment at the State and Federal levels, resulting in fluctuations that can occur in revenue and expenditure projections as they develop throughout the year. The 2024-25 fiscal year continued to reflect these challenges, particularly with the conclusion of the ESSER and other COVID-related funding streams on September 30, 2024. While these funds provided a temporary boost to begin the year, their expiration required the District to strategically utilize deferred revenue from prior years to help fill funding gaps and sustain operations. The normal educational operations of the School District continued to work toward stabilization, and while staffing remained consistent overall, transitions during the year as individuals left and new hires were brought on resulted in realized savings through vacancy periods. These staffing transitions, combined with adjustments in funding allocations and the timing of federal and state revenue receipts, required ongoing reallocation of resources to meet the educational, health, and social-emotional needs of students, contributing to notable variances in bottom-line expectations when comparing the final budget to actual results.

At the time the initial budget was adopted for 2025-26, the final audit figures were not yet known for 2024-25, but it was projected that the District would end the 2024-25 fiscal year with a healthy fund balance. The 2025-26 adopted budget reflects total expenditures of \$41,321,762 with an estimated ending fund balance of \$11,393,007, or approximately 27.5% of expenditures, representing a strong financial position for the District. The General Fund balance increased by approximately \$1.9 million during 2024-25, driven primarily by capturing expenditures through eligible grant funding that had not been anticipated at the time of budget adoption and by the planned reduction of approximately \$600,000 in deferred revenue, which effectively reclassified funds between categories rather than representing new revenue growth. For the 2024-25 fiscal year, districts did not receive a per-pupil Foundation Allowance increase; instead, the State implemented a one-time reimbursement equal to 5.75% of retirement (MPERS) costs as the retiree pension health care fund reached full funding status. Despite the absence of a per-pupil increase, the District maintained financial stability through prudent fiscal management and continued monitoring of expenditures to ensure alignment with available resources. Maintaining a strong fund balance continues to be essential for the District, providing a safeguard against future fluctuations in State and Federal funding, enrollment variability, and the overall uncertainty of the educational funding environment.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The following represents the summary of the capital assets, at acquisition value, owned by Owosso Public Schools. As represented below, the largest investment that the District has is in “buildings and additions.” The facilities of the District continue to be well maintained through careful planning and prioritization of available resources. The District completed several remaining ESSER-funded projects during the summer of 2024, including the final stages of air-quality improvements and facility upgrades that had been initiated in prior years. Additional capital improvements included completion of the Bryant and Central school upgrades, installation of new doors at Washington and Lincoln campus to enhance safety and security, and completion of the remaining elementary renovation projects carried over from the previous construction cycle. During the 2024-25 fiscal year, the District also addressed several emergency facility needs, including replacement of a failed water boiler and multiple roof repairs across several buildings. These investments reflect the District’s continued commitment to maintaining safe, functional, and efficient learning environments for students, staff, and the community while responsibly managing available financial resources.

Table A-4		
Owosso Public Schools' Capital Assets as of June 30		
	<u>2025</u>	<u>2024</u>
Land (non-depreciable)	\$ 544,482	\$ 544,482
Construction in progress (non-depreciable)	-	364,740
Land improvements	8,174,393	8,141,270
Buildings and additions	86,809,897	85,862,457
Machinery and equipment	5,182,467	5,008,797
Right to use assets	221,622	221,622
Transportation equipment	<u>1,132,760</u>	<u>1,000,046</u>
Total capital assets	102,065,621	101,143,414
Accumulated depreciation/amortization	<u>39,287,277</u>	<u>35,083,980</u>
Net capital assets	<u>\$ 62,778,344</u>	<u>\$ 66,059,434</u>

Long-term Obligations

The 2018 building and site bond was approved by the voters on November 7, 2017, in the amount of \$43,120,000 to help fund facility and site upgrades. 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. See Note 6 for more information.

Table A-5		
Owosso Public Schools		
Outstanding Long-term Obligations		
	<u>2025</u>	<u>2024*</u>
2018 Building and site bonds and issuance premium	\$ 39,826,187	\$ 40,648,847
Direct borrowing and direct placement	77,472	95,785
Compensated absences	<u>2,229,316</u>	<u>514,649</u>
	<u>\$ 42,132,975</u>	<u>\$ 41,259,281</u>

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide 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, you are welcome to contact the Finance Department, Owosso Public Schools, 645 Alger Street, Owosso, MI 48867 at 989-723-8131.

BASIC FINANCIAL STATEMENTS

OWOSSO PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,924,998
Investments	20,079,543
Receivables	
Accounts receivable	120,698
Property taxes	2,229
Intergovernmental	7,480,210
Inventories	74,258
Prepays	2,400
Net other postemployment benefits asset	7,962,461
Capital assets, not being depreciated	544,482
Capital assets, net of accumulated depreciation/amortization	<u>62,233,862</u>
TOTAL ASSETS	<u>100,425,141</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to other postemployment benefits	2,183,395
Related to pensions	<u>13,840,431</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>16,023,826</u>
LIABILITIES	
Accounts payable	920,016
Accrued salaries and related items	2,541,846
Accrued retirement	680,104
Accrued interest	302,559
Unearned revenue	3,415,295
Note payable	840,000
Noncurrent liabilities	
Due within one year	1,022,801
Due in more than one year	41,110,174
Net pension liability	<u>44,441,760</u>
TOTAL LIABILITIES	<u>95,274,555</u>
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	10,551,859
Related to pensions	13,196,468
Related to state aid funding for pension	<u>2,493,051</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>26,241,378</u>
NET POSITION	
Net investment in capital assets	22,874,685
Restricted for food service	208,873
Restricted for capital projects (sinking fund)	3,484,838
Restricted for debt service	3,020,288
Restricted for net other postemployment benefits	7,962,461
Unrestricted	<u>(42,618,111)</u>
TOTAL NET POSITION	<u><u>\$ (5,066,966)</u></u>

See notes to financial statements.

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

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 20,270,341	\$ -	\$ 11,765,749	\$ (8,504,592)
Support services	12,167,299	43,654	972,023	(11,151,622)
Community services	365,161	500,472	-	135,311
Food services	1,811,537	145,473	2,721,350	1,055,286
Student/school activities	598,188	-	884,866	286,678
Interest on long-term debt	1,811,163	-	-	(1,811,163)
Unallocated depreciation/amortization	4,010,710	-	-	(4,010,710)
Total governmental activities	<u>\$ 41,034,399</u>	<u>\$ 689,599</u>	<u>\$ 16,343,988</u>	<u>(24,000,812)</u>
General revenues				
Property taxes, levied for general purposes				3,775,807
Property taxes, levied for debt service				3,496,490
Property taxes, levied for sinking fund				6,849
Investment earnings				878,381
State sources - unrestricted				24,670,531
Intermediate sources				560,345
Other				996,757
Total general revenues				<u>34,385,160</u>
CHANGE IN NET POSITION				10,384,348
NET POSITION, beginning of year as previously reported				(13,984,890)
Adjustment to beginning net position				<u>(1,466,424)</u>
NET POSITION, beginning of year as restated				<u>(15,451,314)</u>
NET POSITION, end of year				<u>\$ (5,066,966)</u>

See notes to financial statements.

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

	General Fund	Capital Projects Sinking Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 849,057	\$ 29,242	\$ 177,621	\$ 869,078	\$ 1,924,998
Investments	13,203,508	3,546,275	3,092,739	237,021	20,079,543
Receivables					
Accounts receivable	81,922	-	-	38,776	120,698
Property taxes receivable	32	643	1,554	-	2,229
Intergovernmental	7,358,308	-	-	121,902	7,480,210
Due from other funds	43,292	18,045	31,424	1,837,343	1,930,104
Inventories	-	-	-	74,258	74,258
Prepays	2,400	-	-	-	2,400
TOTAL ASSETS	\$ 21,538,519	\$ 3,594,205	\$ 3,303,338	\$ 3,178,378	\$ 31,614,440
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 892,880	\$ -	\$ -	\$ 27,136	\$ 920,016
Accrued salaries and related items	2,534,199	-	-	7,647	2,541,846
Accrued retirement	653,556	-	-	26,548	680,104
Unearned revenue	3,415,295	-	-	-	3,415,295
Due to other funds	1,815,282	109,367	-	5,455	1,930,104
Accrued interest	19,509	-	-	-	19,509
Note payable	840,000	-	-	-	840,000
TOTAL LIABILITIES	10,170,721	109,367	-	66,786	10,346,874
FUND BALANCES					
Nonspendable					
Inventories	-	-	-	74,258	74,258
Prepays	2,400	-	-	-	2,400
Restricted for:					
Capital projects	-	3,484,838	-	-	3,484,838
Food service	-	-	-	1,287,489	1,287,489
Debt service	-	-	3,303,338	-	3,303,338
Committed for student/school activities	-	-	-	842,725	842,725
Assigned for:					
Subsequent year expenditures	1,899,265	-	-	-	1,899,265
Capital projects	-	-	-	907,120	907,120
Unassigned	9,466,133	-	-	-	9,466,133
TOTAL FUND BALANCES	11,367,798	3,484,838	3,303,338	3,111,592	21,267,566
TOTAL LIABILITIES AND FUND BALANCES	\$ 21,538,519	\$ 3,594,205	\$ 3,303,338	\$ 3,178,378	\$ 31,614,440

See notes to financial statements.

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

Total governmental fund balances		\$ 21,267,566
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources - related to pensions	\$ 13,840,431	
Deferred inflows of resources - related to pensions	(13,196,468)	
Deferred outflows of resources - related to other postemployment benefits	2,183,395	
Deferred inflows of resources - related to other postemployment benefits	(10,551,859)	
Deferred inflows of resources - related to state aid funding for pensions	<u>(2,493,051)</u>	
		(10,217,552)
Some assets are not current financial resources and therefore are not reported in Governmental Funds Balance Sheet:		
Noncurrent assets at year-end consist of:		
Net other postemployment benefits asset		7,962,461
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	102,065,621	
Accumulated depreciation/amortization is	<u>(39,287,277)</u>	
		62,778,344
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
General obligation bonds		(39,826,187)
Direct borrowing and direct placement		(77,472)
Compensated absences		(2,229,316)
Accrued interest		(283,050)
Net pension liability		<u>(44,441,760)</u>
Net position of governmental activities		<u><u>\$ (5,066,966)</u></u>

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

	General Fund	Capital Projects Sinking Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local sources					
Property taxes	\$ 3,775,807	\$ 6,849	\$ 3,496,490	\$ -	\$ 7,279,146
Investment earnings	592,172	169,930	104,965	11,314	878,381
Food sales	-	-	-	145,473	145,473
Student/school activities	-	-	-	884,866	884,866
Other	731,740	-	-	-	731,740
Total local sources	5,099,719	176,779	3,601,455	1,041,653	9,919,606
State sources	33,903,011	18,045	-	311,395	34,232,451
Federal sources	2,296,766	-	-	2,409,955	4,706,721
Incoming transfers and other	1,557,102	-	-	-	1,557,102
TOTAL REVENUES	42,856,598	194,824	3,601,455	3,763,003	50,415,880
EXPENDITURES					
Current					
Instruction	25,304,904	-	-	-	25,304,904
Supporting services	14,305,280	-	-	-	14,305,280
Food service activities (excluding capital outlay)	-	-	-	2,059,973	2,059,973
Community service activities	365,161	-	-	-	365,161
Student/school activities	-	-	-	598,188	598,188
Capital outlay	289,859	409,122	-	148,424	847,405
Debt service					
Principal repayment	18,313	-	710,000	-	728,313
Interest	89,197	-	1,726,700	-	1,815,897
TOTAL EXPENDITURES	40,372,714	409,122	2,436,700	2,806,585	46,025,121
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,483,884	(214,298)	1,164,755	956,418	4,390,759
OTHER FINANCING SOURCES (USES)					
Transfers in	98,107	-	-	625,000	723,107
Transfers out	(625,000)	-	-	(98,107)	(723,107)
TOTAL OTHER FINANCING SOURCES (USES)	(526,893)	-	-	526,893	-
NET CHANGE IN FUND BALANCES	1,956,991	(214,298)	1,164,755	1,483,311	4,390,759
FUND BALANCES					
Beginning of year, as previously presented	9,410,807	3,699,136	-	3,766,864	16,876,807
Adjustments to beginning fund balances	-	-	2,138,583	(2,138,583)	-
Beginning of year, as restated	9,410,807	3,699,136	2,138,583	1,628,281	16,876,807
End of year	<u>\$ 11,367,798</u>	<u>\$ 3,484,838</u>	<u>\$ 3,303,338</u>	<u>\$ 3,111,592</u>	<u>\$ 21,267,566</u>

See notes to financial statements.

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

Net change in fund balances total governmental funds	\$ 4,390,759
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation/amortization:

Depreciation/amortization expense	(4,203,297)
Capital outlay	922,207

Accrued interest on bonds 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	287,784
Accrued interest payable, end of the year	(283,050)

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:

Payments on notes from direct borrowings and direct placement	18,313
Amortization of bond premium	112,660
Payments on general obligation bonds	710,000

Compensated absences are reported on the accrual method in the statement activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences, beginning of the year, as restated	1,981,073
Accrued compensated absences, end of the year	(2,229,316)

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:

Pension related items	4,520,334
Other postemployment benefits related items	3,154,014

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:

State aid funding for pension, beginning of year	3,495,918
State aid funding for pension, end of year	(2,493,051)

Change in net position of governmental activities	\$ 10,384,348
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**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Description of Government-wide Financial Statements

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

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for 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. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental are reported as separate columns in the fund financial statements.

The District reports the following *Major Governmental Funds*:

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

The *Capital Projects Sinking Fund* accounts for the receipt of property taxes levied for sinking fund and the subsequent expenditures of those funds. The fund has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2023-1.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on the 2018 building and site bonds.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

The District reports the following *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 fund and student/school activities fund as special revenue funds.

The *2018 Capital Projects Fund* includes capital project activities funded with bonds. For this capital project, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code.

Beginning with the year of bond issuance, the school district has reported the annual construction activity in the Capital Projects Fund. The project for which the 2018 building and site bonds were issued was considered complete on June 30, 2024.

The following is a summary of the revenue and other financing sources and expenditures for the 2018 capital projects bond activity since inception through June 30, 2025.

	<u>2018 Bond</u>
Revenues and other financing sources	<u>\$ 47,295,255</u>
Expenditures and other financing uses	<u>\$ 47,295,255</u>

The above revenue and other financing sources includes net bond proceeds of \$45,619,509.

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, deferred outflows of resources, deferred inflows of resources, 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.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a state-wide 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.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Other funds do not have appropriated budgets.

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

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

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- d. Transfers may be made for budgeted amounts between major expenditure functions within any fund however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- e. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2025. 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 three months or less from the date of acquisition.

**OWOSSO 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)

Investments

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two 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.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets

Capital assets, which include property, plant, equipment, and transportation equipment, 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 \$5,000 and a useful life of more than five years. Group purchases are evaluated on a case-by-case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

Land and construction in progress are not depreciated. Right of use assets of the District are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. The other 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 - 20 years
Buildings and additions	10 - 50 years
Machinery and equipment	5 - 20 years
Transportation equipment	5 - 8 years
Right to use - leased transportation equipment	3 years

Defined Benefit Plans

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

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are the 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.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three 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 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.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund Balance Flow Assumptions

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

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.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance Policies (continued)

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 has by resolution authorized the superintendent and finance director to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Leases

The District is a lessee for the noncancelable leases of a bus. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements.

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

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

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

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

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

**OWOSSO 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 15 and February 15, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

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

Fund	Mills
General fund	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.0000
Debt service fund	
PRE, Non-PRE, Commercial Personal Property	4.7000

Compensated Absences

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide financial statements. The liability for compensated absences includes salary and related benefits, where applicable.

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.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2025, the District had deposits and investments subject to the following risk:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2025, \$1,731,396 of the District's bank balance of \$2,068,746 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 \$1,924,998.

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.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Michigan CLASS Investment Pool	<u>\$ 20,079,543</u>	0.2329

One day maturity equals 0.0027, one year equals 1.00.

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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
Michigan CLASS Investment Pool	<u>\$ 20,079,543</u>	AAAm	Standard & Poor's

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Foreign Currency Risk

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

Fair Value Measurement

The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

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

The District does not hold any investments that are subject to fair value measurement.

Investments in Entities that Calculate Net Asset Value per Share

The District holds shares or interests in the Michigan CLASS investment pool 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.

The Michigan CLASS investment pool invest in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Investments in Entities that Calculate Net Asset Value per Share (continued)

At the year ended June 30, 2025, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Michigan CLASS Investment Pool	<u>\$ 20,079,543</u>	<u>\$ -</u>	No restrictions	None

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as of June 30, 2025:

	<u>Primary Government</u>
Cash and cash equivalents	\$ 1,924,998
Investments	<u>20,079,543</u>
	<u>\$ 22,004,541</u>

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Receivables at June 30, 2025 consist of the following:

Intergovernmental	
State aid	\$ 5,961,065
Federal aid	575,187
Intermediate and other	<u>943,958</u>
Total intergovernmental	<u>\$ 7,480,210</u>

No allowance for doubtful accounts is considered necessary based on previous experience.

OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2024	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2025
Capital assets not being depreciated				
Land	\$ 544,482	\$ -	\$ -	\$ 544,482
Construction in progress	364,740	-	(364,740)	-
Total non-depreciable capital assets	909,222	-	(364,740)	544,482
Capital assets being depreciated/amortized				
Land improvements	8,141,270	33,123	-	8,174,393
Buildings and additions	85,862,457	947,440	-	86,809,897
Machinery and equipment	5,008,797	173,670	-	5,182,467
Right to use - leased transportation equipment	221,622	-	-	221,622
Transportation equipment	1,000,046	132,714	-	1,132,760
Total depreciable capital assets	100,234,192	1,286,947	-	101,521,139
Accumulated depreciation/amortization				
Land improvements	3,999,365	517,484	-	4,516,849
Buildings and additions	26,467,727	3,376,998	-	29,844,725
Machinery and equipment	3,949,227	158,417	-	4,107,644
Right to use - leased transportation equipment	129,942	30,560	-	160,502
Transportation equipment	537,719	119,838	-	657,557
Total accumulated depreciation/amortization	35,083,980	4,203,297	-	39,287,277
Net capital assets being depreciated/amortized	65,150,212	(2,916,350)	-	62,233,862
Net capital assets	\$ 66,059,434	\$ (2,916,350)	\$ (364,740)	\$ 62,778,344

Depreciation/amortization for the fiscal year ended June 30, 2025 amounted to \$4,203,297 and was allocated as follows:

Governmental activities	
Instruction	\$ 4,328
Support services	155,792
Food service	32,467
Unallocated	4,010,710
Total governmental activities	\$ 4,203,297

Depreciation/amortization of capital assets that serve multiple functions is recorded as unallocated.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE

At June 30, 2025, the District has state aid anticipation note payable outstanding of \$840,000. Proceeds of the note were used to fund school operations. The note has the following interest rates and maturities:

Note	Balance June 30, 2025	Interest Rate	Maturity Date
2025	\$ 840,000	3.310%	August 20, 2025
Balance July 1, 2024	Additions	Payments	Balance June 30, 2025
\$ 1,244,286	\$ 2,100,000	\$ 2,504,286	\$ 840,000

At August 20, 2024, the District issued a state aid anticipation note payable with the original face amount of \$2,100,000. 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. At year end the balance of these payments are considered defeased debt and are not included in the year-end balance. In an event of a default on the note, the bank may impose a penalty interest rate and at the bank's discretion, accelerate the repayment terms. The note required installment payments during the year with the final installment due on August 20, 2025.

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, 2025:

	Compensated Absences*	General Obligation Bonds	Direct Borrowing and Direct Placement	Total
Balance July 1, 2024, as restated	\$ 1,981,073	\$ 40,648,847	\$ 95,785	\$ 42,725,705
Additions	248,243	-	-	248,243
Deletions	-	(822,660)	(18,313)	(840,973)
Balance June 30, 2025	2,229,316	39,826,187	77,472	42,132,975
Due within one year	(222,932)	(780,000)	(19,869)	(1,022,801)
Due in more than one year	\$ 2,006,384	\$ 39,046,187	\$ 57,603	\$ 41,110,174

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

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

General long-term obligations at June 30, 2025 are comprised of the following:

General Obligation Bonds

2018 Building and Site Bonds due in annual installments of \$780,000 to \$2,485,000 through May 1, 2047, with interest ranging from 4.00% to 5.00%. \$ 37,235,000

Plus issuance premium 2,591,187

Total general obligation bonds 39,826,187

Direct Borrowing and Direct Placement

Lease of bus with payments ranging from \$19,869 to \$57,603 through April 15, 2027, with an implied interest rate of 8.5%. 77,472

Compensated absences 2,229,316

Total general long-term obligations \$ 42,132,975

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$77,472 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.

The annual requirements to amortize long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2025, are as follows:

Year Ending June 30,	General Obligation Bonds		Direct Borrowing and Direct Placement		Compensated Absences	Total
	Principal	Interest	Principal	Interest		
2026	\$ 780,000	\$ 1,698,300	\$ 19,869	\$ 6,586	\$ -	\$ 2,504,755
2027	860,000	1,659,300	57,603	4,897	-	2,581,800
2028	940,000	1,616,300	-	-	-	2,556,300
2029	1,030,000	1,569,300	-	-	-	2,599,300
2030	1,120,000	1,517,800	-	-	-	2,637,800
2031 - 2035	7,040,000	6,649,500	-	-	-	13,689,500
2036 - 2040	9,120,000	4,681,500	-	-	-	13,801,500
2041 - 2045	11,385,000	2,394,200	-	-	-	13,779,200
2046 - 2047	4,960,000	297,800	-	-	-	5,257,800
	37,235,000	22,084,000	77,472	11,483	-	59,407,955
Bond issuance premium	2,591,187	-	-	-	-	2,591,187
Compensated absences	-	-	-	-	2,229,316	2,229,316
	<u>\$ 39,826,187</u>	<u>\$ 22,084,000</u>	<u>\$ 77,472</u>	<u>\$ 11,483</u>	<u>\$ 2,229,316</u>	<u>\$ 64,228,458</u>

Interest for all funds for the year ended June 30, 2025 was approximately \$1,810,000.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

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

	Due From Other Funds				Total
	General Fund	Capital Projects Sinking Fund	Debt Service Fund	Nonmajor Governmental Funds	
Due to other funds					
General Fund	\$ -	\$ 18,045	\$ 5,000	\$ 1,792,237	\$ 1,815,282
Capital Projects Sinking Fund	37,837	-	26,424	45,106	109,367
Nonmajor Governmental Funds	5,455	-	-	-	5,455
Total	<u>\$ 43,292</u>	<u>\$ 18,045</u>	<u>\$ 31,424</u>	<u>\$ 1,837,343</u>	<u>\$ 1,930,104</u>

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

NOTE 8 - INTERFUND TRANSFERS

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

	Transfers In		
	General Fund	Nonmajor Governmental Funds	Total
Transfers out			
General Fund	\$ -	\$ 625,000	\$ 625,000
Nonmajor Governmental Funds	98,107	-	98,107
Total	<u>\$ 98,107</u>	<u>\$ 625,000</u>	<u>\$ 723,107</u>

The transfer from the General Fund to the Nonmajor Governmental Funds was to cover costs of future capital projects. The transfers from the Nonmajor Governmental Funds to the General Fund were for indirect cost reimbursements and to close out the 2018 Capital Projects Fund.

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) (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. MPERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.michigan.gov/orsschools.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Plan Description (continued)

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 the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

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.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012

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

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

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

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

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

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

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

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).

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

Pension Reform of 2017

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

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

Pension Reform of 2023

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

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through their 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.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2024, were determined as of the September 30, 2021, actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2021, are amortized over a 15-year period beginning October 1, 2023, and ending September 30, 2038.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	Other Postemployment Benefit
October 1, 2024 - September 30, 2025	20.96% - 30.11%	0.00% - 1.25%
October 1, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%

The District's pension contributions for the year ended June 30, 2025 were equal to the required contribution total. Total pension contributions were approximately \$8,265,000. Of the total pension contributions approximately \$7,987,000 was contributed to fund the Defined Benefit Plan and approximately \$278,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2025 were equal to the required contribution total. Total OPEB contributions were approximately \$270,000. Of the total OPEB contributions approximately \$102,000 was contributed to fund the Defined Benefit Plan and approximately \$168,000 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).

OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2023 and rolled-forward using generally accepted actuarial procedures.

The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Total pension liability	\$ 95,765,499,515	\$ 94,947,828,557
Plan fiduciary net position	\$ 71,283,482,728	\$ 62,581,762,238
Net pension liability	\$ 24,482,016,787	\$ 32,366,066,319
Proportionate share	0.18153%	0.18010%
Net pension liability for the District	\$ 44,441,760	\$ 58,290,645

For the year ended June 30, 2025, the District recognized pension expense of \$3,466,493.

At June 30, 2025, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 4,633,317	\$ (3,256,175)
Net difference between projected and actual plan investment earnings	-	(8,481,372)
Differences between expected and actual experience	1,205,736	(482,866)
Changes in proportion and difference between employer contributions and proportionate share of contributions	733,697	(976,055)
Reporting Unit's contributions subsequent to the measurement date	<u>7,267,681</u>	<u>-</u>
	<u>\$ 13,840,431</u>	<u>\$ (13,196,468)</u>

\$7,267,681, 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.

OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

Year Ending June 30,	Amount
2026	\$ (1,380,366)
2027	122,267
2028	(3,200,309)
2029	(2,165,310)
	<u>\$ (6,623,718)</u>

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

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

The District's proportion of the net OPEB liability (asset) was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Total other postemployment benefits liability	\$ 9,991,545,923	\$ 11,223,648,949
Plan fiduciary net position	\$ 14,295,943,589	\$ 11,789,347,341
Net other postemployment benefits liability (asset)	\$ (4,304,397,666)	\$ (565,698,392)
Proportionate share	0.18498%	0.17795%
Net other postemployment benefits liability (asset) for the District	\$ (7,962,461)	\$ (1,006,663)

For the year ended June 30, 2025, the District recognized OPEB benefit of \$3,052,428.

OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

At June 30, 2025, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 1,739,116	\$ (199,897)
Net difference between projected and actual earnings on other postemployment benefits plan investments	-	(1,507,385)
Differences between expected and actual experience	-	(8,437,777)
Changes in proportion and difference between employer contributions and proportionate share of contributions	416,906	(406,800)
Reporting Unit's contributions subsequent to the measurement date	<u>27,373</u>	<u>-</u>
	<u><u>\$ 2,183,395</u></u>	<u><u>\$ (10,551,859)</u></u>

\$27,373, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability (asset) in the subsequent fiscal year.

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

Year Ending June 30,	Amount
2026	\$ (2,768,525)
2027	(1,585,367)
2028	(1,622,389)
2029	(1,485,603)
2030	(793,001)
2031	<u>(140,952)</u>
	<u><u>\$ (8,395,837)</u></u>

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

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

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

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

Inflation - 3.0%.

Mortality Assumptions -

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

Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and MP-2021 adjusted for mortality improvements using projection scale from 2010.

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

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

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

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

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

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

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

The target asset allocation at September 30, 2024 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.00%	5.3%
International Equity Pools	15.00%	6.5%
Private Equity Pools	16.00%	9.0%
Real Estate and Infrastructure Pools	10.00%	7.1%
Fixed Income Pools	13.00%	2.2%
Absolute Return Pools	9.00%	5.2%
Real Return/Opportunistic Pools	10.00%	6.9%
Short Term Investment Pools	2.00%	1.4%
	<u>100.00%</u>	

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

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

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

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	<u>\$ 65,152,097</u>	<u>\$ 44,441,760</u>	<u>\$ 27,196,419</u>

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

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability (asset)	<u>\$ (6,153,455)</u>	<u>\$ (7,962,461)</u>	<u>\$ (9,526,537)</u>

Sensitivity to the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability (asset) calculated using the healthcare cost trend rate, as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefits		
	Current		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability (asset)	<u>\$ (9,526,554)</u>	<u>\$ (7,962,461)</u>	<u>\$ (6,284,979)</u>

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension and OPEB Plan Fiduciary Net Position

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

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

NOTE 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. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2025 or any of the prior three years.

NOTE 11 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. 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 expects such amounts, if any, to be immaterial.

NOTE 12 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB No. Statement 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.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - TAX ABATEMENTS (continued)

The property taxes abated for all funds by municipality under these programs are as follows:

<u>Municipality</u>	<u>Taxes Abated</u>
City of Owosso	\$ 183,608

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.

There are no abatements made by the District.

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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

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

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

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

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE

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

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

NOTE 15 - ADJUSTMENTS TO BEGINNING FUND BALANCES/NET POSITION

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

	Reporting Units Affected by Adjustments to and Restatements of Beginning Balances		
	Debt Service Fund	Nonmajor Governmental Funds	Governmental Activities
Fund balance/net position, as previously reported	\$ -	\$ 3,766,864	\$ (13,984,890)
Change from nonmajor to major fund	2,138,583	(2,138,583)	-
Change in accounting principle (GASB 101)	-	-	(1,466,424)
Fund balance/net position, as restated	<u>\$ 2,138,583</u>	<u>\$ 1,628,281</u>	<u>\$ (15,451,314)</u>

REQUIRED SUPPLEMENTARY INFORMATION

**OWOSSO PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2025**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 4,481,965	\$ 4,959,690	\$ 5,099,719	\$ 140,029
State sources	32,865,535	34,515,428	33,903,011	(612,417)
Federal sources	1,943,448	2,299,994	2,296,766	(3,228)
Incoming transfers and other	1,345,868	1,616,000	1,557,102	(58,898)
TOTAL REVENUES	40,636,816	43,391,112	42,856,598	(534,514)
EXPENDITURES				
Current				
Instruction				
Basic programs	19,093,787	18,551,438	17,928,592	622,846
Added needs	9,361,657	10,961,073	7,299,947	3,661,126
Adult education	205,471	207,254	76,365	130,889
Total instruction	28,660,915	29,719,765	25,304,904	4,414,861
Supporting services				
Pupil	424,943	407,336	1,152,124	(744,788)
Instructional staff	1,392,284	1,031,053	2,026,976	(995,923)
General administration	155,444	605,335	582,195	23,140
School administration	3,124,458	2,985,855	2,973,234	12,621
Business	393,038	408,023	388,650	19,373
Operation/maintenance	3,855,479	3,850,358	3,743,284	107,074
Pupil transportation	1,424,564	1,289,888	1,274,456	15,432
Central	1,129,688	1,325,726	1,579,635	(253,909)
Other	652,041	656,405	584,726	71,679
Total supporting services	12,551,939	12,559,979	14,305,280	(1,745,301)
Community services	317,821	381,630	365,161	16,469
Capital outlay	-	-	289,859	(289,859)
Debt service				
Principal repayment	65,017	33,125	18,313	14,812
Interest on debt	-	-	89,197	(89,197)
Total debt service	65,017	33,125	107,510	(74,385)
TOTAL EXPENDITURES	41,595,692	42,694,499	40,372,714	2,321,785
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(958,876)	696,613	2,483,884	1,787,271
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	98,107	98,107
Transfers out	(100,000)	(625,000)	(625,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(100,000)	(625,000)	(526,893)	98,107
NET CHANGE IN FUND BALANCE	\$ (1,058,876)	\$ 71,613	1,956,991	\$ 1,885,378
FUND BALANCE				
Beginning of year			9,410,807	
End of year			<u>\$ 11,367,798</u>	

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Reporting Unit's proportion of net pension liability (%)	0.18153%	0.18010%	0.18451%	0.18039%	0.17998%	0.18703%	0.19231%	0.19352%	0.19122%	0.18145%
Reporting Unit's proportionate share of net pension liability	\$ 44,441,760	\$ 58,290,645	\$ 69,393,360	\$ 42,707,975	\$ 61,825,105	\$ 61,936,614	\$ 57,812,038	\$ 50,149,422	\$ 47,707,252	\$ 44,320,330
Reporting Unit's covered-employee payroll	\$ 19,549,273	\$ 17,767,561	\$ 17,940,116	\$ 16,483,205	\$ 15,672,540	\$ 16,074,101	\$ 16,325,778	\$ 16,150,781	\$ 16,516,753	\$ 15,137,808
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	227.33%	328.07%	386.81%	259.10%	394.48%	385.32%	354.12%	310.51%	288.84%	292.78%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contributions	\$ 7,986,827	\$ 7,287,335	\$ 7,026,457	\$ 6,064,795	\$ 5,283,478	\$ 4,593,468	\$ 4,897,010	\$ 5,036,503	\$ 4,509,394	\$ 4,160,963
Contributions in relation to statutorily required contributions	<u>7,986,827</u>	<u>7,287,335</u>	<u>7,026,457</u>	<u>6,064,795</u>	<u>5,283,478</u>	<u>4,593,468</u>	<u>4,897,010</u>	<u>5,036,503</u>	<u>4,509,394</u>	<u>4,160,963</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 19,843,585	\$ 18,603,086	\$ 17,583,334	\$ 17,197,904	\$ 16,241,882	\$ 16,415,776	\$ 16,111,816	\$ 16,318,200	\$ 16,117,201	\$ 15,763,117
Contributions as a percentage of covered-employee payroll	40.25%	39.17%	39.96%	35.26%	32.53%	30.13%	30.39%	30.86%	27.98%	26.40%

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

	2024	2023	2022	2021	2020	2019	2018	2017
Reporting Unit's proportion of net other postemployment benefits liability/asset (%)	0.18498%	0.17795%	0.18524%	0.18343%	0.17712%	0.18414%	0.19173%	0.19374%
Reporting Unit's proportionate share of net other postemployment liability (asset)	\$ (7,962,461)	\$ (1,006,663)	\$ 3,923,465	\$ 2,799,841	\$ 9,488,993	\$ 13,216,883	\$ 15,240,523	\$ 17,156,318
Reporting Unit's covered-employee payroll	\$ 19,549,273	\$ 17,767,561	\$ 17,940,116	\$ 16,483,205	\$ 15,672,540	\$ 16,074,101	\$ 16,325,778	\$ 16,150,781
Reporting Unit's proportionate share of net other postemployment liability/asset as a percentage of its covered-employee payroll	40.73%	5.67%	21.87%	16.99%	60.55%	82.22%	93.35%	106.23%
Plan fiduciary net position as a percentage of total other postemployment liability (non-university employers)	143.08%	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

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

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required other postemployment benefits contributions	\$ 101,586	\$ 1,561,950	\$ 919,190	\$ 1,424,616	\$ 1,417,105	\$ 1,379,402	\$ 1,326,414	\$ 1,418,036
Other postemployment benefits contributions in relation to statutorily required contributions	<u>101,586</u>	<u>1,561,950</u>	<u>919,190</u>	<u>1,424,616</u>	<u>1,417,105</u>	<u>1,379,402</u>	<u>1,326,414</u>	<u>1,418,036</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll (OPEB)	\$ 19,843,585	\$ 18,603,086	\$ 17,583,334	\$ 17,197,904	\$ 16,241,882	\$ 16,415,776	\$ 16,111,816	\$ 16,318,200
Other post employment benefit contributions as a percentage of covered-employee payroll	0.51%	8.40%	5.23%	8.28%	8.73%	8.40%	8.23%	8.69%

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

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

NOTE 1 - PENSION INFORMATION

Benefit Changes

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

Changes in Assumptions

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

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

NOTE 2 - OPEB INFORMATION

Benefit Changes

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

Changes in Assumptions

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

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

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

NOTE 2 - OPEB INFORMATION (continued)

Changes in Assumptions (continued)

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

ADDITIONAL SUPPLEMENTARY INFORMATION

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

	Special Revenue		Capital Projects		Total
	Food Service	Student/School	2018 Capital	Capital	Nonmajor
	Fund	Activities	Projects	Projects	Funds
ASSETS					
Cash and cash equivalents	\$ 26,353	\$ 842,725	\$ -	\$ -	\$ 869,078
Investments	-	-	7	237,014	237,021
Accounts receivable	38,776	-	-	-	38,776
Intergovernmental	121,902	-	-	-	121,902
Due from other funds	1,167,237	-	-	670,106	1,837,343
Inventories	74,258	-	-	-	74,258
TOTAL ASSETS	\$ 1,428,526	\$ 842,725	\$ 7	\$ 907,120	\$ 3,178,378
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 27,136	\$ -	\$ -	\$ -	\$ 27,136
Accrued salaries and related items	7,647	-	-	-	7,647
Accrued retirement	26,548	-	-	-	26,548
Due to other funds	5,448	-	7	-	5,455
TOTAL LIABILITIES	66,779	-	7	-	66,786
FUND BALANCES					
Nonspendable					
Inventories	74,258	-	-	-	74,258
Restricted for food service	1,287,489	-	-	-	1,287,489
Committed for student/school activities	-	842,725	-	-	842,725
Assigned for capital projects	-	-	-	907,120	907,120
TOTAL FUND BALANCE	1,361,747	842,725	-	907,120	3,111,592
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,428,526	\$ 842,725	\$ 7	\$ 907,120	\$ 3,178,378

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

	Special Revenue		Capital Projects		Formerly Nonmajor Debt Service Fund	Total Nonmajor Funds
	Food Service Fund	Student/School Activities	2018 Capital Projects	Capital Projects		
REVENUES						
Local sources						
Investment earnings	\$ 4	\$ -	\$ -	\$ 11,310	\$ -	\$ 11,314
Food sales	145,473	-	-	-	-	145,473
Student/school activities	-	884,866	-	-	-	884,866
Total local sources	145,477	884,866	-	11,310	-	1,041,653
State sources	311,395	-	-	-	-	311,395
Federal sources	2,409,955	-	-	-	-	2,409,955
TOTAL REVENUES	2,866,827	884,866	-	11,310	-	3,763,003
EXPENDITURES						
Current						
Food service activities	2,059,973	-	-	-	-	2,059,973
Student/school activities	-	598,188	-	-	-	598,188
Capital outlay	148,424	-	-	-	-	148,424
TOTAL EXPENDITURES	2,208,397	598,188	-	-	-	2,806,585
EXCESS OF REVENUES OVER EXPENDITURES	658,430	286,678	-	11,310	-	956,418
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	625,000	-	625,000
Transfers out	(98,100)	-	(7)	-	-	(98,107)
TOTAL OTHER FINANCING SOURCES (USES)	(98,100)	-	(7)	625,000	-	526,893
NET CHANGE IN FUND BALANCES	560,330	286,678	(7)	636,310	-	1,483,311
FUND BALANCES						
Beginning of year, as previously presented	801,417	556,047	7	270,810	2,138,583	3,766,864
Adjustments to beginning fund balances	-	-	-	-	(2,138,583)	(2,138,583)
Beginning of year, as restated	801,417	556,047	7	270,810	-	1,628,281
End of year	\$ 1,361,747	\$ 842,725	\$ -	\$ 907,120	\$ -	\$ 3,111,592

**OWOSSO PUBLIC SCHOOLS
DEBT SERVICE FUNDS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
YEAR ENDED JUNE 30, 2025**

\$43,120,000 School Building & Site Bonds issued May 16, 2018.

June 30,	Interest Rate	Principal Due	Interest Due		Total Due Annually
		May 1	May 1	November 1	
2026	5.00%	\$ 780,000	\$ 849,150	\$ 849,150	\$ 2,478,300
2027	5.00%	860,000	829,650	829,650	2,519,300
2028	5.00%	940,000	808,150	808,150	2,556,300
2029	5.00%	1,030,000	784,650	784,650	2,599,300
2030	5.00%	1,120,000	758,900	758,900	2,637,800
2031	5.00%	1,220,000	730,900	730,900	2,681,800
2032	5.00%	1,320,000	700,400	700,400	2,720,800
2033	5.00%	1,425,000	667,400	667,400	2,759,800
2034	5.00%	1,500,000	631,775	631,775	2,763,550
2035	5.00%	1,575,000	594,275	594,275	2,763,550
2036	5.00%	1,655,000	554,900	554,900	2,764,800
2037	5.00%	1,730,000	513,525	513,525	2,757,050
2038	5.00%	1,815,000	470,275	470,275	2,755,550
2039	5.00%	1,910,000	424,900	424,900	2,759,800
2040	5.00%	2,010,000	377,150	377,150	2,764,300
2041	4.00%	2,100,000	326,900	326,900	2,753,800
2042	4.00%	2,185,000	284,900	284,900	2,754,800
2043	4.00%	2,275,000	241,200	241,200	2,757,400
2044	4.00%	2,365,000	195,700	195,700	2,756,400
2045	4.00%	2,460,000	148,400	148,400	2,756,800
2046	4.00%	2,475,000	99,200	99,200	2,673,400
2047	4.00%	2,485,000	49,700	49,700	2,584,400
Total 2018 bonded debt		<u>\$ 37,235,000</u>	<u>\$ 11,042,000</u>	<u>\$ 11,042,000</u>	<u>\$ 59,319,000</u>

The above bonds dated May 16, 2018, carry interest rates ranging from 4.00% to 5.00%.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Owosso Public Schools

We have audited, in accordance with the 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 Owosso Public Schools, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Owosso Public Schools' basic financial statements, and have issued our report thereon dated October 27, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Owosso Public Schools' internal control over financial reporting (internal control) as a basis for designing 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 Owosso Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Owosso Public Schools' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Owosso 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Maney Costeiran PC

October 27, 2025



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October 27, 2025

To the Board of Education
Owosso Public Schools

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated October 27, 2025 on the financial statements of Owosso Public Schools. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control, or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, perform any additional study of this matter, or assist you in implementing the recommendation. Our comments are summarized as follows.

Escheating Checks

Michigan Public Act 29 of 1995, as amended, provides that the District report and escheat unclaimed property to the State of Michigan. Michigan Department of Treasury Manual for Reporting Unclaimed Property (revised April 2023) also gives guidance on this subject. We noted that Owosso Public Schools' had numerous instances of long-outstanding checks that had not yet been escheated to the State of Michigan. We recommend that Owosso Public Schools escheat unclaimed property to the State of Michigan.

Food Service Fund Balance

Per Michigan Department of Education (MDE) guidelines, school food authorities (SFA) must operate food services on a nonprofit basis. We noted that the food service fund balance exceeded the three months' operating expenditures allowed. MDE requires that the SFA spend down the excess by the end of the next school year. Owosso Public Schools has developed a plan to spend down the excess by June 30, 2025.

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

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

Very truly yours,

Maner Costerisan PC



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October 27, 2025

To the Board of Education
Owosso Public Schools

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

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Owosso Public Schools are described in Note 1 to the financial statements. As described in Note 14 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, during the year ended June 30, 2025. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by the Owosso Public Schools during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

Management's determination of the estimated life span of the capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 27, 2025.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Restriction on Use

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

Very truly yours,

Maney Costeiran PC