



Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2018

Waterford, Michigan



Comprehensive Annual Financial Report

Oakland Schools

**2111 Pontiac Lake Road
Waterford, MI 48328**

**For the Fiscal Year Ended
June 30, 2018**

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Introductory Section

Letter of Transmittal	i-xiii
ASBO Certificate of Excellence	xiv
Organizational Chart	xv
List of District Officials	xvi

Financial Section

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10

Basic Financial Statements

Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	13
Reconciliation of the Balance Sheet to the Statement of Net Position	14
Statement of Revenue, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Proprietary Funds:	
Statement of Net Position	17
Statement of Revenue, Expenses, and Changes in Net Position	18
Statement of Cash Flows	19
Fiduciary Funds - Statement of Fiduciary Assets and Liabilities	20
Notes to Financial Statements	21-43

Required Supplemental Information

Budgetary Comparison Schedule - General Education Fund	45
Budgetary Comparison Schedule - Major Special Revenue Funds	46-47
Schedule of Proportionate Share of the Net Pension Liability	48
Schedule of Pension Contributions	49
Schedule of Proportionate Share of the Net OPEB Liability	50
Schedule of OPEB Contributions	51
Notes to Required Supplemental Information	52

Other Supplemental Information

Budgetary Comparison Schedule - Nonmajor Special Revenue Funds	54-57
Nonmajor Governmental Funds:	
Combining Balance Sheet	58
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	59
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	60
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	61
Schedule of Bonded Indebtedness	62

<u>Statistical Section</u>	63
Introduction to Statistical Section	64
Financial Trend Information	
Net Position by Component	65
Changes in Governmental Net Position	66-67
Fund Balances - Governmental Funds	68
Changes in Fund Balances - Governmental Funds	69
Revenue Capacity Information	
Taxable Value of Property	70
Direct and Overlapping Property Tax Rates	71
Principal Property Taxpayers	72
Property Tax Levies and Collections	73
Debt Capacity Information	
Ratios of Outstanding Debt	74
Direct and Overlapping Governmental Activities Debt	75
Legal Debt Margin	76
Demographic and Economic Information	
Demographic and Economic Statistics	77
Principal Employers	78
Operating Information	
Full-time Equivalent School District Employees	79
Operating Indicators	80
Facility Capital Asset Owned and Leased Information	81
Federal Awards Supplemental Information	Issued Under Separate Cover



October 16, 2018

To the Citizens of Oakland County
and the Board Members of Oakland Schools

State law requires that every school district and intermediate school district publish a complete set of audited financial statements by November 1 each year. The Comprehensive Annual Financial Report (CAFR) of Oakland Schools (an intermediate school district) for the fiscal year ended June 30, 2018 is hereby submitted to fulfill that requirement. The Oakland Schools Department of Financial Services prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with Oakland Schools (the “District”). To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various District funds. All disclosures necessary to enable the reader to gain a thorough understanding of the District’s financial activities have been included.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, a listing of the elected and top administrative officials of the District, the District’s ASBO Certificate of Excellence in Financial Reporting for the Fiscal Year Ended June 30, 2017 and the District’s administrative organizational chart. The financial section includes the independent auditor’s report, management’s discussion and analysis (MD&A), basic financial statements, required supplemental information, and other supplemental information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

The basis for preparing the CAFR for the District was first to identify the financial reporting entity exclusive of any potential component units. Potential component units were evaluated to determine whether they should be reported in the District’s CAFR. A component unit is considered to be part of the District’s reporting entity if it meets the criteria as outlined by the Governmental Accounting Standards Board (GASB) in Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statements 39 and 61. The CAFR includes all District funds and account groups that are controlled or dependent upon the District’s Board of Education. There are no component units included in the District’s CAFR, and Oakland Schools is not included in any other governmental “reporting entity.”

The District

Oakland Schools is one of 56 intermediate school districts (ISDs) established in Michigan in 1962. ISDs are regional service agencies that offer support services to local school district personnel that are best delivered regionally, as measured by cost, size and quality advantages. Oakland Schools is an autonomous, tax-supported public school district governed by Michigan General School laws. The District serves 28 local school districts and 26 public school academies, each independently funded, with a countywide enrollment of approximately 188,950 students. Enrollment was rather stable between 2016-17 and 2017-18, increasing by only 38 full time equivalents. Countywide, student enrollment had been declining since 2007, primarily due to the economic environment in the state of Michigan causing families to move out of state. Between 2015-2025, the population for ages 5-17 is projected to decrease by over 11% according to the Southeast Michigan Council of Governments. This will have a

corresponding impact on projected school district enrollment. Enrollment does not impact the financial resources of Oakland Schools however, as our primary revenue source is property taxes, and the District does not receive a per pupil foundation allowance.

The District's Board of Education members are elected by local school boards and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. The Board of Education is responsible for the selection and appointment of the superintendent, as well as setting policy, developing long-range educational goals, adopting and amending operating budgets, and evaluating school programs.

Oakland Schools operates and houses staff in eight locations, four of which are owned and four of which are leased. Our locations consist of the main Administration Building, Summit building (Production Print, Special Education), and White Oaks building (Medicaid, Special Programs) in Waterford, Michigan; the JobLink Service Center (a Michigan Works! center) in Pontiac, Michigan; and four technical campuses in each of the quadrants of the county: Northwest Campus in Clarkston, Michigan, Southwest Campus in Wixom, Michigan, Northeast Campus in Pontiac, Michigan and Southeast Campus in Royal Oak, Michigan. The four technical campuses provide a countywide career focused education learning system to approximately 2,620 students from all 28 constituent districts. The condition of all Oakland Schools' facilities is excellent. Two of the four owned facilities are less than fifteen years old. The remaining two owned facilities were built in the 1970's but have undergone significant renovations in 2007 and 2010-11 to ensure they are structurally sound and are state of the art facilities. The District maintains a 5-year capital plan which is updated annually to prepare for necessary improvements and upgrades to facilities and equipment. The District pre-funds at least three years, and up to five years, of the capital plan requirements. This planning process ensures Oakland Schools maintains adequate funding and can meet our capital needs.

Economic Condition and Outlook

Oakland Schools and the school districts we support are primarily located in Oakland County, which covers approximately 910 square miles. Oakland County is now in its ninth year of economic recovery since the recession's low point in 2009. Despite recent years of economic turmoil that have plagued Southeast Michigan, along with the rest of the nation, Oakland County has remained one of the most prosperous counties in the country. More important, it has the necessary assets to remain a prosperous and welcoming county in the future. Oakland County remains one of the most prominent local economies in the nation, with some of the most promising longer-term prospects. The County's knowledge-based economic activity is among the most concentrated in the country and the percentage of the population holding an associate's degree or better well exceeds the national average, which are two good indicators of future economic prosperity.

The County is especially noteworthy for its share of residents employed in professional and managerial occupations, which bodes well for future growth opportunities in higher paid activities. Oakland County's assets provide opportunities to continue diversifying its economy into areas with longer-term growth potential. Oakland's traditionally strong sectors have included professional and business services; trade, transportation and utilities; manufacturing; and leisure and hospitality, contributing to job growth in recent years. This job growth was most prevalent in higher-wage industries. Economists predict 1.7% - 2.1% growth for the next three years. Although the economic recovery has been slow initially, we do see the county economy as being on an upward growth trajectory that will continue beyond 2018. Oakland County's affluent, well-educated community has been, and will continue to be, its own best resource for maintaining a thriving economy. For more information about Oakland County's economic engine, please visit either www.oakgov.com or www.automationalley.com.

School Finance

Oakland Schools is allocated one-fourth mill (0.25 mill) for general operating purposes from the millage allocation authorized in each Michigan county, in accordance with the State of Michigan constitution. Under the terms of the Tax Limitation Amendment of 1978, this millage has been “rolled back” to reflect growth of property valuation above the inflation rate. For the fiscal year ended June 30, 2018, the District’s General Education Fund operating levy was .1966 mills. Due to another mileage rollback, the District will levy .1950 mills in fiscal year 2019.

The District is legally permitted to seek voter approval to fund special education and vocational education programs. The voters had authorized special education tax levies totaling one and three-fourths mills (1.75 mills) and a vocational education tax of one-half mill (0.50 mills), all of which have been “rolled back” under the terms of the Tax Limitation Amendment of 1978. On September 25, 2001, the voters authorized an additional tax levy for both special education (1.1704 mills) and vocational education (0.2279 mills). The District’s special education and vocational education total levies for the fiscal year ended June 30, 2018 were 2.4996 mills and .6117 mills, respectively, after application of millage rollback rules. These millage rates will be reduced to 2.4796 and .6067, respectively, in fiscal year 2019 due to additional rollbacks.

The taxable valuations for Oakland County properties in the five years prior to fiscal year 2008-09 had increased by an average of 3% annually. For 2008-09 there was no growth in taxable values but rather a minor reduction (-.0075%) which was a precursor to a substantial declining 4-year trend:

2009-10	-3.8%
2010-11	-11.9%
2011-12	-7.7%
2012-13	-3.5%

These four consecutive years of declining property tax values have an impact lasting into fiscal year 2018 and beyond until the tax base has fully recovered, resulting in a cumulative erosion of District revenue of \$364.4 million through fiscal year 2018. Nearly 76% of this decline is Special Education property tax which flows through to school districts in Oakland County. The prior years’ decline in the District’s tax base is reflective of the state’s economic challenges and the nation’s ongoing commercial and residential real estate market retrenchment. Taxable values of Oakland County properties increased by 3.6% and 4.7% in tax years 2017 and 2018, respectively and are expected to increase 5.0%, 4.5%, and 4.5% for 2019, 2020, and 2021, respectively. Due to Proposal A however, the District’s tax levy increase is limited to the rate of inflation and the full amount of taxable value increase is not expected to be realized.

Related to the decline in taxable values are ongoing Michigan Tax Tribunal (MTT) judgments. There was a significant backlog of cases that arose during the recession that the State has been processing over the last several years. Not all MTT judgments result in a reduction in taxable value for the plaintiff, although a good number of them do. These judgments often result in a refund of previously collected property taxes that the County must provide to the plaintiff(s), and the County passes these costs onto the respective municipalities and school districts, such as Oakland Schools. At the time of this publication, Oakland Schools is using the same information that Oakland County Government has developed for determining the liability exposure to MTT appeals. As a result, we have determined that a reserve of \$.4 million is appropriate to address successful property tax appeals through the school fiscal year ending June 30, 2019.

Major Initiatives

Mission

Our mission statement as of June 30, 2018 and as adopted by our Board of Education is:

“EVERY STUDENT. EVERY DAY.”

Our beliefs, as of June 30, 2018, and as adopted by our Board of Education are:

- It's about service.
- Students form the lens through which our best educational decisions are made.
- All students can and will learn.
- Collaboration builds understanding.
- Education is a shared responsibility.
- Our success depends upon our employees.
- Change is opportunity.
- Lifelong learning is a key to lifelong success.
- Effective relationships are powerful.
- Differences expand our thinking.
- Visionary leadership creates a dynamic environment.
- We must develop leaders for tomorrow.
- Ethical behavior is everyone's responsibility.

To support our mission and beliefs, the Board of Education has formally adopted and maintains a continuous improvement plan for Oakland Schools. As of June 30, 2018, the goals of the continuous improvement plan are:

1. Equity
2. Well-Being
3. Excellence
4. Operations

Oakland Schools strives to promote equity and excellence in education throughout the District. We do this through quality service and leadership. We explore, experiment, and model ideas to improve education and enhance teaching skills through discovery and practice. We understand that our role as an Intermediate School District is to support student achievement in our constituent districts. We meet this responsibility through our professional and curricular development programs, development and implementation of regional best practices and operating efficiencies, and our monitoring and compliance activities.

Examples of current programs, initiatives, and support systems that serve our constituent school districts follow:

Fullan Network

Oakland Schools, and most of our districts, have entered into the Fullan Deep Learning International Network. We are supporting districts in moving their teaching toward deep learning in the classroom as defined by the network. We are both a member of the Network at Oakland Schools and also contributing numerous staff members to work at the district level to support these efforts.

Illuminate

Oakland Schools is undergoing a major effort to implement the Illuminate Assessment system in all 28 of our districts. This system will allow districts to manage student assessment data at the district, school and classroom level. Oakland Schools is subsidizing approximately 50% of the cost of this new system but

we are also committing a number of staff members to work in districts to support local staff in implementation. In 2017 our focus was to on-board all 28 districts to the Illuminate DnA system. In 2018 our work was focused on building the capacity of district level staff to full implementation of Illuminate DnA, as measured by an implementation rubric. We are also building capacity of classroom teachers through customized, in-district professional learning, as well as Oakland Schools developed online learning resources.

Early Literacy Support

Oakland Schools has made a significant investment in early reading support for our local districts. We have hired additional consultants and reading coaches to work intensively in 11 of our 28 districts. In each of those districts we have worked closely with local district staff to design a plan that is tailored to the needs of that particular district. This effort includes being heavily involved in the statewide effort to develop and train on researched based early literacy practices. We have just begun to implement a similar model in mathematics.

Social and Emotional Learning

Oakland Schools has a number of programs and services underway to attend to the social and emotional development of young people. We have been working closely with Yale University to train teachers on the RULER Curriculum. In addition we have a county-wide program for implementing restorative practices. Our anti-bullying work is continuing and involves more schools and teachers each year.

Oakland County Wraparound

Oakland County Wraparound provides intensive service coordination to students with mental health needs so they are able to gain support to remain and succeed in school. Wraparound assures service coordination among the multiple agencies with which involved students have contact.

Oakland County Suicide Taskforce

At a leadership level, the Taskforce supports district and school protocol with regard to prevention, intervention and postvention suicide services. These include leadership in the SafeTALK and ASIST models, an international best practices model array to train educators and community members in strong prevention and intervention skill development. Follow-up services after a suicide attempt or a completed suicide in a school district are also in place. This involves intensive community support and alignment to the district suicide response plans.

Oakland County ProjectAWARE

Oakland County is one of three counties selected to undertake a multiyear project to coordinate mental health services across community and school systems to improve access and care to all school age children in the county. This second tier initiative builds upon the first tier of mental health first aid training, which helps people not in the mental health field identify and connect those in need with help. The project also coordinates services with a mental health staff person from the Oakland County Community Mental Health Authority.

Oakland Schools Homeless Student Education Services

Our Homeless Student Education Services Consultant works with each local district to train a homeless liaison to identify and serve homeless students across Oakland County to comply with the federal McKinney-Vento Law. This service assures that homeless students receive coordination to remove barriers to attend school despite being without permanent housing. Ongoing liaison meetings and a newly formed coalition with Wayne RESA helps to make certain staff are trained and ready to support the thousands of homeless students across the County. Oakland Schools' supports also include extensive professional development and dispute resolution to districts and coordination of ESSA direction.

Oakland County Foster Care Student Services

Oakland Schools provides leadership to local districts and to the community with regard to the coordination of students who are involved in the foster care system. Changing ESSA guidelines make it necessary to ensure districts remain in compliance with expectations to assure that these high risk students are aligned to supports and services at the district, county, and state level. Quarterly foster care district liaison meetings ensure up to date information flows to the local districts.

Oakland Schools Refugee and Immigrant Student Services

Refugee and immigrant students face a wide range of unique needs such as mental health coordination and trauma referrals. Oakland Schools provides services including professional development on understanding trauma experienced by immigrant students, cultural sensitivity and best practice in working with students who are living with post-traumatic stress disorder. Oakland Schools also works with districts, provides consortium leadership, student needs coordination and community outreach. In addition, strong community connections are maintained with agencies providing front line care to immigrant students and their families.

Collaborative Program Development Initiative (CPDI)

The purpose of the CDPI project is to enhance the academic achievement of Oakland ISD students by supporting collaborative instructional programs that can potentially serve students in all Oakland ISD constituent school districts. This program also provides “seed funding” for new non-instructional collaborative programs to promote consolidation of services: Recent examples of the use of CPDI funding are:

- Alternative educational programs including start-up of virtual learning programs
- Technology and other collaborations for non-instructional services
- Partial subsidy of the HR/Finance Consortium which will help reduce costs to our partnering local school districts while moving toward a county-wide software system.

Shared Services

Oakland Schools works with several districts in Oakland County providing non-instructional services on a cost recovery basis. Collaborative efforts include the following:

- Effective November 2013, the District entered into an Alternate Service Provider Agreement with The School District of the City of Pontiac. Under this agreement, Oakland Schools is providing business office services and human resource services to assist Pontiac in addressing its financial emergency and successfully implement its Consent Agreement with the Michigan State Treasurer. This agreement is in effect for the duration of the Consent Agreement unless terminated by both parties in accordance with the agreement's termination clause.
- Oakland Schools provides various business office services ranging from full service to individual staff services (e.g. payroll, accounts payable, controller) for five additional districts through intergovernmental agreements that expire at various times through June 2021.
- Oakland Schools' technology services department provides a full range of onsite and centrally managed technology services to thirteen districts in Oakland County.
- Oakland Schools provides additional cost recovery services to districts on an as-needed basis. During 2018, these services included technology support and business office services.

Early Childhood Programming

The Early Childhood Unit leads the development, support for and improvement of county-wide, cross sector collaborative systems that improve children's school readiness. Children who enter kindergarten with gaps in early language and literacy skills are particularly vulnerable to struggling as learners and readers. This prioritizes preventing and closing young children's opportunity and readiness gaps as early as possible before kindergarten, so that they will learn, achieve, and read proficiently by the end of the early childhood years in third grade. To this end, the Early Childhood Unit has adopted the following priorities.

- Oversee the high quality implementation and continuous improvement of state funded prekindergarten programs (GSRP) for over 3,000 children in 28 districts, 4 public school academies and 10 community agencies in Oakland County.
- Increase student achievement by improving the quality of classrooms serving children from birth to five years of age through professional development and consultation in the areas of standards, curriculum, assessment, and instruction. Also, improve the continuity and alignment of educative programs throughout the early childhood years in a systemic approach to prekindergarten through third grade education.
- Increase student achievement by promoting the social and emotional competence of young children. Provide support for children struggling with challenging behaviors through staff training, individualized consultation and parent support.
- Implement and continually improve coordination of Early On intervention services for children from birth to three with developmental delays and diagnosed conditions, including those receiving special education services and those with more moderate delays who are served through partnerships with county agencies and organizations.
- Continue to develop and improve a comprehensive integrated system of a wide variety of early childhood services including early education and care, physical and emotional health, and parent support and education that are available to all families throughout Oakland County.
- Provide a continuum of parent engagement and education opportunities for families of children birth to eight years of age, including those who need intensive services, through a family, school and community partnership.

Special Education Services

The Oakland Schools Department of Special Populations is dedicated to providing leadership, service and support that strengthen the capacity of schools, families and communities to support the success of students with Individualized Education Programs (IEPs).

Services include, but are not limited to:

- Central coordination of county-wide problem solving and placement of students with IEPs having complex needs
- Provision of assistive technology to county students with IEPs to assure access to instruction and materials
- Support of districts in skill development of staff providing instruction to students with IEPs
- Instructional and consultative services to district staff for students who are deaf/hard of hearing, visually impaired, physically impaired or have traumatic brain injury
- Support of districts to ensure compliance with the Individuals with Disabilities Education Act (IDEA) and Michigan Administrative Rules for Special Education (MARSE) rules and regulations
- Collaboration with various community partners to provide necessary student supports.

Student Services (formerly Career Focused Education)

Student Services provides consulting, coordinating and direct educational services and programs for K-12 students across Oakland County. The vision driving Oakland Schools' Student Services Department is every student graduates career ready. Oakland Schools offers many other regional initiatives that provide direct support to Oakland County educators, students, families and industry professionals. Oakland Schools operates four AdvancED accredited technical campuses directly serving approximately 2,620 students throughout the County. Partnering with industry and our local districts, Student Services helps all students become career ready, which makes their learning directly relevant to their future. The Oakland Opportunity Academy (OOA), Winner of the Crystal Star of Excellence Award from the National Dropout Prevention Council, offers a unique environment for students to receive their high school diploma while developing the technical, academic and workplace skills essential for postsecondary and career success. Virtual Learning Academy Consortium (VLAC) is a high-quality, home-base virtual learning opportunity for students in Kindergarten through 12th grade. Our program is a public school option for parents and other caregivers who prefer a flexible, home-based environment, and who are willing to guide their child's learning.

Oakland Schools has built and continuously improves a district-wide learning system that guides students in:

- Making informed career readiness decisions
- Developing academic, technical, and workplace knowledge
- Skills building and preparation to compete effectively in the job market

Leaders from the community, business and industry, government, and education serve as key stakeholders in Student Services' efforts to develop and deploy career development programs that align with the region's workforce needs. During the school year, significant progress was made in advancing Student Services' mission, most notably through:

- Regional alignment of career readiness activities, training, and partnerships
- Continuous improvement to the campus facilities and program offerings at all four Oakland Schools technical campuses
- Student acceptance into apprenticeships, 2-year colleges, 4-year colleges and full-time employment.

Oakland Network for Education (ONE)

ONE is a district-wide 311-mile fiber-optic network that benefits all Oakland ISD students and educators through its economy of scale and services. It is a comprehensive network designed to bring significantly enhanced educational opportunities to the students of Oakland Schools' constituent districts.

ONE provides services through advanced voice, video, and data network infrastructure in order to build a stronger learning community within the Oakland Schools boundaries (i.e., lower-cost local, zone, and long-distance telephone access through collaborative bids; high-speed Internet access to meet the growing needs of Oakland ISD educators; and connectivity to the community through a Web presence). ONE provides the following benefits to students: opportunities for all students to access the technological and academic skills necessary for the 21st century; college courses for high school students at their local high school; field experts to work with students; virtual field trips to leading cultural institutions; and video on demand for instruction.

Capital Projects Fund - Construction and Renovation Projects

Oakland Schools maintains a 5-year capital plan which is updated annually, identifying both short-term and long-term construction and renovation projects and the funding source for those projects. Capital projects funds are maintained for the administration building, CFE campus renovations and the Career

Connections facility. Through careful planning and funding of these capital projects funds, the District can ensure updated, state-of-the-art facilities are maintained.

Risk Related Activity Fund

The Risk Related Activity Fund is categorized in governmental accounting as an Internal Service Fund and is authorized under GASB Statements Number 10 and 30. An internal services fund is a proprietary fund. Proprietary funds are used to account for state or local government's activities that are similar to activities that may be performed by commercial enterprises. The goal of this fund is to provide administration with a risk management tool. The Risk Related Activity Fund includes accounting for the following District expenses:

- I. Employee Compensated Absences
- II. Employment Benefits including:
 - Health Insurance
 - Dental Insurance
 - Vision Insurance
 - Life Insurance
 - Short-term Disability Insurance
 - Long-term Disability Insurance
 - Workers' Compensation Insurance
 - Unemployment
- III. Other District Expenses/Programs including:
 - Property & Casualty Insurance
 - Fleet Insurance
 - Errors & Omissions
 - Professional Liability
 - Safety (loss prevention)
 - Employee Wellness

We believe the application and operation of this risk management tool is a significant benefit to our District.

Production Print Enterprise Fund

The Production Print Enterprise Fund is categorized in government accounting as an enterprise fund. An enterprise fund is a proprietary fund. Proprietary funds are used to account for state or local governments' activities that are similar to activities that may be performed by commercial enterprises. Enterprise funds are funds used by governmental units to account for services provided to the general public on a user charge basis. The primary operating goal for the Production Print Enterprise Fund is to operate on a break-even basis. Primary elements of the business operating plan for the fund is first to expand operating revenue such as those generated from expanding services to other districts and outside organizations and concurrently closely manage operating costs such as inventory and personnel.

Financial Information

Accounting Systems

The District's fund-level financial statements and government-wide financial statements for our governmental and Agency Fund types have been prepared in conformance with generally accepted accounting principles and are in compliance with Government Accounting Standards Board Statement No. 34. Governmental fund-level statements are prepared on the modified accrual basis of accounting. The revenue is recognized when measurable and available to finance current operations. Expenditures are recognized when the liability is incurred, generally when the goods or services are received, except for interest on long-term debt, which is recorded when paid. With respect to the government-wide financial statements, the full accrual accounting basis is applied as defined under GASB Statement No. 34.

In developing and evaluating the District's financial information system, consideration is given to the adequacy of the internal accounting and administrative control structure and the costs thereof. Accounting and administrative controls comprise the plan of organization, policies, procedures, and records necessary for the safeguarding of assets, the reliability of financial records, and compliance with grant requirements. The expressed purpose is to provide reasonable assurance that:

- Transactions are in accordance with management's and grantors' general or specific authorization
- Transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and other criteria (such as finance-related legal and contractual compliance requirements) and to maintain accountability for assets
- Access to assets is permitted only in accordance with Board of Education appropriations, financial policies, and management's authorization
- The recorded accountability for assets is compared with the existing assets at reasonable intervals, and appropriate action is taken with respect to any differences.

Accounting and administrative controls comprehend reasonable, but not absolute, assurance that the objectives expressed will be accomplished by the system. The concept of reasonable assurance recognizes that the cost of an internal control structure should not exceed the benefits expected.

Budgetary Controls

The District maintains both accounting and budgetary controls. The objective of budgetary control is to ensure compliance with legal provisions as embodied in and adopted in the annual appropriation budget approved by the Board of Education. Governmental fund types are under formal budgetary control. Activities of the General and Special Revenue Funds are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Project Funds.

The Board of Education established the legal level of control as presented in the fund financial statements. The Board of Education is authorized to make amendments to the budget as it deems necessary. The District also maintains an encumbrance accounting system as a method of budgetary control. Amounts encumbered at year end are re-appropriated as part of the following year's budget. Detailed operating information on a per fund basis can be found in the management's discussion and analysis section of the CAFR.

Fund Balance

The District is in compliance with the provisions of GASB 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. Under this standard, the fund balance classifications are nonspendable, restricted, committed, assigned, and unassigned. The District's fund balance is categorized under these classifications based on the extent to which the District is bound to observe constraints imposed on the use of the resources in the governmental funds.

Cost Allocation Methodologies

During the normal course of conducting business, the District incurs costs that require a logical methodology to allocate between our three major operating funds: The General Education Fund (GEF), the Special Education Fund (SEF) and the Career Focused Education Fund (CFEF). The Michigan Department of Education's (MDE) "Accounting and Fiscal Reporting Requirements for Intermediate School District Use of Special Education Funds" rules identify allocation-eligible "function-based" costs as defined by the MDE Bulletin 1022 Accounting Manual.

For the SEF, the primary controller parameter is a 25% maximum allocation cap on each eligible function-based cost pool. The CFEF has no such limiting set of rules to date, but costs in this fund are treated in the same manner as the SEF with respect to the application of our "general allocation methodology" process.

Oakland Schools uses two basic cost allocation methodologies:

- General allocation method – allocates all qualifying function-based gross budget cost pools not allocated using an activity based cost method in the following manner: 50% to the GEF, 25% to the SEF and 25% to the CFEF.
- Activity based cost (ABC) method
 - ABC – FTE based – applied to the Financial Services, Human Resources, Office of Procurement & Contracting and the Enterprise Technical Services departments
 - ABC – Space Usage based – predicated on square footage and is applied to capital, maintenance and operating costs associated with the District's facilities
 - ABC – Transportation – based on student miles transported for all constituent districts and is used for allocation of Pupil Transportation costs

Debt Administration

Long-term obligations outstanding for the District as of June 30, 2018 consisted of \$44,695,000 in bonded debt, \$3,132,230 in premium on debt issued, \$(538,084) of deferred refunding charges and \$3,331,237 of accrued sick and vacation obligations. All of the District's bonded debt consists of general obligation limited tax instruments. The funding source for the debt service is the operating revenue of the District's General Education, Special Education, and Career Focused Education Funds.

Retirement Plan

All employees of the District are covered by a mandatory, cost-sharing, multiple-employer plan - the Michigan Public School Employees Retirement System (MPSERS). The MPSERS consists of several different benefit plan types depending upon the first date the employee was eligible to become a MPSERS member and the personal elections of the member. Employees participate in the Basic Plan, the Member Investment Plan, the Pension Plus Plan, the Pension Plus 2 Plan, or the Defined Contribution Plan. Members also have the option of choosing between the defined benefit health plan and a personal healthcare fund. These plans and employer and employee contribution rates are discussed further in the notes to the financial statements.

The plans provide their members various benefits, including regular retirement, early retirement, deferred retirement, non-duty disability pension, duty disability pension, and survivor pension.

Benefit and contribution provisions are fixed by state statute and may be amended only by action of the State Legislature.

The District is in compliance with the provisions of GASB 68, *Accounting and Financial Reporting for Pensions*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures. For defined benefit pensions, like

the MPSERS plan, this Statement also identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

In the fiscal year ended June 30, 2018, the District adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Similar to GASB 68 which relates to pensions, this statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures related to other postemployment benefits (OPEB). The Statement also requires certain note disclosures and contains supplemental information requirements about defined benefit OPEB.

Other Information and Acknowledgments

Independent Audit

Michigan law requires an annual audit of the District's basic financial statements. The District's Board of Education engaged Plante & Moran, PLLC for this purpose. The independent auditor's opinions have been included in this report.

The basic financial statements are the responsibility of the District. The responsibility of the independent auditors is to express opinions on the financial statements that collectively comprise the District's basic financial statements based upon their audit, which is conducted in accordance with generally accepted accounting standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that the audit be planned and performed in a manner to obtain reasonable assurance that the basic financial statements are free of material misstatement.

Single Audit

As a recipient of federal and state grants, the District is responsible for ensuring that an adequate internal and administrative control structure is in place and compliance with applicable laws and regulations is maintained. To ascertain the level of such compliance, the District has an audit performed in accordance with Title 2 of the U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

AdvancED Accreditation

In April 2017, Oakland Schools received the honor of re-accreditation by the nation's strictest accreditation agency, the AdvancED Accreditation Commission, the national commission that confers the North Central Association Commission on Accreditation and School Improvement (NCA CASI) accreditation seal. Oakland Schools is one of only 58 regional service agencies to receive this prestigious honor nationwide.

To earn accreditation, education service agencies and the schools they operate must:

- Meet the AdvancED Standards for Quality Education Service Agencies.
- Engage in continuous improvement.
- Demonstrate quality assurance through internal and external review.

The AdvancED accreditation team met with 132 stakeholders including Oakland Schools' administrators and staff, local district administrators and teachers, parents, business partners, students and members of the governing board. The accreditation process resulted in several commendations and one improvement priority which will guide the District in its continuous improvement process. The Index of Education Quality received by the District well exceeded the AdvancEd Network Average.

Certificate of Excellence in Financial Reporting

The District is committed to providing its citizens and other users with comprehensive financial reporting. For school districts meeting the requirements of a comprehensive annual report, the Association of School Business Officials International (ASBO) awards a Certificate of Excellence in Financial Reporting. The ASBO awarded a Certificate of Excellence in Financial Reporting to Oakland Schools for its Comprehensive Annual Financial Report (CAFR) for the last fifteen consecutive school fiscal years: 2002-03 through 2016-17.

In order to be awarded a Certificate of Excellence, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR) whose contents conform to program standards. Comprehensive Annual Financial Reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Excellence is valid for a period of one year only. The District believes our current report continues to conform to the Certificate of Excellence program requirements, and we are submitting our report to ASBO.

Aaa Bond Rating

The financial community has acknowledged the District's solid financial operations and large, growing tax base in recent years. The District earned the highest bond rating achievable, Aaa, from Moody's Investors Service and received a rating of AA+ from Standard & Poor's Ratings Services. In the most recent rating report dated March 1, 2016, Moody's stated:

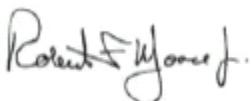
"We anticipate that the district will continue to maintain sound financial operations with solid fund balances in its primary operating funds - the General Fund, the Special Education Fund, the Vocational Education Fund, and the Debt Service Fund - given a demonstrated record of prudent management." Moody's goes on to say, "Oakland Schools' management continues to successfully maintain a satisfactory financial position. Oakland Schools works diligently to provide a variety of services and programs that focus on teacher support and professional development, early childhood development, special education, vocational training and technological advancement in schools."

Oakland Schools' Aaa bond rating allows the District to borrow at the lowest possible interest rate, saving the District interest costs in the future.

Acknowledgments

The preparation of this CAFR was accomplished through the commitment and dedication of Oakland Schools' Department of Financial Services. Management wishes to thank each member of the team for his or her contribution to the completion of this report.

Respectfully submitted,



Robert F. Moore Jr.
Deputy Superintendent



Michelle Saunders
Executive Director, Financial Services



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting
is presented to**

Oakland Schools

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2017.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



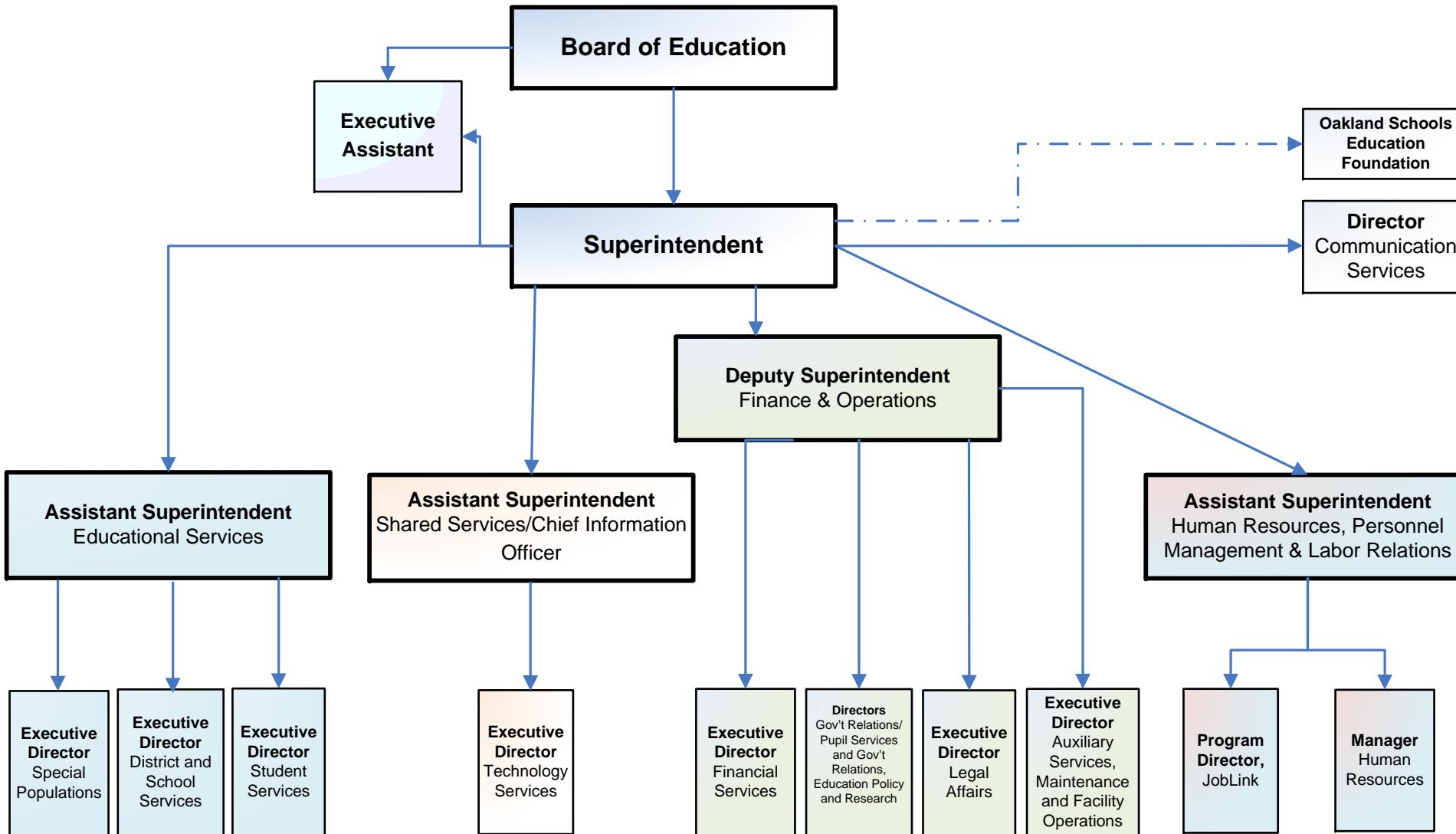
Charles E. Peterson, Jr.

Charles E. Peterson, Jr., SFO, RSBA, MBA
President

John D. Musso

John D. Musso, CAE
Executive Director

Oakland Schools Organizational Chart



Oakland Schools

District Officials

Administration

Dr. Wanda Cook-Robinson
Superintendent

Robert F. Moore
Deputy Superintendent

Michael Yocum
Assistant Superintendent, Educational Services

Tammy Evans
Assistant Superintendent, Shared Services/CIO

Dandridge Floyd
Assistant Superintendent, Human Resources, Personnel Management & Labor Relations

Jarrad Grandy
Executive Director, Student Services

Lisa Hansknecht
Director of Government and Community Services

Timothy Loock
Executive Director, Auxiliary Services, Maintenance, Facilities & Operations

Sherry McMillan
Executive Director, Legal Affairs

Karen Olex
Executive Director, Special Populations

David Randels
Director of Government Relations, Education Policy And Research

Michelle Saunders
Executive Director, Financial Services

Paul Spoor
Executive Director, Technology Services

Cyndi Willoughby
Executive Director, Shared Services

Vacant
Executive Director, District and School Services

Vacant
Director of Communications

Board of Education

Marc Katz
President

Connie Williams
Vice President

Barb DeMarco
Secretary

George Ehlert
Treasurer

Dr. Theresa Rich
Trustee

Independent Auditor's Report

To the Board of Education
Oakland Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Oakland Schools (the "School District") as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise Oakland Schools' basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds, and the aggregate remaining fund information of Oakland Schools as of June 30, 2018 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, as of July 1, 2017, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The School District's unrestricted net position has been restated as of July 1, 2017 as a result of this change in accounting principle. Our opinion is not modified with respect to this matter.

To the Board of Education
Oakland Schools

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and OPEB system schedules of funding progress and employer contributions, and the major fund budgetary comparison schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Oakland Schools' basic financial statements. The other supplemental information, as identified in the table of contents, and the introductory section and statistical section schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2018 on our consideration of Oakland Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 Oakland Schools' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Plante & Moran, PLLC". The signature is fluid and cursive, with "Plante & Moran" on the top line and "PLLC" on the bottom line.

October 16, 2018

This section of Oakland Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2018. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Oakland Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term, as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Education Fund, the Special Education Fund, and the Vocational Education Fund, with all other funds presented in one column as nonmajor funds. One of the remaining statements, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The other remaining statements are related to the School District's proprietary funds (Internal Services and Enterprise). The Risk Related Activity Fund, an Internal Service Fund, accounts for all of the costs associated with the School District's insurance programs and employee-compensated absences provided to other funds of the School District on a cost-reimbursement basis. The Production Print Enterprise Fund, an Enterprise Fund, accounts for all of the School District's graphics and printing operational costs, including all district-direct and client-based service costs. This report is composed of the following elements:

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Proprietary (Internal Service and Enterprise) Fund Statements

Fiduciary Fund Statement

Notes to Financial Statements

Required Supplemental Information

Budgetary Comparison Schedules for Major Funds

Schedule of Proportionate Share of the Net Pension and OPEB Liabilities

Schedule of Pension and OPEB Contributions

Notes to the Required Supplemental Information

Other Supplemental Information

Budgetary Comparison Schedules for Nonmajor Special Revenue Funds

Combining Nonmajor Fund Financial Statements

Combining Nonmajor Special Revenue Fund Financial Statements

Schedule of Bonded Indebtedness

Statistical Section

Oakland Schools

Management's Discussion and Analysis (Continued)

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to the students and educators in our county, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education and services provided and the safety of the schools, to assess the overall health of the School District.

The statement of net position and the statement of activities report the governmental activities and business-type activities for the School District. Governmental activities encompass most of the School District's services, including instruction, support services, community services, payments to subrecipients, and other various services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities. Business-type activities are financed through charges for services.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental Funds

Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

Proprietary Funds

Proprietary fund reporting focuses on the economic resources measurement and an accounting method called full accrual accounting. The proprietary fund statements present a long-term view of operations and the services it provides to other funds. The School District established a proprietary fund, specifically the Internal Service Fund, to finance specific services provided to other funds of the School District on a cost-reimbursement basis. The specific services represent accounting for all insurance benefits and compensated absences of the School District.

Fiduciary Funds

Fiduciary funds are used to account for resources held in a fiduciary capacity for others. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available for the support of the School District's own programs. The accounting used for fiduciary funds is the full accrual basis of accounting.

Oakland Schools

Management's Discussion and Analysis (Continued)

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2018 and 2017:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
	(in millions)	(in millions)	(in millions)	(in millions)		
Assets						
Current and other assets	\$ 107.0	\$ 94.7	\$ 1.3	\$ 1.1	\$ 108.3	\$ 95.8
Capital assets	<u>84.1</u>	<u>89.9</u>	<u>0.1</u>	<u>0.2</u>	<u>84.2</u>	<u>90.1</u>
Total assets	191.1	184.6	1.4	1.3	192.5	185.9
Deferred Outflows of Resources	39.7	23.3	-	-	39.7	23.3
Liabilities						
Current liabilities	31.9	29.8	0.1	0.1	32.0	29.9
Noncurrent liabilities	51.2	50.7	-	-	51.2	50.7
Net pension liability	131.0	119.4	-	-	131.0	119.4
Net OPEB liability	<u>44.7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44.7</u>	<u>-</u>
Total liabilities	258.8	199.9	0.1	0.1	258.9	200.0
Deferred Inflows of Resources	13.8	4.1	-	-	13.8	4.1
Net Position						
Net investment in capital assets	36.8	41.6	0.1	0.2	36.9	41.8
Restricted	41.0	16.9	-	-	41.0	16.9
Unrestricted	<u>(119.6)</u>	<u>(54.6)</u>	<u>1.2</u>	<u>1.0</u>	<u>(118.4)</u>	<u>(53.6)</u>
Total net position	\$ (41.8)	\$ 3.9	\$ 1.3	\$ 1.2	\$ (40.5)	\$ 5.1

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's governmental net position was \$(41.8) million at June 30, 2018. Net investment in capital assets totaling \$36.8 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. All of the debt represents general obligation bonds and, as such, is secured by and pledge the full faith and credit of the School District for payment of the debt service. Restricted net position of \$41 million is reported separately to show legal constraints from voter-approved ballot language covenants, commitments to capital projects, and debt service, as well as enabling legislation that limits the School District's ability to use that net position for day-to-day operations. The remaining amount of net position of \$(119.6) million was unrestricted. The analysis of the changes to follow is in reference to the primary government as a whole but is indicative of changes in governmental activities; business-type activities had very little fluctuation in fiscal year 2018.

The \$(119.6) million in unrestricted net position of governmental activities represents the accumulated results of all past years' General Fund operations, impacted by GASB 68, 71, and 75, plus the operational results of the Cooperative Education Special Revenue Funds, Capital Projects Funds, and the Risk Related Activity Fund. The \$41 million of restricted net position represents the accumulated results of all past years' Special Education and Vocational Education operations, as well as debt service funds operations. The restricted and unrestricted net position balance enables the School District to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Education Fund and certain special revenue funds will have a significant impact on the change in unrestricted net position from year to year.

Oakland Schools

Management's Discussion and Analysis (Continued)

As required by the Governmental Accounting Standards Board (GASB), the School District adopted Statement No. 75. This standard required the inclusion of the district's proportionate share of the Michigan Public School Employees' Retiree Health Care Plan within the School District's financial statements, effective July 1, 2017. The effect of the adoption was to decrease July 1, 2017 beginning net position by \$45.2 million and to include the net OPEB obligation and related deferred inflows and outflows of resources in the June 30, 2018 financial statements. All governments participating in the plan were required to adopt this new standard.

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2018 and 2017:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
	(in millions)	(in millions)	(in millions)	(in millions)		
Revenue						
Program revenue:						
Charges for services	\$ 30.6	\$ 29.3	\$ 1.9	\$ 2.1	\$ 32.5	\$ 31.4
Operating grants	81.6	83.5	-	-	81.6	83.5
General revenue:						
Taxes	180.2	175.6	-	-	180.2	175.6
State aid not restricted to specific purposes	12.4	10.4	-	-	12.4	10.4
Other	1.2	(0.9)	-	-	1.2	(0.9)
Total revenue	306.0	297.9	1.9	2.1	307.9	300.0
Expenses						
Instruction	22.9	21.6	-	-	22.9	21.6
Support services	78.1	73.8	1.7	1.9	79.8	75.7
Community services	3.6	3.6	-	-	3.6	3.6
Interdistrict transfers and other	194.9	191.5	-	-	194.9	191.5
Debt service	2.1	2.3	-	-	2.1	2.3
Depreciation - Unallocated	4.9	4.9	0.1	0.1	5.0	5.0
Total expenses	306.5	297.7	1.8	2.0	308.3	299.7
Change in Net Position						
	(0.5)	0.2	0.1	0.1	(0.4)	0.3
Net Position - Beginning of year, as previously reported	3.9	3.7	1.2	1.1	5.1	4.8
Cumulative Effect of Change in Accounting						
	(45.2)	-	-	-	(45.2)	-
Net Position - Beginning of year	(41.3)	3.7	1.2	1.1	(40.1)	4.8
Net Position - End of year	\$ (41.8)	\$ 3.9	\$ 1.3	\$ 1.2	\$ (40.5)	\$ 5.1

As reported in the statement of activities, the cost of all of our governmental activities this year was \$306.5 million. Certain activities were partially funded from those who benefited from the programs (\$30.6 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$81.6 million). We paid for the remaining "public benefit" portion of our governmental activities with \$180.2 million in taxes and \$12.4 million in unrestricted state aid and other grants. Other general revenue consists of \$1.2 million from interest and other revenue. The analysis of the changes to follow is in reference to the governmental activities as business-type activities had very little fluctuation in fiscal year 2018.

The School District experienced a decrease in net position of \$0.5 million. The overall change is negligible and in alignment with budgeted activity.

Oakland Schools

Management's Discussion and Analysis (Continued)

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

As required by the Governmental Accounting Standards Board (GASB), the School District adopted Statement No. 75. This standard required the inclusion of the School District's proportionate share of the Michigan Public School Employees' Retiree Health Care Plan within the School District's financial statements, effective July 1, 2017. The effect of the adoption was to decrease July 1, 2017 beginning net position by 45.2 million and to include the net OPEB obligation and related deferred inflows and outflows of resources in the June 30, 2018 financial statements. All governments participating in the plan were required to adopt this new standard.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$69.9 million, which is an increase of \$7.8 million from last year. The primary reasons for the increase are discussed in our analysis of major and nonmajor funds below:

General Education Fund

In the General Education Fund, our principal operating fund, the fund balance decreased \$0.7 million to \$4.1 million. The following represents significant changes in the General Education Fund:

Revenue - Revenue decreased by net \$1.1 million to a total of \$50.6 million as a result of an increase in property tax and other local revenue of \$0.6 million, an increase in state revenue of \$0.2 million, offset by a decrease in federal revenue of \$1.9 million. The decrease in federal revenue is primarily the result of a reduction in workforce development grants obtained and Title I and Title II grant revenue recognized by the School District.

Expenditures - Expenditures decreased by \$1.1 million, or 2 percent, to a total of \$48.7 million due primarily to a decrease in capital equipment purchases and a decrease in interdistrict transfers and other related to grant programs.

Other Financing Sources (Uses) - Net transfers out to other funds increased by \$0.7 million to a net \$(2.6) million as additional operating transfers were made for capital projects and collaborative projects.

Special Education Fund

The Special Education Fund, which accounts for all revenue and expenditures related to the School District's operation of special education programs, including transfers to its constituent school districts for the operation of local special education programs, experienced an increase in fund balance of \$5.2 million to \$18.8 million. The following represents significant changes in the Special Education Fund:

Revenue - Revenue increased by net \$4.3 million to a total of \$187.5 million as a result of an increase in property tax and other local revenue of \$3.9 million, an increase in state revenue of \$0.2 million, and an increase in federal revenue of \$0.2 million.

Expenditures - Expenditures increased \$4.9 million, or 3 percent, to a total of \$183.5 million. The majority of this increase, \$3.9 million, is for interdistrict transfers and other, which consist primarily of pass-through payments to constituent districts for special education millage collections and grants under the Individuals with Disabilities Education Act (IDEA). The remainder of the increase is due to an increase in Pupil Support Services, the majority of which are funded by the IDEA grants.

Other Financing Sources (Uses) - Net other financing sources increased \$1.3 million due to the proceeds from sale of land and a building previously used for special education purposes totaling \$1.5 million, offset by a decrease in operating transfers to other funds for capital projects of \$0.2 million.

Oakland Schools

Management's Discussion and Analysis (Continued)

Vocational Education Fund

The Vocational Education Fund, which accounts for all revenue and expenditures related to the School District's operation of vocational education programs, including transfers to its constituent school districts for the operation of local vocational education programs, experienced a decrease in fund balance of \$0.6 million to \$6.6 million. The following represents significant changes in the Vocational Education Fund:

Revenue - Revenue increased by net \$1.3 million to a total of \$40.8 million as a result of an increase in property tax and other local revenue of \$1.0 million, an increase in state revenue of \$0.4 million, and a decrease in federal revenue of \$0.1 million.

Expenditures - Expenditures increased \$2.0 million, or 6 percent, to a total of \$37.9 million as a result of an increase in instructional, support services, and capital expenditures.

Other Financing Sources (Uses) - Net other financing sources increased \$0.1 million due to an increase in operating transfers to capital projects funds.

Nonmajor Funds

The fund balance of our special revenue funds increased by \$3.2 million from \$8.1 million last year to \$11.3 million this year as a result of the growth in shared services and tuition programs.

Combined, the fund balance of our debt service funds decreased \$1.3 million from \$17.3 million to \$16.0 million. Millage rates were reduced in order to adjust the debt service funds fund balances. This is due to the normal payment of principal and interest on debt obligations, offset by operating transfers in from other funds to provide for future debt service. Debt service fund balances are reserved since they can only be used to pay debt service obligations.

The fund balance of our three capital project funds combined increased \$1.9 million from \$11.1 million to \$13.0 million. This is due to operating transfers in from other funds in excess of expenditures on current capital projects.

Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2018. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

General Education Fund

There were significant revisions made to the 2017-2018 original budgets for the General Education Fund. Revenue and expenditures were increased approximately \$5.8 million and \$6.8 million, respectively, due to revised funding allocations and expenditures associated with state categorical and federal grants. In addition, expenditure budgets were increased to accommodate operating transfers to other funds for cooperative programs and capital projects.

Actual total revenue and total expenditures for the General Education Fund were below the final amended budget by \$7.8 million and \$9.0 million, respectively. Significant variations from the budgets are primarily related to the timing of the spending of grant allocations. The School District budgets for the entire amount of grant awards when received; however, the grant period may extend beyond the School District's fiscal year. Therefore, at fiscal year end, there are unspent grant awards that are to be carried over into the next fiscal year and will represent a budget variance. Such items relate solely to timing and grant funds will be expended by the expiration date of the associated grant.

Oakland Schools

Management's Discussion and Analysis (Continued)

Other Major Funds

In the Special Education Fund, budgeted revenue and expenditures were increased by approximately \$5.8 million and \$5.0 million, respectively, for changes in special education funding from state, local, and federal sources, as well as increased distributions to local districts. The Special Education Fund other revenue budget also increased due to the sale of land and capital assets that were previously used for special education purposes.

Significant variations in the Special Education budgets, compared to actual results, relate to funding under federal grants and the timing of the spending of the grant allocations. Such items relate solely to timing and grant funds will be expended by the expiration date of the associated grant. Additionally, in the final budget amendment of the year, the School District appropriated an additional distribution of special education millage money to its constituent districts. This distribution was not made in 2017-2018, thus resulting in a budget variance; however, it will be completed in the subsequent fiscal year.

Finally, in the Vocational Education Fund, budgeted revenue and expenditures were increased by approximately \$1.6 million and \$2.3 million, respectively, to address additional state funding, as well as increased payments to local districts and operating transfers to the capital projects and debt service funds. No significant budget variations occurred in the Vocational Education Fund.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2018, the School District had \$84.2 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$5.9 million, or 6.5 percent, from last year.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 3,410,122	\$ 4,113,487	\$ -	\$ -	\$ 3,410,122	\$ 4,113,487
Buildings	27,088,030	28,948,996	-	-	27,088,030	28,948,996
Furniture and equipment	29,748,588	29,394,777	1,423,665	1,426,637	31,172,253	30,821,414
Vehicles and other vehicles	872,702	872,702	-	-	872,702	872,702
Building improvements	92,842,441	92,553,398	-	-	92,842,441	92,553,398
Total capital assets	153,961,883	155,883,360	1,423,665	1,426,637	155,385,548	157,309,997
Less accumulated depreciation	69,899,492	66,013,438	1,281,270	1,206,562	71,180,762	67,220,000
Total capital assets - Net of accumulated depreciation	\$ 84,062,391	\$ 89,869,922	\$ 142,395	\$ 220,075	\$ 84,204,786	\$ 90,089,997

We present more detailed information about our capital assets in Note 7 to the financial statements.

Debt

At the end of this year, the School District had \$44.7 million in outstanding limited tax general obligation bonded debt. The State limits the amount of general obligation debt that Intermediate School Districts can issue to one-ninth of 1.0 percent of the state assessed value (SEV) of all taxable property within the district's boundaries unless the question of borrowing money or issuing bonds is submitted first to a vote of the school electors and approved by a majority of registered school electors. The School District's outstanding general obligation debt is below the statutorily imposed limit.

Other obligations include bond premiums, accrued vacation pay, and sick leave. We present more detailed information about our long-term liabilities in Note 9 to the financial statements.

Oakland Schools

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's June 30, 2018 budget. One of the most important factors affecting the budget is the economic condition of the State of Michigan. The fiscal year 2018 budget was adopted in June 2017, based on an estimate of property tax revenue, state aid, and grant funding. State law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations.

Since the School District's revenue is primarily dependent on property taxes and partially dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the projected increase of the School District's tax base and the State's ability to collect revenue to fund its appropriations to school districts. After experiencing property tax declines since fiscal year 2009, the School District finally saw tax revenue stabilize in fiscal year 2014 and increase slightly in fiscal years 2015 through 2017. Property tax revenue increased by 2.6 percent, or \$4.6 million, in 2018. Based on projections from the Oakland County equalization department, taking into consideration a Headlee rollback, we anticipate 2019 tax receipts to increase by 3.3 percent compared to 2018 collections.

The taxable valuations for Oakland County, Michigan (the "County") properties in the five years prior to fiscal year 2009 had increased by an average of 3 percent annually. For fiscal year 2009, there was no growth in taxable values but rather a minor reduction (0.0075 percent), which was a precursor to a substantial declining four-year trend.

These four consecutive years of declining property tax values have impact lasting into fiscal year 2018 and beyond until the tax base has fully recovered, resulting in a cumulative erosion of district revenue of approximately \$364 million through fiscal year 2018. Nearly 76 percent of this decline is Special Education property tax, which flows through to school districts in Oakland County. The prior years' decline in the School District's tax base is reflective of the State's economic challenges and the nation's ongoing commercial and residential real estate market retrenchment. Taxable values of Oakland County properties have stabilized and have begun to rebound with 3.3 percent, 3.5 percent, and 3.5 percent growth projected for 2019, 2020, and 2021, respectively.

Related to the decline in taxable values are ongoing Michigan Tax Tribunal (MTT) judgments. There has been a backlog of cases that the State is attempting to process. Not all MTT judgments result in a reduction in taxable value for the plaintiff, although a good number of them do. These judgments often result in a refund of previously collected property taxes that the County must provide to the plaintiff(s), and the County passes these costs onto the respective municipalities and school districts, such as Oakland Schools. At the time of this publication, Oakland Schools is using the same information that the Oakland County, Michigan government has developed for determining the liability exposure to MTT appeals. As a result, we have determined that a reserve of \$0.4 million is appropriate to address successful property tax appeals through the school fiscal year ending June 30, 2019.

In the past, the State of Michigan has at times issued mid-year executive orders prorating and reducing the State's funding commitment to the School District. This possibility continues to exist for fiscal year 2019. The extent to which possible funding proration by the State and how it affects Oakland Schools' budget has yet to be determined. Oakland Schools' unassigned fund balance in the General Education Fund of \$4.1 million and restricted fund balances in the Special Education Fund of \$18.8 million and Vocational Education Fund of \$6.6 million are sufficient to meet any unanticipated shortfalls the State may experience in the School Aid Fund in fiscal year 2019.

The 2019 budget, as adopted in June 2018, contains an assumption regarding the impact for sequestration and the potential loss in federal revenue. At risk are federal grant revenue and the federal interest subsidy received on Qualified School Construction Bonds. The federal interest subsidy on QSCB bonds was reduced in fiscal year 2018 by 6.8 percent. Similar reductions were assumed in the creation of the fiscal year 2019 budget.

Contacting the School District's Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Department of Financial Services at 2111 Pontiac Lake Road, Waterford, Michigan 48328, or telephone (248) 209-2122.

Oakland Schools

Statement of Net Position

June 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 4)	\$ 70,611,400	\$ 903,836	\$ 71,515,236
Receivables:			
Property taxes receivable	192,395	-	192,395
Accrued interest receivable	48,578	2,190	50,768
Other receivables	285,296	38,634	323,930
Due from other governments	24,655,393	241,746	24,897,139
Inventories	-	98,528	98,528
Prepaid expenses and other assets	145,833	186	146,019
Restricted assets (Notes 2 and 4)	11,114,752	-	11,114,752
Capital assets: (Note 7)			
Land	3,410,122	-	3,410,122
Depreciable capital assets, less accumulated depreciation of \$71,180,762	80,652,269	142,395	80,794,664
Total assets	191,116,038	1,427,515	192,543,553
Deferred Outflows of Resources			
Deferred charges on bond refunding (Note 9)	538,084	-	538,084
Deferred pension costs (Note 11)	36,673,080	-	36,673,080
Deferred OPEB costs (Note 11)	2,537,294	-	2,537,294
Total deferred outflows of resources	39,748,458	-	39,748,458
Liabilities			
Accounts payable	1,624,783	46,128	1,670,911
Due to other governmental units	21,458,835	2,956	21,461,791
Accrued liabilities and other	5,021,403	29,601	5,051,004
Unearned revenue (Note 6)	3,814,562	1,862	3,816,424
Noncurrent liabilities:			
Due within one year:			
Provision for compensated absences (Note 9)	333,125	-	333,125
Provision for uninsured losses and liabilities	83,000	-	83,000
Bonds payable (Note 9)	1,014,013	-	1,014,013
Due in more than one year:			
Provision for compensated absences - Net of current portion (Note 9)	2,998,112	-	2,998,112
Bonds payable, net of current portion (Note 9)	46,813,217	-	46,813,217
Net pension liability (Note 11)	130,996,169	-	130,996,169
Net OPEB liability (Note 11)	44,699,757	-	44,699,757
Total liabilities	258,856,976	80,547	258,937,523
Deferred Inflows of Resources			
Revenue in support of pension contributions made subsequent to the report date	5,309,763	-	5,309,763
Deferred pension cost reductions	6,967,974	-	6,967,974
Deferred OPEB cost reductions	1,511,178	-	1,511,178
Total deferred inflows of resources	13,788,915	-	13,788,915
Net Position			
Net investment in capital assets	36,773,245	142,395	36,915,640
Restricted:			
Special education	18,813,048	-	18,813,048
Vocational education	6,623,513	-	6,623,513
Debt service	15,605,396	-	15,605,396
Unrestricted	(119,596,597)	1,204,573	(118,392,024)
Total net position	\$ (41,781,395)	\$ 1,346,968	\$ (40,434,427)

Oakland Schools

Statement of Activities

Year Ended June 30, 2018

	Net (Expense) Revenue and Changes in Net Position					
	Program Revenue			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs						
Primary government:						
Governmental activities:						
Instruction:						
Special education	\$ 1,478,891	\$ -	\$ (1,478,891)	\$ -	\$ -	\$ (1,478,891)
Vocational education	17,642,121	247,254	(15,053,031)	-	-	(15,053,031)
Other instruction	3,790,857	4,989,982	21,643	1,220,768	-	1,220,768
Support services	78,153,420	25,333,917	13,638,760	(39,180,743)	-	(39,180,743)
Community services	3,662,025	-	3,738,714	76,689	-	76,689
Interdistrict transfers and other	194,869,571	-	61,872,742	(132,996,829)	-	(132,996,829)
Interest and other	2,070,614	-	-	(2,070,614)	-	(2,070,614)
Depreciation (excludes direct depreciation expenses of various programs)	4,905,673	-	-	(4,905,673)	-	(4,905,673)
Total governmental activities	306,573,172	30,571,153	81,613,695	(194,388,324)	-	(194,388,324)
Business-type activities - Includes depreciation expense of \$106,709	1,787,382	1,939,877	-	-	152,495	152,495
Total primary government	\$ 308,360,554	\$ 32,511,030	\$ 81,613,695	(194,388,324)	152,495	(194,235,829)
General revenue:						
Taxes:						
Property taxes, levied for general education purposes	10,713,841	-	-	10,713,841		
Property taxes, levied for special education purposes	136,161,597	-	-	136,161,597		
Property taxes, levied for vocational education purposes	33,328,985	-	-	33,328,985		
State aid not restricted to specific purposes	12,410,402	-	-	12,410,402		
Interest and investment earnings	1,261,664	13,367	-	1,275,031		
(Loss) gain on sale of capital assets	(62,843)	2,000	-	(60,843)		
Total general revenue	193,813,646	15,367	-	193,829,013		
Change in Net Position						
Net Position - Beginning of year, as previously reported						
Net Position - Beginning of year	(574,678)	167,862	-	(406,816)		
Cumulative Effect of Change in Accounting						
Net Position - Beginning of year	3,973,423	1,179,106	-	5,152,529		
Net Position - End of year	(45,180,140)	-	-	(45,180,140)		
	(41,206,717)	1,179,106	-	(40,027,611)		
	\$ (41,781,395)	\$ 1,346,968	\$ (40,434,427)			

Oakland Schools

Governmental Funds Balance Sheet

June 30, 2018

	General Education Fund	Special Education Fund	Vocational Education Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments (Note 4)	\$ 4,998,212	\$ 19,738,588	\$ 9,700,796	\$ 30,658,214	\$ 65,095,810
Receivables:					
Property taxes receivable	11,435	145,384	35,576	-	192,395
Accrued interest receivable	9,032	7,586	4,162	25,522	46,302
Other receivables	131,914	25,587	1,473	120,494	279,468
Due from other governments	7,684,534	14,500,209	1,017,609	1,453,041	24,655,393
Prepaid expenditures	29,311	23,185	17,476	75,861	145,833
Restricted assets (Notes 2 and 4)	-	-	-	11,114,752	11,114,752
Total assets	\$ 12,864,438	\$ 34,440,539	\$ 10,777,092	\$ 43,447,884	\$ 101,529,953
Liabilities					
Accounts payable	\$ 668,956	\$ 295,273	\$ 330,158	\$ 237,038	\$ 1,531,425
Due to other governmental units	3,565,491	14,397,362	1,401,192	2,094,790	21,458,835
Accrued payroll and other liabilities	668,359	916,613	2,319,040	621,475	4,525,487
Unearned revenue (Note 6)	3,507,373	-	103,189	204,000	3,814,562
Total liabilities	8,410,179	15,609,248	4,153,579	3,157,303	31,330,309
Deferred Inflows of Resources -					
Unavailable revenue (Note 6)	322,970	18,243	-	-	341,213
Total liabilities and deferred inflows of resources	8,733,149	15,627,491	4,153,579	3,157,303	31,671,522
Fund Balances					
Nonspendable - Prepaid expenditures	29,311	23,185	17,476	75,861	145,833
Restricted:					
Debt service	-	-	-	15,968,379	15,968,379
Special education	-	18,789,863	-	-	18,789,863
Vocational education	-	-	6,606,037	-	6,606,037
Committed:					
Capital projects	-	-	-	12,946,960	12,946,960
Special revenue funds	-	-	-	11,299,381	11,299,381
Unassigned	4,101,978	-	-	-	4,101,978
Total fund balances	4,131,289	18,813,048	6,623,513	40,290,581	69,858,431
Total liabilities, deferred inflows of resources, and fund balances	\$ 12,864,438	\$ 34,440,539	\$ 10,777,092	\$ 43,447,884	\$ 101,529,953

Oakland Schools

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2018

Fund Balances Reported in Governmental Funds	\$ 69,858,431
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

Cost of capital assets	153,961,883
Accumulated depreciation	(69,899,492)

Net capital assets used in governmental activities	84,062,391
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Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds

341,213

Deferred inflows and outflows related to bond refundings are not reported in the funds

538,084

Bonds payable including premium are not due and payable in the current period and are not reported in the funds

(47,827,230)

Accrued interest is not due and payable in the current period and is not reported in the funds

(362,983)

Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:

Net pension liability and related deferred inflows and outflows	(101,291,063)
Net OPEB liability and related deferred inflows and outflows	(43,673,641)

Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds

(5,309,763)

Internal service funds are included as part of governmental activities

1,883,166

Net Position of Governmental Activities	\$ (41,781,395)
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Oakland Schools

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2018

	<u>General Education Fund</u>	<u>Special Education Fund</u>	<u>Vocational Education Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenue					
Local sources	\$ 15,394,173	\$ 137,215,324	\$ 33,911,845	\$ 25,049,626	\$ 211,570,968
State sources	29,510,345	5,931,033	5,139,986	1,048,664	41,630,028
Federal sources	4,940,068	44,146,455	1,618,007	974,746	51,679,276
Other	736,592	250,362	132,175	-	1,119,129
Total revenue	50,581,178	187,543,174	40,802,013	27,073,036	305,999,401
Expenditures					
Current:					
Instruction	22,263	1,478,891	16,713,345	3,618,321	21,832,820
Support services	24,434,909	19,070,737	18,306,020	11,771,475	73,583,141
Community services	3,536,960	-	-	-	3,536,960
Debt service:					
Principal	-	-	-	800,000	800,000
Interest and other	-	-	-	2,221,400	2,221,400
Capital outlay	161,480	597,386	304,051	1,844,610	2,907,527
Interdistrict transfers and other	20,543,834	162,376,348	2,526,987	9,422,402	194,869,571
Total expenditures	48,699,446	183,523,362	37,850,403	29,678,208	299,751,419
Excess of Revenue Over (Under) Expenditures	1,881,732	4,019,812	2,951,610	(2,605,172)	6,247,982
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	-	1,516,700	-	-	1,516,700
Transfers in (Note 8)	162,648	-	-	7,451,600	7,614,248
Transfers out (Note 8)	(2,713,400)	(342,600)	(3,520,600)	(1,037,648)	(7,614,248)
Total other financing (uses) sources	(2,550,752)	1,174,100	(3,520,600)	6,413,952	1,516,700
Net Change in Fund Balances	(669,020)	5,193,912	(568,990)	3,808,780	7,764,682
Fund Balances - Beginning of year	4,800,309	13,619,136	7,192,503	36,481,801	62,093,749
Fund Balances - End of year	\$ 4,131,289	\$ 18,813,048	\$ 6,623,513	\$ 40,290,581	\$ 69,858,431

Oakland Schools

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2018

Net Change in Fund Balances Reported in Governmental Funds \$ 7,764,682

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capitalized capital outlay	677,685
Depreciation expense	(4,905,673)
Net book value of assets disposed of	(1,579,543)

Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available

228,384

Revenue in support of pension contributions made subsequent to the measurement date

(1,561,315)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds

944,119

Interest expense is recognized in the government-wide statements as it accrues

6,667

Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds

(2,773,960)

Internal service funds are included as part of governmental activities

624,276

Change in Net Position of Governmental Activities

\$ (574,678)

Oakland Schools

Proprietary Funds Statement of Net Position

June 30, 2018

	Production Print Enterprise Fund	Internal Service Fund
Assets		
Current assets:		
Cash and investments (Note 4)	\$ 903,836	\$ 5,515,590
Receivables:		
Accrued interest receivable	2,190	2,276
Other receivables	38,634	5,828
Due from other governments	241,746	-
Inventories	98,528	-
Prepaid expenses and other assets	186	-
	<hr/>	<hr/>
Total current assets	1,285,120	5,523,694
Noncurrent assets - Capital assets - Net of accumulated depreciation of \$1,281,270 (Note 7)	142,395	-
	<hr/>	<hr/>
Total assets	1,427,515	5,523,694
Liabilities		
Current liabilities:		
Accounts payable	46,128	93,358
Due to other governmental units	2,956	-
Accrued liabilities and other	29,601	132,933
Unearned revenue	1,862	-
Provision for compensated absences (Note 9)	-	333,125
Provision for uninsured losses and liabilities (Note 12)	-	83,000
	<hr/>	<hr/>
Total current liabilities	80,547	642,416
Noncurrent liabilities - Provision for compensated absences - Net of current portion (Note 9)	-	2,998,112
	<hr/>	<hr/>
Total liabilities	80,547	3,640,528
Net Position		
Net investment in capital assets	142,395	-
Unrestricted	1,204,573	1,883,166
	<hr/>	<hr/>
Total net position	\$ 1,346,968	\$ 1,883,166

Oakland Schools

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2018

	Production Print Enterprise Fund	Internal Service Fund
Operating Revenue		
Charges for services	\$ 1,939,877	\$ -
Charges to other funds	- <hr/>	9,349,965 <hr/>
Total operating revenue	1,939,877	9,349,965
Operating Expenses		
Claims, reinsurance, and administrative fees - Health, dental, vision, and other	- <hr/>	8,382,672 <hr/>
Severance/Compensated absence	- <hr/>	368,702 <hr/>
Production print operations	1,680,673 <hr/>	- <hr/>
Depreciation	106,709 <hr/>	- <hr/>
Total operating expenses	1,787,382	8,751,374
Operating Income	152,495	598,591
Nonoperating Revenue		
Interest income	13,367 <hr/>	25,685 <hr/>
Gain on sale of assets	2,000 <hr/>	- <hr/>
Total nonoperating revenue	15,367	25,685
Change in Net Position	167,862	624,276
Net Position - Beginning of year	1,179,106	1,258,890
Net Position - End of year	\$ 1,346,968	\$ 1,883,166

Oakland Schools

Proprietary Funds Statement of Cash Flows

Year Ended June 30, 2018

	Production Print Enterprise Fund	Internal Service Fund
Cash Flows from Operating Activities		
Receipts from customers	\$ 2,067,582	\$ -
Receipts from other funds	- -	9,342,619
Payments for production print operations	(1,724,707)	-
Claims and administrative fees paid	- -	(8,551,158)
Net cash provided by operating activities	<u>342,875</u>	<u>791,461</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from sale of capital assets	18,000	-
Purchase of capital assets	(45,029)	-
Net cash used in capital and related financing activities	<u>(27,029)</u>	<u>-</u>
Cash Flows Provided by Investing Activities - Interest received on investments		
	<u>13,367</u>	<u>25,685</u>
Net Increase in Cash	<u>329,213</u>	<u>817,146</u>
Cash - Beginning of year	<u>574,623</u>	<u>4,698,444</u>
Cash - End of year	<u>\$ 903,836</u>	<u>\$ 5,515,590</u>
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 152,495	\$ 598,591
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	106,709	-
Changes in assets and liabilities:		
Receivables	127,705	(7,346)
Inventories and prepaids	(2,059)	-
Accounts payable	12,228	(4,144)
Due to other governmental units	(64,533)	-
Accrued and other liabilities	10,330	64,619
Accrued benefits	- -	139,741
Total adjustments	<u>190,380</u>	<u>192,870</u>
Net cash provided by operating activities	<u>\$ 342,875</u>	<u>\$ 791,461</u>

Oakland Schools

Fiduciary Funds Statement of Fiduciary Assets and Liabilities

June 30, 2018

	<u>Agency Funds</u>
Assets - Cash and cash equivalents (Note 4)	<u>\$ 342,955</u>
Liabilities - Due to students and other	<u>\$ 342,955</u>

June 30, 2018

Note 1 - Nature of Business

Oakland Schools (the "School District") is an educational service agency in the state of Michigan that provides a broad spectrum of services and support to various school districts within Oakland County, Michigan (the "County"). The School District also provides direct special educational and vocational educational services at several sites throughout the County. The School District is responsible for compliance monitoring, professional development, grant management, a wide array of reporting functions, and many more support services for its constituent districts.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The School District follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

Oakland County elected its first County Commissioner of Schools in 1923. The Commissioner had oversight of 175 districts in the County of Oakland. In 1941, the residents of the County, under the authority of Public Act (P.A.) 117 of 1935, elected its first County School Board. On March 28, 1963, the County District became a Public Corporation under P.A. 190 of 1962, formally establishing the Oakland Intermediate School District (Oakland Schools). The School District is not included in any other governmental "reporting entity," since the School District's Board of Education members are elected by local school boards and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. This report includes all activities of the School District and all activities considered to be controlled by the Board of Education. In accordance with government accounting principals, no component units are required to be reported within these financial statements.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue 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 statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between business-type activities and various other functions. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

June 30, 2018**Note 2 - Significant Accounting Policies (Continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements.

Fund Accounting

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the School District to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The School District reports the following funds as "major" governmental funds:

- The General Education Fund is used to account for the general operations of the School District pertaining to support services and those operations not provided for in another fund.
- The Special Education Fund is used to account for all revenue and expenditures related to the School District's operation of special education programs, including transfers to its constituent districts for the operation of local special education programs. The primary revenue sources are local tax millage and state and federal special education grants.
- The Vocational Education Fund is used to account for all revenue and expenditures related to the School District's operation of vocational education programs, including transfers to its constituent districts for the operation of local vocational education center programs. The primary revenue sources are countywide tax millages, as well as state and federal vocational education grants.

Additionally, the School District reports the following nonmajor governmental fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The nonmajor special revenue funds maintained by the School District are as follows:

- The Shared Services and Tuition Programs Cooperative Activities Fund is used to provide noninstructional services to constituent districts on a cost-recovery basis. This fund also contains the activities of four tuition-based programs:
 - Oakland Opportunity Academy (OOA) - OOA serves students from the southwest quadrant of Oakland County, providing an alternative way to earn credits for high school. Its primary revenue source is the tuition charged for the program.
 - Virtual Learning Academy Consortium K-8 (VLAC K-8) and Virtual Learning Academy Consortium 9-12 (VLAC 9-12) - These programs are tuition-based virtual school programs for children in grades kindergarten through eighth grade and ninth through 12th grade, respectively.
 - Oakland Accelerated College Experience (Oakland ACE) - Oakland ACE is a tuition-based early college program for students in participating Oakland County districts.
- The Oakland Network for Education (ONE) Cooperative Activities Fund is used to provide services through advanced voice video and data network infrastructure in order to build a stronger learning community within the Oakland Schools boundaries. Its primary revenue source is fees earned by Oakland Schools through the fee-for-service program.

June 30, 2018**Note 2 - Significant Accounting Policies (Continued)**

- The Medicaid Cooperative Activities Fund is used to account for all Medicaid billing operations. The Medicaid School Based Services program is co-funded by the state and federal governments and reimburses schools for some of the costs related to providing healthcare services to children of low-income families.
- The HR/Finance Consortium Cooperative Activities Fund is a collaborative effort between Oakland Schools and 21 local school districts for a new Financial/Human Resources software business application. Participating districts will pay a per student fee to Oakland Schools, which will in turn pay the vendor for conversion costs, software maintenance agreements, etc.

Capital projects funds are established for the Administration Building Capital Projects Fund, CFE Campus Renovations Capital Projects Fund, and the Career Connections Capital Projects Fund. Each of these funds is utilized to record transactions associated with capital asset acquisition, renovation, or improvement. The funds used to accomplish the purpose of the respective fund arose from operating transfers from the General Education, Special Education, and Vocational Education funds in the current and previous years.

Debt service funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

- The QSCB Debt Service Fund is used to record transfers from the General Education, Special Education, ONE Cooperative Activities, and Capital Projects funds in order to defease the QSCB debt and provide annual transfers to a QSCB Reserve Fund established in FY 2011.
- The 2016 Refunding Bonds Debt Service Fund is used to account for the advance refunding of the 2007 bonds and will contain transfers from the Vocational Education Fund to be used to pay debt principal and interest on outstanding bond obligations.

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the School District).

The Production Print Enterprise Fund is used to report activities for which there is a fee to external users for goods and services. The results of the Enterprise Fund are included in business-type activities in the statement of net position and statement of activities.

The School District's internal service fund accounts for all of the School District's insurance programs and employee-compensated absences provided to other funds of the School District on a cost-reimbursement basis, as well as providing a claims fluctuation reserve for future insurance liabilities. All revenue and expenses not meeting these definitions are reporting as nonoperating revenue and expenses.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the School District's programs. The School District maintains a student activity agency fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

June 30, 2018**Note 2 - Significant Accounting Policies (Continued)****Interfund Activity**

During the course of operations, the School 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, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, 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, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the School District has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the School District considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

Proprietary funds and fiduciary funds, as applicable, use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows.

Specific Balances and Transactions**Cash and Investments**

Cash and investments include cash on hand, demand deposits, and highly liquid investments with a maturity of less than one year when acquired. Investments are stated at fair value.

Inventories and Prepaid Items

Inventories consist primarily of instructional materials and are valued at cost, determined on the basis of average cost. Enterprise fund-type inventories are recorded as expenditures when sold. Inventories are recorded on the consumption method.

June 30, 2018**Note 2 - Significant Accounting Policies (Continued)**

Payments made for services that will benefit periods beyond June 30, 2018 are recorded as prepaid expenditures. Prepaid expenditures recorded in the governmental fund types do not reflect current appropriate resources, and, thus, an equivalent portion of fund balance is considered nonspendable. Prepaid expenditures are recorded on the consumption method.

Restricted Assets

The cash and investments in the Special Education, Vocational Education, Capital Projects, and Debt Service funds are restricted for the specific purposes to which each of those funds relate. Restricted assets on the statement of net position and the governmental fund balance sheet represent the cash associated with the Qualified School Construction Bonds and can only be used for the purpose for which the bonds were issued and to service the associated debt.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Additionally, the School District capitalizes building improvements of \$50,000 or more. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings	50
Building improvements	20
Equipment	5 - 10
Furniture and fixtures	10
Vehicles other than buses	7

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as an "other financing source" and bond discounts as "other financing uses."

Deferred Outflows/Inflows of Resources

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 represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

June 30, 2018

Note 2 - Significant Accounting Policies (Continued)

The School District reports deferred outflows related to deferred charges on refundings and deferred pension and OPEB plan costs.

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 represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The School District reports deferred inflows related to revenue in support of pension contributions made subsequent to the measurement date and deferred pension and OPEB plan cost reductions.

Net Position

Net position of the School District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

The School District will sometimes 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 School District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, 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 nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The School 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 School District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the School District that can, by passing a resolution prior to the end of the fiscal year, commit fund balance. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the passing of another resolution) to remove or revise the limitation.

June 30, 2018**Note 2 - Significant Accounting Policies (Continued)**

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The School District has, by resolution, authorized the superintendent 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.

The fund balance policy prescribes the minimum fund balance as 5-10 percent of expected operating expenditures in the General Fund and Career Focused Education funds, and 5-10 percent of expected operating expenditures less payments to local school districts in the Special Education Fund. This is deemed to be the prudent amount to maintain the School District's ability to meet obligations as they come due throughout the year.

Property Tax Revenue

Real and personal properties are assessed as of December 31, and the related property taxes are levied and become a lien on July 1 of the following year for the portion of the taxes that is due on September 14, and December 1 for the remainder of the property taxes that is due on February 14. The final collection date is February 28, after which they are added to the county tax rolls. The available period for property tax revenue recognition in the governmental fund financial statements is limited to 60 days.

The delinquent real property taxes of the School District are purchased by the County of Oakland, Michigan. The County of Oakland, Michigan intends to sell tax notes, the proceeds of which will be used to pay the School District for these property taxes. These taxes have been recorded as revenue for the current year.

Grants and Contributions

The School District receives federal, state, and local grants as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Pension and Other Postemployment Benefit (OPEB) Plans

For the purpose of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

June 30, 2018**Note 2 - Significant Accounting Policies (Continued)****Compensated Absences (Vacation and Sick Leave)**

Unused vacation time accumulates up to a maximum level until termination of employment. Upon termination of employment, the School District pays out the employee's accumulated vacation days at his or her current per diem. Employees accumulate sick leave at a rate of 13 days per year. It is the policy of Oakland Schools that upon resignation or retirement with 90 days' notice, an employee shall be paid separation at \$70.00 per day for all sick days accumulated up to 100 days, and half of his or her unused accumulated sick leave at the rate of \$35.00 per day for days accumulated over 100 days. Without 90 days' notice, an employee is paid half of his or her unused accumulated sick leave at the rate of \$35.00 per day.

The liability for compensated absences reported in the proprietary and government-wide statements consists of unpaid, accumulated vacation, and sick leave balances.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncement

As of July 1, 2017, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the School District to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the MPSERS OPEB plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

In accordance with the statement, the School District has reported a net OPEB liability of \$47,148,341, deferred outflows of financial resources for OPEB contributions of \$3,363,068 made subsequent to the measurement date, and deferred inflows of financial resources for revenue received from State Aid in support of OPEB contributions of \$1,394,867 that was received subsequent to the measurement date, as the effects of these changes in accounting principles on the School District's net position as of July 1, 2017.

Upcoming Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2020.

June 30, 2018**Note 2 - Significant Accounting Policies (Continued)**

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2021.

Note 3 - Stewardship, Compliance, and Accountability***Budgetary Information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Education and all special revenue funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as restrictions, commitments, or assignments of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year. There are no encumbrances outstanding at year end.

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances.

Note 4 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority, as listed above.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost except for a one-day minimum investment period on MILAF cash management funds and a 14-day redemption limitation on MILAF MAX Class funds.

The investment policy adopted by the board additionally requires the investment officer to obtain bids from at least two brokers or financial institutions on all purchases of investment instruments on the secondary market.

June 30, 2018

Note 4 - Deposits and Investments (Continued)

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the School District's deposits for custodial credit risk. At year end, the School District had \$42,740,640 of bank deposits that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 School District's investment policy states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. At June 30, 2018, the School District does not have investments with custodial credit risk, as all investments were held directly by the School District.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy adopted by the board minimizes interest rate risk 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; 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 School District's cash requirements.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. At June 30, 2018, the School District had investments in commercial paper with a carrying value of \$1,194,507, held by an agent in the School District's name. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Primary Government			
United States government agency securities:			
U.S. Treasury strips	\$ 5,313,463	AA+	Standard & Poor's
Federal Home Loan Bank Bonds	740,580	AA+	Standard & Poor's
Commercial paper	1,194,507	A1	Standard & Poor's
Resolution Funding Corporation strips	4,651,793	AA+	Standard & Poor's
Municipal Bonds - School Bond Loan Fund	496,425	AA-	Standard & Poor's
Michigan Liquid Asset Fund Investment Pools	21,282,787	AAAm	Standard & Poor's
Michigan Liquid Asset Fund - Term Series Sep 2019	8,000,000	AAAfk	Kroll
Total	\$ 41,679,555		

June 30, 2018**Note 4 - Deposits and Investments (Continued)*****Concentration of Credit Risk***

The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The investments in various U.S. government securities and Resolution Funding Corporation Strips represent investments greater than 5 percent of total investments.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's investment policy prohibit investments in foreign currency.

Note 5 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances whereby inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The School District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The School District has the following fair value measurements as of June 30, 2018:

	Significant Other Observable Inputs (Level 2)
Debt securities:	
U.S. Treasury securities	\$ 5,313,463
Federal agency securities	740,580
Resolution Funding Corporation strips	4,651,793
Commercial paper	1,194,507
Municipal bonds	496,425
Total debt securities	<u>\$ 12,396,768</u>

Investments in Entities that Calculate Net Asset Value per Share

The School District holds shares in the Michigan Liquid Asset Fund (MILAF) Term Series, whereby 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.

As of June 30, 2018, the net asset value of the School District's investments in the MILAF Term Series was \$8,000,000. The investment pool had no unfunded commitments. The MILAF Term Series allows for the School District to set a specific redemption date upon initiation of the investment. Early redemptions are permitted but an early redemption fee would apply.

June 30, 2018

Note 5 - Fair Value Measurements (Continued)

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

Note 6 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At June 30, 2018, the School District had approximately \$341,000 of unavailable revenue, primarily related to amounts due from other governmental units not received timely, and approximately \$3,815,000 of unearned revenue, primarily related to grant and categorical aid payments received prior to meeting all eligibility requirements.

Note 7 - Capital Assets

Capital asset activity of the School District's governmental and business-type activities was as follows:

Governmental Activities

	Balance July 1, 2017	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets not being depreciated - Land	\$ 4,113,487	\$ -	\$ (703,365)	\$ 3,410,122
Capital assets being depreciated:				
Buildings	28,948,996	-	(1,860,966)	27,088,030
Furniture and equipment	29,394,777	359,335	(5,524)	29,748,588
Vehicles other than buses	872,702	-	-	872,702
Building improvements	92,553,398	318,350	(29,307)	92,842,441
Subtotal	151,769,873	677,685	(1,895,797)	150,551,761
Accumulated depreciation:				
Buildings	9,395,083	564,673	(997,750)	8,962,006
Furniture and equipment	25,440,406	1,130,780	(429)	26,570,757
Vehicles other than buses	561,627	57,638	-	619,265
Building improvements	30,616,322	3,152,582	(21,440)	33,747,464
Subtotal	66,013,438	4,905,673	(1,019,619)	69,899,492
Net capital assets being depreciated	85,756,435	(4,227,988)	(876,178)	80,652,269
Net governmental activities capital assets	<u>\$ 89,869,922</u>	<u>\$ (4,227,988)</u>	<u>\$ (1,579,543)</u>	<u>\$ 84,062,391</u>

June 30, 2018**Note 7 - Capital Assets (Continued)*****Business-type Activities***

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2018</u>
Capital assets being depreciated - Furniture and equipment	\$ 1,426,637	\$ 45,029	\$ (48,001)	\$ 1,423,665
Accumulated depreciation - Furniture and equipment	1,206,562	106,709	(32,001)	1,281,270
Net business-type activities capital assets	<u>\$ 220,075</u>	<u>\$ (61,680)</u>	<u>\$ (16,000)</u>	<u>\$ 142,395</u>

Depreciation expense was not charged to activities, as the School District considers its assets to benefit multiple activities and allocation is not practical.

Note 8 - Interfund Transfers

Interfund transfers reported in the fund financial statements are composed of the following:

The General Education Fund transferred \$2,013,400 to the ONE Cooperative Activities Fund to provide resources for projects.

The General Education Fund transferred \$700,000 to the capital projects funds to provide resources for projects.

The Vocational Education Fund transferred \$2,200,000 to the capital projects funds to provide resources for projects.

The Vocational Education Fund transferred \$950,000 to the debt service funds to provide resources for debt service.

The Vocational Education Fund transferred \$364,000 to the capital projects funds to provide resources for projects.

The Vocational Education Fund transferred \$6,600 to the ONE Cooperative Activities Fund to provide resources for projects.

The Special Education Fund transferred \$336,000 to the capital projects funds to provide resources for projects.

The Special Education Fund transferred \$6,600 to the ONE Cooperative Activities Fund to provide resources for projects.

The QSCB Debt Service Fund transferred \$875,000 to the QSCB Reserve Fund to provide for annual set-aside requirements and debt service.

The Shares Services and Tuition Programs Cooperative Activities Fund transferred \$162,648 to the General Education Fund for indirect costs earned on shared services.

June 30, 2018

Note 9 - Long-term Debt

Long-term debt activity for the year ended June 30, 2018 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligations	\$ 45,495,000	\$ -	\$ (800,000)	\$ 44,695,000	\$ 840,000
Unamortized bond premiums	\$ 3,306,243	\$ -	\$ (174,013)	\$ 3,132,230	\$ 174,013
Total bonds payable	48,801,243	-	(974,013)	47,827,230	1,014,013
Compensated absences	3,196,496	395,830	(261,089)	3,331,237	333,125
Total governmental activities long-term debt	\$ 51,997,739	\$ 395,830	\$ (1,235,102)	\$ 51,158,467	\$ 1,347,138

The School District had deferred outflows of \$538,084 related to deferred charges on bond refundings at June 30, 2018. Amortization of deferred charges on bond refundings totaled \$29,894 during the year.

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. General obligations outstanding at June 30, 2018 are as follows:

Purpose	Remaining Annual Installments	Interest Rates	Maturing May 1	Outstanding
\$30,695,000 general obligation bonds (2016)	\$840,000-\$2,345,000	3% - 5%	2036	\$ 29,895,000
\$14,800,000 general obligation bonds (2010)	\$14,800,000	6.25% *	2027	14,800,000
Total governmental activities				\$ 44,695,000

*The interest payments made each year by the School District, through maturity, will be subsidized by the federal government (as shown below in the debt service requirements table).

Other Long-term Liabilities

Other long-term obligations consist of compensated absences of unpaid, accumulated vacation and sick leave balances. These amounts are paid for by the Internal Service Fund and are funded by charges to the respective fund to which the eligible employee's compensation is charged.

June 30, 2018

Note 9 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds are as follows:

Years Ending June 30	Governmental Activities				Total - Net
	Principal	Interest	Maximum Interest Subsidy		
2019	\$ 840,000	\$ 2,177,900	\$ (800,680)	\$ 2,217,220	
2020	885,000	2,135,900	(800,680)		2,220,220
2021	925,000	2,091,650	(800,680)		2,215,970
2022	975,000	2,045,400	(800,680)		2,219,720
2023	1,395,000	1,996,650	(800,680)		2,590,970
2024-2028	22,870,000	7,941,750	(3,202,720)		27,609,030
2029-2033	10,030,000	2,410,000	-		12,440,000
2034-2036	6,775,000	643,500	-		7,418,500
Total	\$ 44,695,000	\$ 21,442,750	\$ (7,206,120)	\$	58,931,630

Note 10 - Leases

Operating Leases

The School District leases certain facilities under noncancelable operating leases. Total costs for such leases were approximately \$362,000 for the current year. The future minimum lease payments for these leases are as follows:

Years Ending	Amount
2019	\$ 317,496
2020	308,963
2021	313,356
2022	313,356
2023	313,356
2024-2028	1,719,944
2029-2033	1,722,540
2034-2035	373,217
Total	\$ 5,382,228

Note 11 - Michigan Public School Employees' Retirement System

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain school district employees also receive defined contribution retirement and healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

June 30, 2018**Note 11 - Michigan Public School Employees' Retirement System (Continued)*****Benefits Provided***

Benefit provisions of the defined benefit (DB) pension plan and 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 for the defined benefit pension plan and the postemployment healthcare plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. For some members who do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions

Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

June 30, 2018**Note 11 - Michigan Public School Employees' Retirement System (Continued)**

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3 percent 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 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stop paying the 3 percent contribution to the retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

The School District's contributions are determined based on employee elections. There are multiple different pension and healthcare benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The range of rates is as follows:

	Pension	OPEB
July 1, 2017 - September 30, 2017	15.27% - 19.03%	5.69% - 5.91%
October 1, 2017 - January 31, 2018	13.54% - 17.89%	7.42% - 7.67%
February 1, 2018 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

Depending on the plan selected, member pension contributions range from 0 percent up to 7 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The School District's required and actual pension contributions to the plan for the year ended June 30, 2018 was \$14,375,496, which include the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual pension contributions include an allocation of \$5,309,763 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2018. For the year ended June 30, 2018, the contributions also include a one-time payment to the School District received under Section 147c(2) of the State Aid act, which the School District then remitted as a contribution to the plan.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2018 was \$3,329,058, which include the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2018, the School District reported a liability of \$130,996,169 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the School District's proportion was 0.51% and 0.48%, respectively.

June 30, 2018

Note 11 - Michigan Public School Employees' Retirement System (Continued)

Net OPEB Liability

At June 30, 2018, the School District reported a liability of \$44,699,757 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2018 was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the School District's proportion was 0.50% of MPSERS in total.

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

For the year ended June 30, 2018, the School District recognized pension expense of \$17,343,810, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,138,446	\$ (642,771)
Changes in assumptions	14,351,671	-
Net difference between projected and actual earnings on pension plan investments	-	(6,262,479)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	10,004,492	(62,724)
The School District's contributions to the plan subsequent to the measurement date	11,178,471	-
Total	\$ 36,673,080	\$ (6,967,974)

The \$5,309,763 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2019	\$ 6,152,537
2020	7,932,257
2021	3,975,895
2022	465,946
Total	\$ 18,526,635

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

June 30, 2018

Note 11 - Michigan Public School Employees' Retirement System (Continued)

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

For the years ended June 30, 2018, the School District recognized OPEB expense of \$2,991,018.

At June 30, 2018, the School District 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
Difference between expected and actual experience	\$ -	\$ (475,921)
Net difference between projected and actual earnings on OPEB plan investments	- -	(1,035,257)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	5,186	-
Employer contributions to the plan subsequent to the measurement date	<u>2,532,108</u>	-
Total	<u>\$ 2,537,294</u>	<u>\$ (1,511,178)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future pension expense):

Years Ending	Amount
2019	\$ (364,020)
2020	(364,020)
2021	(364,020)
2022	(364,020)
2023	<u>(49,912)</u>
Total	<u>\$ (1,505,992)</u>

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2017 is based on the results of an actuarial valuation as of September 30, 2016 and rolled forward. The total pension liability was determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal cost actuarial cost method
Investment rate of return - Pension	7.00% - 7.50%	Net of investment expenses based on the groups
Investment rate of return - OPEB	7.50%	Net of investment expenses based on the groups
Salary increases	3.50% - 12.30%	Including wage inflation of 3.50 percent
Healthcare cost trend rate	7.50%	Year 1 graded to 3.5 percent year 12
Mortality basis		RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2007 to 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

June 30, 2018

Note 11 - Michigan Public School Employees' Retirement System (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00 - 7.50 percent and 7.00 - 8.00 percent as of September 30, 2017 depending on the plan option. The discount rate used to measure the total OPEB liability was 7.50 percent as of September 30, 2017. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.60 %
Private equity pools	18.00	8.70
International equity pools	16.00	7.20
Fixed-income pools	10.50	(0.10)
Real estate and infrastructure pools	10.00	4.20
Real return, opportunistic, and absolute pool	15.50	5.00
Short-term investment pools	2.00	(0.90)
Total	100.00 %	

MPSERS approved a decrease in the discount rate for the September 30, 2017 annual actuarial valuation for the pension plan and the OPEB plan to 7.05 percent and 7.15 percent, respectively. As a result, the actuarial computed employer contributions, the net pension liability, and net OPEB liability will increase for the measurement period ended September 30, 2018.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the School District, calculated using the discount rate depending on the plan option. The following also reflects what the School District's 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:

	1 Percent Decrease (6.00 - 6.50%)	Current Discount Rate (7.00 - 7.50%)	1 Percent Increase (8.00 - 8.50%)
Net pension liability of the School District	\$ 170,644,437	\$ 130,996,169	\$ 97,614,852

June 30, 2018

Note 11 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the School District, calculated using the current discount rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the School District	\$ 52,356,335	\$ 44,699,757	\$ 38,201,720

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the School District, calculated using the current healthcare cost trend rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the School District	\$ 37,854,685	\$ 44,699,757	\$ 52,471,858

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

At June 30, 2018, the School District reported a payable of \$1,678,885 and \$307,647 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018.

Note 12 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for property loss, employee medical benefits, workers' compensation, and errors and omissions; the School District is partially insured for the unemployment and dental and vision benefits provided to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Vision and Dental - The self-insured vision and dental plans cover substantially all employees and their dependents. Claims are funded by the School District and paid by the plan administrator. The School District pays all administrative costs of the plan. Total costs for such benefits were approximately \$1,024,900 for the year ended June 30, 2018.

Unemployment - The School District is self-insured for unemployment expenses. Claims are funded by the School District and paid by the plan administrator. The School District incurred approximately \$20,000 in unemployment expense for fiscal year 2018.

Workers' Compensation - The School District provides a workers' compensation plan that covers all employees. The premiums are paid for by the School District. During 2018, the premiums amounted to approximately \$91,100.

June 30, 2018**Note 12 - Risk Management (Continued)**

Medical - The School District provides medical insurance with certain co-pay features to substantially all employees. Some plans require that the employee pay a portion of the premium. During 2018, the premiums paid by the School District amounted to approximately \$6,446,700.

Property and General Liability - The School District is exposed to various risks of loss related to property loss and employee injuries. The School District has purchased insurance to cover losses to its buildings and contents in the amount of approximately \$167.5 million. The School District has a fleet of 17 vans, 10 trucks, seven cargo trailers, and one administrative personnel vehicle, which are included in the School District's auto liability coverage. The School District has commercial general and excess liability insurance coverage in the amount of \$8 million.

There has not been a significant reduction in insurance coverage in the current year and settlements have not exceeded coverage for each of the past three years for the risk management liabilities.

Provision for Uninsured Losses and Liabilities - The School District has established a reserve in the Internal Service Fund for future uninsured losses and liabilities which may occur over time.

The School District estimates the liability for unemployment and vision and dental claims that have been incurred through the end of the fiscal year, including claims that have been reported, as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	<u>2018</u>	<u>2017</u>
Estimated liability - Beginning of year	\$ 78,000	\$ 74,000
Estimated claims incurred, including changes in estimates	993,000	933,300
Claim payments	<u>(988,000)</u>	<u>(929,300)</u>
Estimated liability - End of year	<u>\$ 83,000</u>	<u>\$ 78,000</u>

Note 13 - Contingent Liabilities

All funded projects established by the School District under federal, state, and local programs of education are subject to audit by the funding agency. No provision has been established in the financial statements for disallowed costs, if any, which might occur as a result of an audit by a funding agency. Any disallowed costs would become a liability of the School District; however, any such liability, in the opinion of management, is expected to be immaterial.

The School District, through its involvement in the Community Telecommunications Network (CTN), has agreed to sell excess capacity related to certain cellular phone towers. The agreement lasts for an extended period and collections will be dependent upon collections by CTN from the sublessee. During the year ended June 30, 2018, the School District received approximately \$427,000, which is reported in the General Education Fund.

June 30, 2018

Note 14 - Tax Abatements

The School District receives reduced property tax revenue as a result of Industrial Facilities Tax exemptions (PA 198 of 1974) and Brownfield Redevelopment Agreements, Personal Property Tax exemptions under PA 328 of 1998, and Payment in Lieu of Tax (PILOT) agreements granted by cities, villages, and townships within the boundaries of the School District. 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; the personal property tax exemption allows specific businesses in distressed communities to file for exemption from paying tax on personal property; and PILOT's compensate local governments for some or all of the real estate tax revenue that is lost due to the waiver of that revenue.

For the fiscal year ended June 30, 2018, the School District's property tax revenue was reduced by approximately \$1,736,000 under these programs.

There are no abatements made by the School District.

Required Supplemental Information

Oakland Schools

Required Supplemental Information Budgetary Comparison Schedule - General Education Fund

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	(Under) Over <u>Final Budget</u>
Revenue				
Local sources	\$ 15,092,300	\$ 15,892,100	\$ 15,394,173	\$ (497,927)
State sources	27,889,600	33,201,800	29,510,345	(3,691,455)
Federal sources	8,998,900	8,730,300	4,940,068	(3,790,232)
Transfers and other revenue	721,300	670,800	899,240	228,440
Total revenue	52,702,100	58,495,000	50,743,826	(7,751,174)
Expenditures				
Current:				
Instruction	23,800	30,000	22,263	(7,737)
Support services:				
Pupil	176,400	169,000	176,071	7,071
Instructional staff	14,817,200	15,629,400	10,497,887	(5,131,513)
General administration	1,836,600	1,937,000	1,780,579	(156,421)
School administration	14,200	18,000	12,319	(5,681)
Business services	1,046,300	1,261,900	1,199,283	(62,617)
Operations and maintenance	709,300	656,500	598,082	(58,418)
Pupil transportation services	1,144,700	1,359,200	1,336,872	(22,328)
Central	8,531,000	9,063,500	8,116,500	(947,000)
Other	1,018,900	924,600	871,151	(53,449)
Community services	6,829,600	4,837,100	3,544,605	(1,292,495)
Interdistrict transfers and other	17,412,000	24,560,300	23,257,234	(1,303,066)
Total expenditures	53,560,000	60,446,500	51,412,846	(9,033,654)
Net Change in Fund Balance	(857,900)	(1,951,500)	(669,020)	1,282,480
Fund Balance - Beginning of year	4,800,309	4,800,309	4,800,309	-
Fund Balance - End of year	\$ 3,942,409	\$ 2,848,809	\$ 4,131,289	\$ 1,282,480

Oakland Schools

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Special Education Fund

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
Local sources	\$ 135,317,700	\$ 136,810,500	\$ 137,215,324	\$ 404,824
State sources	4,147,800	5,942,700	5,931,033	(11,667)
Federal sources	48,111,200	49,153,000	44,146,455	(5,006,545)
Transfers and other revenue	221,700	1,738,400	1,767,062	28,662
Total revenue	187,798,400	193,644,600	189,059,874	(4,584,726)
Expenditures				
Current:				
Instruction	2,510,000	1,452,000	1,478,891	26,891
Support services:				
Pupil	10,275,500	10,319,500	9,656,220	(663,280)
Instructional staff	4,291,000	3,784,700	3,116,245	(668,455)
General administration	820,400	841,100	767,004	(74,096)
Business services	1,240,400	994,600	933,325	(61,275)
Operations and maintenance	604,500	550,100	477,889	(72,211)
Pupil transportation services	78,700	74,800	46,793	(28,007)
Central	4,415,500	4,754,100	4,346,272	(407,828)
Other	345,200	345,600	324,375	(21,225)
Community services	400	400	-	(400)
Interdistrict transfers and other	162,009,600	170,386,600	162,718,948	(7,667,652)
Total expenditures	186,591,200	193,503,500	183,865,962	(9,637,538)
Net Change in Fund Balance	1,207,200	141,100	5,193,912	5,052,812
Fund Balance - Beginning of year	13,619,136	13,619,136	13,619,136	-
Fund Balance - End of year	\$ 14,826,336	\$ 13,760,236	\$ 18,813,048	\$ 5,052,812

Oakland Schools

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Vocational Education Fund

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	(Under) Over <u>Final Budget</u>
Revenue				
Local sources	\$ 33,550,400	\$ 33,925,400	\$ 33,911,845	\$ (13,555)
State sources	3,518,200	4,991,600	5,139,986	148,386
Federal sources	1,862,300	1,640,300	1,618,007	(22,293)
Transfers and other revenue	154,400	139,700	132,175	(7,525)
Total revenue	39,085,300	40,697,000	40,802,013	105,013
Expenditures				
Current:				
Instruction	16,889,500	17,492,800	16,940,642	(552,158)
Support services:				
Pupil	2,372,900	2,338,700	2,490,391	151,691
Instructional staff	2,628,900	2,635,500	2,410,683	(224,817)
General administration	876,900	858,000	772,662	(85,338)
School administration	2,390,700	2,254,600	2,197,203	(57,397)
Business services	1,386,300	1,451,900	1,403,262	(48,638)
Operations and maintenance	3,575,200	3,606,200	3,607,421	1,221
Pupil transportation services	205,100	135,800	109,445	(26,355)
Central	5,755,600	5,522,900	5,218,961	(303,939)
Other	231,700	180,400	172,746	(7,654)
Interdistrict transfers and other	3,868,600	5,984,800	6,047,587	62,787
Total expenditures	40,181,400	42,461,600	41,371,003	(1,090,597)
Net Change in Fund Balance	(1,096,100)	(1,764,600)	(568,990)	1,195,610
Fund Balance - Beginning of year	7,192,503	7,192,503	7,192,503	-
Fund Balance - End of year	\$ 6,096,403	\$ 5,427,903	\$ 6,623,513	\$ 1,195,610

Oakland Schools

Required Supplemental Information Schedule of Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System

Last Four Plan Years

Plan Years Ended September 30

	2017	2016	2015	2014
School District's proportion of the net pension liability	0.50550 %	0.47845 %	0.46070 %	0.43183 %
School District's proportionate share of the net pension liability	\$ 130,996,169	\$ 119,368,632	\$ 112,525,808	\$ 95,110,375
School District's covered employee payroll	\$ 43,162,651	\$ 41,134,535	\$ 38,484,732	\$ 36,808,094
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	303.49 %	290.19 %	292.39 %	258.40 %
Plan fiduciary net position as a percentage of total pension liability	63.96 %	63.01 %	62.92 %	66.20 %

Oakland Schools

Required Supplemental Information Schedule of Pension Contributions Michigan Public School Employees' Retirement System

	Last Four Fiscal Years Years Ended June 30			
	2018	2017	2016	2015
Statutorily required contribution	\$ 13,262,230	\$ 12,085,927	\$ 11,005,194	\$ 8,210,005
Contributions in relation to the statutorily required contribution	<u>13,262,230</u>	<u>12,085,927</u>	<u>11,005,194</u>	<u>8,210,005</u>
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -
School District's Covered Employee Payroll	\$ 44,060,613	\$ 44,388,538	\$ 40,183,160	\$ 38,428,512
Contributions as a Percentage of Covered Employee Payroll	30.10 %	27.23 %	27.39 %	21.36 %

Oakland Schools

Required Supplemental Information Schedule of Proportionate Share of the Net OPEB Liability Michigan Public School Employees' Retirement System

	Last Plan Year Plan Year Ended September 30
	<hr/> 2017 <hr/>
School District's proportion of the net OPEB liability	0.50477 %
School District's proportionate share of the net OPEB liability	\$ 44,699,757
School District's covered employee payroll	\$ 43,162,651
School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	103.56 %
Plan fiduciary net position as a percentage of total OPEB liability	36.53 %

Oakland Schools

**Required Supplemental Information
Schedule of OPEB Contributions**
Michigan Public School Employees' Retirement System

	Last Fiscal Year Year Ended June 30
	2018
Statutorily required contribution	\$ 3,182,377
Contributions in relation to the statutorily required contribution	<u>3,182,377</u>
Contribution Deficiency	\$ -
School District's Covered Employee Payroll	\$ 44,060,613
Contributions as a Percentage of Covered Employee Payroll	7.22 %

Oakland Schools

Notes to Required Supplemental Information

June 30, 2018

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Education Fund and all special revenue funds, except that operating transfers have been included in the "revenue" and "expenditures" categories rather than as "other financing sources (uses)," and capital outlay expenditures are included in the functional categories to which they relate in accordance with the adopted budget of the School District. Capital outlay is presented separately on the statement of revenue, expenditures, and changes in fund balances. All annual appropriations lapse at fiscal year end. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner.

The budget document presents information by fund, function, and object. The legal level of budgetary control adopted by the governing body is the function level (i.e., the level at which expenditures may not legally exceed appropriations).

Pension Information

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms in 2017.

Changes in Assumptions

On February 23, 2017, MPSERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of 0.5 percent to 7.00-7.50 percent based on the group.

Covered Payroll

The employers' covered payroll to be reported in the required supplemental information is defined by GASB 82, *Pension Issues - An Amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based and by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the School District, covered payroll represents payroll on which contributions to both plans are based.

OPEB Information

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms in 2017.

Changes in Assumptions

There were no changes of benefit assumptions in 2017.

Covered Payroll

The employers' covered payroll to be reported in the required supplemental information is defined by GASB 82, *Pension Issues - An Amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based and by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the School District, covered payroll represents payroll on which contributions to both plans are based.

Other Supplemental Information

Oakland Schools

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Special Revenue Funds Shared Services & Tuition Programs Cooperative Activities Fund

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
Local sources	\$ 12,786,000	\$ 13,007,700	\$ 13,468,503	\$ 460,803
State sources	605,800	919,900	934,034	14,134
Transfers in and other revenue	317,600	323,800	-	(323,800)
Total revenue	13,709,400	14,251,400	14,402,537	151,137
Expenditures				
Current:				
Instruction	4,745,700	3,759,800	3,700,712	(59,088)
Support services:				
Pupil	40,600	231,500	188,561	(42,939)
Instructional staff	15,000	-	-	-
General administration	590,500	506,400	538,344	31,944
School administration	-	721,800	782,413	60,613
Business services	2,072,100	1,962,100	1,838,317	(123,783)
Operations and maintenance	-	24,100	16,191	(7,909)
Central	5,952,900	6,518,700	6,466,484	(52,216)
Interdistrict transfers and other	277,800	289,900	236,648	(53,252)
Total expenditures	13,694,600	14,014,300	13,767,670	(246,630)
Net Change in Fund Balance	14,800	237,100	634,867	397,767
Fund Balance - Beginning of year	2,227,983	2,227,983	2,227,983	-
Fund Balance - End of year	\$ 2,242,783	\$ 2,465,083	\$ 2,862,850	\$ 397,767

Oakland Schools

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Special Revenue Funds
 (Continued)
 ONE Cooperative Activities Fund

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
Local sources	\$ 846,800	\$ 865,000	\$ 960,878	\$ 95,878
Transfers and other revenue	26,600	2,026,600	2,026,600	-
Total revenue	873,400	2,891,600	2,987,478	95,878
Expenditures - Support services - Central	655,000	370,000	323,469	(46,531)
Net Change in Fund Balance	218,400	2,521,600	2,664,009	142,409
Fund Balance - Beginning of year	5,080,628	5,080,628	5,080,628	-
Fund Balance - End of year	\$ 5,299,028	\$ 7,602,228	\$ 7,744,637	\$ 142,409

Oakland Schools

**Other Supplemental Information
Budgetary Comparison Schedule - Nonmajor Special Revenue Funds
(Continued)
Medicaid Cooperative Activities Fund**

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Under) Over Final Budget</u>
Revenue				
Local sources	\$ 8,336,200	\$ 9,767,200	\$ 9,617,548	\$ (149,652)
State sources	33,500	45,900	44,081	(1,819)
Federal sources	300,000	228,100	228,112	12
Total revenue	8,669,700	10,041,200	9,889,741	(151,459)
Expenditures				
Current -				
Support services:				
Operations and maintenance	41,900	35,500	35,157	(343)
Central	627,800	638,500	578,221	(60,279)
Interdistrict transfers and other	8,000,000	9,368,100	9,277,273	(90,827)
Total expenditures	8,669,700	10,042,100	9,890,651	(151,449)
Net Change in Fund Balance	-	(900)	(910)	(10)
Fund Balance - Beginning of year	910	910	910	-
Fund Balance - End of year	\$ 910	\$ 10	\$ -	\$ (10)

Oakland Schools

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Special Revenue Funds
 (Continued)
 HR/Finance Consortium Cooperative Activities Fund

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 839,000	\$ 871,900	\$ 869,185	\$ (2,715)
State sources	52,600	69,100	70,549	1,449
Total revenue	891,600	941,000	939,734	(1,266)
Expenditures				
Current - Support services - Central	1,181,300	1,266,300	1,034,194	(232,106)
Interdistrict transfers and other	-	-	29,000	29,000
Total expenditures	1,181,300	1,266,300	1,063,194	(203,106)
Net Change in Fund Balance	(289,700)	(325,300)	(123,460)	201,840
Fund Balance - Beginning of year	816,413	816,413	816,413	-
Fund Balance - End of year	\$ 526,713	\$ 491,113	\$ 692,953	\$ 201,840

Oakland Schools

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2018

	Special Revenue Funds	2016 Refunding Bonds Debt Service Fund	Qualified School Construction Bond Service Fund	Qualified School Construction Bond Reserve Debt Service Fund	Administration Building Capital Projects Fund	CFE Campus Renovations Capital Projects Fund	Career Facility Capital Projects Fund	Total
Assets								
Cash and investments	\$ 12,771,436	\$ 4,844,618	\$ -	\$ -	\$ 4,643,939	\$ 7,848,718	\$ 549,503	\$ 30,658,214
Receivables:								
Accrued interest receivable	5,873	8,806	22	181	3,853	6,346	441	25,522
Other receivables	120,494	-	-	-	-	-	-	120,494
Due from other governments	1,453,041	-	-	-	-	-	-	1,453,041
Prepaid expenditures	1,059	-	-	-	46,583	28,219	-	75,861
Restricted assets	-	-	4,295,559	6,819,193	-	-	-	11,114,752
Total assets	\$ 14,351,903	\$ 4,853,424	\$ 4,295,581	\$ 6,819,374	\$ 4,694,375	\$ 7,883,283	\$ 549,944	\$ 43,447,884
Liabilities								
Accounts payable	\$ 131,198	\$ -	\$ -	\$ -	\$ 29,093	\$ 76,747	\$ -	\$ 237,038
Due to other governmental units	2,094,790	-	-	-	-	-	-	2,094,790
Accrued payroll and other liabilities	621,475	-	-	-	-	-	-	621,475
Unearned revenue	204,000	-	-	-	-	-	-	204,000
Total liabilities	3,051,463	-	-	-	29,093	76,747	-	3,157,303
Fund Balances								
Nonspendable - Prepaid expenditures	1,059	-	-	-	46,583	28,219	-	75,861
Restricted - Debt service	-	4,853,424	4,295,581	6,819,374	-	-	-	15,968,379
Committed:								
Capital projects	-	-	-	-	4,618,699	7,778,317	549,944	12,946,960
Special revenue funds	11,299,381	-	-	-	-	-	-	11,299,381
Total fund balances	11,300,440	4,853,424	4,295,581	6,819,374	4,665,282	7,806,536	549,944	40,290,581
Total liabilities and fund balances	\$ 14,351,903	\$ 4,853,424	\$ 4,295,581	\$ 6,819,374	\$ 4,694,375	\$ 7,883,283	\$ 549,944	\$ 43,447,884

Oakland Schools

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds

Year Ended June 30, 2018

	Special Revenue Funds	2016 Refunding Bonds Debt Service Fund	Qualified School Construction Bond Service Fund	Qualified School Construction Bond Reserve Debt Service Fund	Administration Building Capital Projects Fund	CFE Campus Renovations Capital Projects Fund	Career Facility Capital Projects Fund	Total
Revenue								
Local sources	\$ 24,916,114	\$ 87,520	\$ (385)	\$ (62,011)	\$ 23,363	\$ 81,381	\$ 3,644	\$ 25,049,626
State sources	1,048,664	-	-	-	-	-	-	1,048,664
Federal sources	228,112	-	-	746,634	-	-	-	974,746
Total revenue	26,192,890	87,520	(385)	684,623	23,363	81,381	3,644	27,073,036
Expenditures								
Current:								
Instruction	3,618,321	-	-	-	-	-	-	3,618,321
Support services	11,746,540	-	-	-	15,528	9,407	-	11,771,475
Debt service:								
Principal	-	800,000	-	-	-	-	-	800,000
Interest and other	-	1,292,900	1,000	927,500	-	-	-	2,221,400
Capital outlay	137,202	-	-	-	525,389	1,175,383	6,636	1,844,610
Interdistrict transfers and other	9,380,273	-	-	-	17,044	25,085	-	9,422,402
Total expenditures	24,882,336	2,092,900	1,000	927,500	557,961	1,209,875	6,636	29,678,208
Excess of Revenue Over (Under) Expenditures								
	1,310,554	(2,005,380)	(1,385)	(242,877)	(534,598)	(1,128,494)	(2,992)	(2,605,172)
Other Financing Sources (Uses)								
Transfers in	2,026,600	950,000	-	875,000	1,400,000	2,200,000	-	7,451,600
Transfers out	(162,648)	-	(875,000)	-	-	-	-	(1,037,648)
Total other financing sources (uses)	1,863,952	950,000	(875,000)	875,000	1,400,000	2,200,000	-	6,413,952
Net Change in Fund Balances								
Fund Balances - Beginning of year	3,174,506	(1,055,380)	(876,385)	632,123	865,402	1,071,506	(2,992)	3,808,780
Fund Balances - End of year	\$ 11,300,440	\$ 4,853,424	\$ 4,295,581	\$ 6,819,374	\$ 4,665,282	\$ 7,806,536	\$ 549,944	\$ 40,290,581

Oakland Schools

Other Supplemental Information Combining Balance Sheet Nonmajor Special Revenue Funds

June 30, 2018

	Shared Services and Tuition Programs Cooperative Activities Fund	ONE Cooperative Activities Fund	Medicaid Cooperative Activities Fund	HR/Finance Consortium Cooperative Activities Fund	Total
Assets					
Cash and investments	\$ 2,395,767	\$ 7,715,326	\$ 1,952,111	\$ 708,232	\$ 12,771,436
Receivables:					
Accrued interest receivable	1,349	3,944	549	31	5,873
Other receivables	30,500	87,117	-	2,877	120,494
Due from other governments	1,283,052	-	154,575	15,414	1,453,041
Prepaid expenditures	1,059	-	-	-	1,059
Total assets	\$ 3,711,727	\$ 7,806,387	\$ 2,107,235	\$ 726,554	\$ 14,351,903
Liabilities					
Accounts payable	\$ 44,585	\$ 61,750	\$ 23,603	\$ 1,260	\$ 131,198
Due to other governmental units	31,342	-	2,063,448	-	2,094,790
Accrued payroll and other liabilities	568,950	-	20,184	32,341	621,475
Unearned revenue	204,000	-	-	-	204,000
Total liabilities	848,877	61,750	2,107,235	33,601	3,051,463
Fund Balances					
Nonspendable - Prepaid expenditures	1,059	-	-	-	1,059
Committed - Special revenue funds	2,861,791	7,744,637	-	692,953	11,299,381
Total fund balances	2,862,850	7,744,637	-	692,953	11,300,440
Total liabilities and fund balances	\$ 3,711,727	\$ 7,806,387	\$ 2,107,235	\$ 726,554	\$ 14,351,903

Oakland Schools

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Special Revenue Funds

Year Ended June 30, 2018

	Shared Services and Tuition Programs Cooperative Activities Fund	ONE Cooperative Activities Fund	Medicaid Cooperative Activities Fund	HR/Finance Consortium Cooperative Activities Fund	Total
Revenue					
Local sources	\$ 13,468,503	\$ 960,878	\$ 9,617,548	\$ 869,185	\$ 24,916,114
State sources	934,034	-	44,081	70,549	1,048,664
Federal sources	-	-	228,112	-	228,112
Total revenue	14,402,537	960,878	9,889,741	939,734	26,192,890
Expenditures					
Current:					
Instruction	3,618,321	-	-	-	3,618,321
Support services	9,781,374	323,469	607,503	1,034,194	11,746,540
Capital outlay	131,327	-	5,875	-	137,202
Interdistrict transfers and other	74,000	-	9,277,273	29,000	9,380,273
Total expenditures	13,605,022	323,469	9,890,651	1,063,194	24,882,336
Excess of Revenue Over (Under) Expenditures	797,515	637,409	(910)	(123,460)	1,310,554
Other Financing Sources (Uses)					
Transfers in	-	2,026,600	-	-	2,026,600
Transfers out	(162,648)	-	-	-	(162,648)
Total other financing (uses) sources	(162,648)	2,026,600	-	-	1,863,952
Net Change in Fund Balances	634,867	2,664,009	(910)	(123,460)	3,174,506
Fund Balances - Beginning of year	2,227,983	5,080,628	910	816,413	8,125,934
Fund Balances - End of year	\$ 2,862,850	\$ 7,744,637	\$ -	\$ 692,953	\$ 11,300,440

Oakland Schools

Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2018

Years Ending June 30	2009-2010 General Bonds		2016 Refunding Bonds		Total
	Principal	Principal	Principal		
2019	\$ -	\$ 840,000	\$ 840,000		
2020	-	885,000	885,000		
2021	-	925,000	925,000		
2022	-	975,000	975,000		
2023	-	1,395,000	1,395,000		
2024	-	1,460,000	1,460,000		
2025	-	1,535,000	1,535,000		
2026	-	1,610,000	1,610,000		
2027	14,800,000	1,690,000	16,490,000		
2028	-	1,775,000	1,775,000		
2029	-	1,865,000	1,865,000		
2030	-	1,950,000	1,950,000		
2031	-	2,010,000	2,010,000		
2032	-	2,070,000	2,070,000		
2033	-	2,135,000	2,135,000		
2034	-	2,200,000	2,200,000		
2035	-	2,230,000	2,230,000		
2036	-	2,345,000	2,345,000		
Total remaining payments	<u>\$ 14,800,000</u>	<u>\$ 29,895,000</u>	<u>\$ 44,695,000</u>		
Interest rate (percent)	6.25	3.00 - 5.00			
Original issue	<u>\$ 14,800,000</u>	<u>\$ 30,695,000</u>			

Principal payments for the bond issues are due on May 1 of each year.

Interest payments for the bond issues are due on May 1 and November 1 of each year.

Statistical Section (Unaudited)

Introduction to Statistical Section

This part of the School District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the School District's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the School District's financial performance and well-being have changed over time.	65-69
Revenue Capacity These schedules contain information to help the reader assess the School District's most significant local revenue source, the property tax.	70-73
Debt Capacity These schedules present information to help the reader assess the affordability of the School District's current levels of outstanding debt and the School District's ability to issue additional debt in the future.	74-76
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the School District's financial activities take place.	77-78
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the School District's financial report relates to the services the School District provides and the activities it performs.	79-81

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

Oakland Schools

Net Position by Component (Unaudited)

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Net investment in capital assets	\$ 49,196,135	\$ 47,830,288	\$ 45,905,594	\$ 45,533,585	\$ 47,613,004	\$ 45,105,058	\$ 42,310,533	\$ 45,887,902	\$ 41,636,657	\$ 36,773,245
Restricted	77,683,266	68,374,213	56,848,576	58,135,379	39,549,518	41,892,717	39,475,802	19,243,353	16,898,371	41,041,957
Unrestricted	12,992,488	12,759,358	13,582,991	9,226,420	19,902,415	(76,486,579)	(74,701,841)	(61,333,731)	(54,561,605)	(119,596,597)
Total governmental activities	<u>139,871,889</u>	<u>128,963,859</u>	<u>116,337,161</u>	<u>112,895,384</u>	<u>107,064,937</u>	<u>10,511,196</u>	<u>7,084,494</u>	<u>3,797,524</u>	<u>3,973,423</u>	<u>(41,781,395)</u>
Business-type activities:										
Net investment in capital assets	200,057	347,886	410,102	454,675	572,803	451,572	490,149	323,990	220,075	142,395
Unrestricted	522,730	517,607	283,775	323,902	400,564	647,658	564,718	727,120	959,031	1,204,573
Total business-type activities	<u>722,787</u>	<u>865,493</u>	<u>693,877</u>	<u>778,577</u>	<u>973,367</u>	<u>1,099,230</u>	<u>1,054,867</u>	<u>1,051,110</u>	<u>1,179,106</u>	<u>1,346,968</u>
Primary government:										
Net investment in capital assets	49,396,192	48,178,174	46,315,696	45,988,260	48,185,807	45,556,630	42,800,682	46,211,892	41,856,732	36,915,640
Restricted	77,683,266	68,374,213	56,848,576	58,135,379	39,549,518	41,892,717	39,475,802	19,243,353	16,898,371	41,041,957
Unrestricted	13,515,218	13,276,965	13,866,766	9,550,322	20,302,979	(75,838,921)	(74,137,123)	(60,606,611)	(53,602,574)	(118,392,024)
Total primary government net position	<u>\$ 140,594,676</u>	<u>\$ 129,829,352</u>	<u>\$ 117,031,038</u>	<u>\$ 113,673,961</u>	<u>\$ 108,038,304</u>	<u>\$ 11,610,426</u>	<u>\$ 8,139,361</u>	<u>\$ 4,848,634</u>	<u>\$ 5,152,529</u>	<u>\$ (40,434,427)</u>

Note: On July 1, 2012, the School District implemented the provisions of GASB Nos. 63 and 65, which changed the reference from net assets to net position.

Note: On July 1, 2014, the School District implemented the provisions of GASB Nos. 68 and 71, which resulted in the District recording a net pension liability of \$(101,124,529) and a deferred outflow for pension liabilities of \$4,892,673 as of that date. Unrestricted Net Position has been restated to reflect this change in accounting principle in 2014.

Note: On July 1, 2017, the School District implemented the provisions of GASB No. 75, which resulted in the School District recording a net OPEB liability of \$(47,148,341) and a deferred outflow for OPEB contributions of \$3,363,068 made subsequent to the measurement date, and a deferred inflow for revenue received in support of OPEB contributions of \$(1,394,867) that was received subsequent to the measurement date. Unrestricted Net Position has been restated to reflect this change in accounting principle in 2017.

Source: Prior years' Comprehensive Annual Financial Reports

Oakland Schools

Changes in Governmental Net Position (Unaudited)

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
Instruction	\$ 18,828,775	\$ 18,597,982	\$ 15,716,182	\$ 18,468,372	\$ 21,091,522	\$ 20,465,495	\$ 21,298,926	\$ 22,006,499	\$ 21,575,693	\$ 22,911,869
Support services	263,576,290	303,941,673	276,233,836	251,205,201	232,099,280	239,626,487	255,011,090	260,177,286	268,922,341	276,685,016
Interest on long-term debt	2,456,242	2,555,167	3,260,959	3,207,200	3,124,673	2,957,477	2,931,214	2,233,465	2,275,495	2,070,614
Depreciation (unallocated)	4,907,844	4,562,358	4,656,570	5,333,957	5,397,465	5,482,627	5,441,001	5,375,569	4,929,373	4,905,673
Total governmental activities	289,769,151	329,657,180	299,867,547	278,214,730	261,712,940	268,532,086	284,682,231	289,792,819	297,702,902	306,573,172
Business-type activities:										
Support services	-	-	-	-	-	-	-	-	1,886,186	1,680,673
Depreciation (unallocated)	-	-	-	-	-	-	-	-	109,463	106,709
Total business-type activities	-	-	-	-	-	-	-	-	1,995,649	1,787,382
Total primary government expenses	289,769,151	329,657,180	299,867,547	278,214,730	261,712,940	268,532,086	284,682,231	289,792,819	299,698,551	308,360,554
Program Revenue										
Governmental activities:										
Charges for services:										
Instruction	426,202	475,065	1,197,002	1,896,298	4,628,251	4,657,048	4,774,800	4,701,407	4,657,556	5,237,236
Support services	13,963,800	14,775,123	14,811,914	28,244,243	18,886,816	21,019,191	22,224,460	22,859,101	24,665,315	25,333,917
Interdistrict payments and other	-	-	-	-	-	-	-	-	-	-
Total charges for services	14,390,002	15,250,188	16,008,916	30,140,541	23,515,067	25,676,239	26,999,260	27,560,508	29,322,871	30,571,153
Operating grants and contributions:										
Instruction	1,572,182	1,201,271	1,602,286	1,054,219	1,173,465	837,577	857,686	1,656,153	2,687,861	2,363,479
Support services	16,316,178	20,381,433	19,047,396	16,094,674	13,479,296	15,607,122	15,951,153	15,978,317	17,837,757	17,377,474
Interdistrict payments and other	40,501,952	68,538,439	61,067,274	53,485,773	49,397,310	55,787,591	62,132,296	61,378,053	62,942,963	61,872,742
Total operating grants and contributions	58,390,312	90,121,143	81,716,956	70,634,666	64,050,071	72,232,290	78,941,135	79,012,523	83,468,581	81,613,695
Total governmental activities program revenue	72,780,314	105,371,331	97,725,872	100,775,207	87,565,138	97,908,529	105,940,395	106,573,031	112,791,452	112,184,848
Business-type activities:										
Charges for services: Support services	-	-	-	-	-	-	-	-	2,118,822	1,939,877
Total primary government program revenue	72,780,314	105,371,331	97,725,872	100,775,207	87,565,138	97,908,529	105,940,395	106,573,031	114,910,274	114,124,725
Net (Expenses) Revenue:										
Governmental activities	(216,988,837)	(224,285,849)	(202,141,675)	(177,439,523)	(174,147,802)	(170,623,557)	(178,741,836)	(183,219,788)	(184,911,450)	(194,388,324)
Business-type activities	-	-	-	-	-	-	-	-	123,173	152,495
Total primary government net (expenses)	\$ (216,988,837)	\$ (224,285,849)	\$ (202,141,675)	\$ (177,439,523)	\$ (174,147,802)	\$ (170,623,557)	\$ (178,741,836)	\$ (183,219,788)	\$ (184,788,277)	\$ (194,235,829)

Oakland Schools

Changes in Governmental Net Position (Unaudited) (Continued)

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (Expenses) Revenue:										
Governmental activities	\$ (216,988,837)	\$ (224,285,849)	\$ (202,141,675)	\$ (177,439,523)	\$ (174,147,802)	\$ (170,623,557)	\$ (178,741,836)	\$ (183,219,788)	\$ (184,911,450)	\$ (194,388,324)
Business-type activities	-	-	-	-	-	-	-	-	123,173	152,495
Total primary government net (expenses)	(216,988,837)	(224,285,849)	(202,141,675)	(177,439,523)	(174,147,802)	(170,623,557)	(178,741,836)	(183,219,788)	(184,788,277)	(194,235,829)
General Revenue										
Governmental activities:										
Property taxes	216,924,988	208,747,666	183,975,834	169,871,503	163,870,419	164,539,717	167,867,989	173,763,748	175,566,760	180,204,423
Federal and state aid not restricted to specific purposes	4,675,132	3,898,797	4,369,191	3,646,507	4,354,486	5,516,299	7,189,210	5,211,440	10,434,989	12,410,402
Investment earnings	2,683,651	777,735	898,623	476,824	199,629	283,907	125,960	953,873	491,390	1,261,664
Other	177,670	96,327	99,713	87,612	87,611	87,612	87,612	-	144,119	(62,843)
Loss on the impairment of capital assets	-	-	-	-	-	-	-	-	(1,549,909)	-
Total governmental activities general revenue	224,461,441	213,520,525	189,343,361	174,082,446	168,512,145	170,427,535	175,270,771	179,929,061	185,087,349	193,813,646
Business-type activities:										
Investment earnings	-	-	-	-	-	-	-	-	4,823	13,367
Other	-	-	-	-	-	-	-	-	-	2,000
Loss on the impairment of capital assets	-	-	-	-	-	-	-	-	-	-
Total primary government general revenue	224,461,441	213,520,525	189,343,361	174,082,446	168,512,145	170,427,535	175,270,771	179,929,061	185,092,172	193,829,013
Change in Net Position										
Governmental activities	\$ 7,472,604	\$ (10,765,324)	\$ (12,798,314)	\$ (3,357,077)	\$ (5,635,657)	\$ (196,022)	\$ (3,471,065)	\$ (3,290,727)	\$ 175,899	\$ (574,678)
Business-type activities	-	-	-	-	-	-	-	-	127,996	167,862
Total primary government change in net position	\$ 7,472,604	\$ (10,765,324)	\$ (12,798,314)	\$ (3,357,077)	\$ (5,635,657)	\$ (196,022)	\$ (3,471,065)	\$ (3,290,727)	\$ 303,895	\$ (406,816)

Source: Prior years' Comprehensive Annual Financial Reports

Note: On July 1, 2014, the District implemented the provisions of GASB Nos. 68 and 71, which resulted in the District recording a net pension liability of \$(101,124,529) and a deferred outflow for pension liabilities of \$4,892,673 as of that date. The impact on net position is an additional reduction to net position of \$96,231,856.

Note: On July 1, 2017, the School District implemented the provisions of GASB No. 75, which resulted in the School District recording a net OPEB liability of \$(47,148,341) and a deferred outflow for OPEB contributions of \$3,363,068 made subsequent to the measurement date, and a deferred inflow for revenue received in support of OPEB contributions of \$(1,394,867) that was received subsequent to the measurement date. Unrestricted Net Position has been restated to reflect this change in accounting principle in 2017.

Note: The District began reporting business-type activities separate from governmental activities in the year ended June 30, 2017. Prior to that, business-type activities were combined with governmental activities.

Oakland Schools

Fund Balances - Governmental Funds (Unaudited)

Last Ten Fiscal Years

	June 30									
	2009	2010	2011**	2012	2013	2014	2015	2016	2017	2018
General Education Fund:										
Reserved	\$ 34,851	\$ 28,951	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	5,599,520	4,532,173	-	-	-	-	-	-	-	-
Nonspendable	-	-	30,676	55,918	51,671	62,682	48,658	82,590	28,623	29,311
Assigned	-	-	139,000	427,100	-	-	-	-	-	-
Unassigned	-	-	2,163,479	556,588	1,445,111	4,006,109	5,354,979	4,495,201	4,771,686	4,101,978
Total General Education Fund	\$ 5,634,371	\$ 4,561,124	\$ 2,333,155	\$ 1,039,606	\$ 1,496,782	\$ 4,068,791	\$ 5,403,637	\$ 4,577,791	\$ 4,800,309	\$ 4,131,289
All other governmental funds:										
Reserved	\$ 26,241,420	\$ 38,769,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved - Reported in:										
Special Revenue Funds	38,034,565	26,023,392	-	-	-	-	-	-	-	-
Capital Project Funds	19,416,923	19,313,306	-	-	-	-	-	-	-	-
Nonspendable	-	-	115,166	234,323	165,402	173,015	132,291	239,828	174,203	116,522
Restricted	-	-	53,883,674	46,303,532	39,877,739	42,214,133	39,823,734	35,726,366	38,036,824	41,364,279
Committed	-	-	16,547,333	18,794,111	17,619,256	14,605,079	13,997,041	14,838,844	19,082,413	24,246,341
Total all other governmental funds	\$ 83,692,908	\$ 84,105,798	\$ 70,546,173	\$ 65,331,966	\$ 57,662,397	\$ 56,992,227	\$ 53,953,066	\$ 50,805,038	\$ 57,293,440	\$ 65,727,142

Source: Prior years' Comprehensive Annual Financial Reports

* Substantial increase in fund balance due to the issuance of bonds for the CFE campus renovations

** Changes occurred in fund balance classifications due to the issuance of GASB No. 54, effective for the fiscal year ended June 30, 2011.

Oakland Schools

Changes in Fund Balances - Governmental Funds (Unaudited)

Last Ten Fiscal Years

	Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue										
Local	\$ 230,953,741	\$ 223,320,413	\$ 199,737,046	\$ 180,083,200	\$ 174,043,212	\$ 174,984,342	\$ 183,816,559	\$ 200,198,492	\$ 204,798,472	\$ 211,570,968
State	12,233,153	10,977,525	11,044,306	31,593,813	24,589,911	34,128,734	40,742,535	36,726,944	40,620,573	41,630,028
Federal	49,244,552	81,956,526	71,816,407	62,291,476	52,664,674	51,169,271	53,034,215	50,173,029	53,671,926	51,679,276
Other revenue	<u>2,540,688</u>	<u>1,124,885</u>	<u>996,025</u>	<u>852,524</u>	<u>3,139,014</u>	<u>5,578,013</u>	<u>1,095,341</u>	<u>899,877</u>	<u>1,016,235</u>	<u>1,119,129</u>
Total revenue	294,972,134	317,379,349	283,593,784	274,821,013	254,436,811	265,860,360	278,688,650	287,998,342	300,107,206	305,999,401
Expenditures										
Current:										
Instruction	18,828,775	18,597,982	15,716,182	18,468,372	21,091,522	20,465,495	21,483,026	22,057,423	21,142,122	21,832,820
Support services	58,711,034	58,704,157	50,102,568	52,266,338	54,164,942	54,743,505	61,818,402	66,576,949	71,002,568	73,583,141
Community services	6,747,745	9,990,020	8,400,845	7,291,239	5,380,638	5,852,125	5,762,576	3,792,539	3,584,617	3,536,960
Interdistrict transfers and other	193,677,428	232,800,425	213,998,809	187,529,448	169,599,621	175,074,899	184,432,804	187,177,491	191,501,377	194,869,571
Facilities acquisition	290,291	322,780	196,680	900,377	41,694	111,787	4,540	31,918	-	-
Debt service:										
Principal	1,870,000	1,925,000	1,485,000	1,545,000	5,035,000	1,045,000	1,085,000	1,130,000	1,185,000	800,000
Interest and other	2,466,820	2,489,492	3,192,336	3,216,775	3,156,203	2,964,444	2,938,447	1,967,328	2,420,973	2,221,400
Bond issuance costs and fees	-	-	-	-	-	-	-	230,432	-	-
Capital outlay	<u>17,377,410</u>	<u>5,684,655</u>	<u>6,288,958</u>	<u>10,111,220</u>	<u>3,179,584</u>	<u>3,701,266</u>	<u>2,868,170</u>	<u>3,320,674</u>	<u>2,559,629</u>	<u>2,907,527</u>
Total expenditures	299,969,503	330,514,511	299,381,378	281,328,769	261,649,204	263,958,521	280,392,965	286,284,754	293,396,286	299,751,419
Excess of Revenue (Under) Over Expenditures										
	(4,997,369)	(13,135,162)	(15,787,594)	(6,507,756)	(7,212,393)	1,901,839	(1,704,315)	1,713,588	6,710,920	6,247,982
Other Financing Sources (Uses)										
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	-	1,516,700
Payment to escrow agent for debt refunding	-	-	-	-	-	-	-	(39,862,718)	-	-
Debt issuance	-	14,800,000	-	-	-	-	-	30,695,000	-	-
Premium on debt issued	-	-	-	-	-	-	-	3,480,256	-	-
Transfers in	34,906,300	20,713,821	13,305,600	8,868,604	4,869,868	4,518,498	4,901,600	15,182,226	6,934,684	7,614,248
Transfers out	(34,906,300)	(20,713,821)	(13,305,600)	(8,868,604)	(4,869,868)	(4,518,498)	(4,901,600)	(15,182,226)	(6,934,684)	(7,614,248)
Total other financing sources (uses)	-	14,800,000	-	-	-	-	-	(5,687,462)	-	1,516,700
Net Change in Fund Balances	(4,997,369)	1,664,838	(15,787,594)	(6,507,756)	(7,212,393)	1,901,839	(1,704,315)	(3,973,874)	6,710,920	7,764,682
Fund Balances - Beginning of year	91,999,453	87,002,084	88,666,922	72,879,328	66,371,572	59,159,179	61,061,018	59,356,703	55,382,829	62,093,749
Fund Balances - End of year	\$ 87,002,084	\$ 88,666,922	\$ 72,879,328	\$ 66,371,572	\$ 59,159,179	\$ 61,061,018	\$ 59,356,703	\$ 55,382,829	\$ 62,093,749	\$ 69,858,431

Debt service as a percentage of noncapital expenditures (a)

1.53% 1.36% 1.60% 1.76% 3.17% 1.54% 1.45% 1.09% 1.24% 1.02%

Source: Prior years' Comprehensive Annual Financial Reports

(a) Noncapital expenditures are total governmental expenditures less capital outlay.

Oakland Schools

Taxable Value of Property (Unaudited)

Last Ten Fiscal Years

Levy Year	Real Property							Personal Property	Total Value	Total Direct Tax Rate
	Fiscal Year	Tax Year	Agricultural	Commercial	Industrial	Residential	Developmental			
2008	09/10	2009	\$50,099,680	\$10,914,474,991	\$3,873,912,827	\$43,627,806,247	\$5,125,490	\$58,471,419,235	\$3,945,257,660	\$62,416,676,895 3.3690
2009	10/11	2010	45,767,390	10,147,353,481	3,262,351,447	37,857,819,565	5,006,130	51,318,298,013	3,763,409,573	55,081,707,586 3.3690
2010	11/12	2011	45,702,540	10,054,370,362	1,842,489,880	35,166,132,285	5,020,630	47,113,715,697	3,684,824,560	50,798,540,257 3.3690
2011	12/13	2012	44,319,803	9,237,144,077	1,651,432,130	34,583,300,582	4,343,320	45,520,539,912	3,705,414,081	49,225,953,993 3.3690
2012	13/14	2013	40,226,570	8,747,850,059	1,555,458,630	35,101,766,037	4,163,480	45,449,464,776	3,785,645,530	49,235,110,306 3.3690
2013	14/15	2014	40,619,450	8,592,084,460	1,543,801,500	36,222,002,217	-	46,398,507,627	3,650,142,460	50,048,650,087 3.3690
2014	15/16	2015	42,908,710	8,668,179,912	1,575,950,217	37,726,099,014	-	48,013,137,853	3,882,203,584	51,895,341,437 3.3633
2015	16/17	2016	42,597,045	8,731,176,989	1,606,675,259	38,997,799,934	-	49,378,249,227	3,407,953,246	52,786,202,473 3.3398
2016	17/18	2017	44,178,330	8,957,063,497	1,661,231,821	40,609,322,089	-	51,271,795,737	3,451,947,290	54,723,743,027 3.3079
2017	18/19	2018	46,014,710	9,373,464,567	1,751,303,050	42,722,004,594	-	53,892,786,921	3,409,219,510	57,302,006,431 3.2813

Notes:

Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year

Under Michigan law, the revenue base is taxable value

Source: Prior years' Comprehensive Annual Financial Report Statistical Sections
Oakland County Equalization Report

Oakland Schools

Direct and Overlapping Property Tax Rates (Unaudited)

Last Ten Fiscal Years

Tax Year	Fiscal Year Ended June 30	General Operating	Parks	Oakland Schools	Oakland Community College	Huron-Clinton Authority	Public Transportation Authority	Oakland County Zoological Authority	Oakland County Art Institute Authority
2008	2009	4.1900	0.2415	3.3690	1.5844	0.2146	0.5900	0.1000	-
2009	2010	4.1900	0.2415	3.3690	1.5844	0.2146	0.5900	0.1000	-
2010	2011	4.1900	0.2415	3.3690	1.5844	0.2146	0.5900	0.1000	-
2011	2012	4.1900	0.2415	3.3690	1.5844	0.2146	0.5900	0.1000	-
2012	2013	4.1900	0.2415	3.3690	1.5844	0.2146	0.5900	0.1000	0.2000
2013	2014	4.1900	0.2415	3.3690	1.5844	0.2146	0.5900	0.1000	0.2000
2014	2015	4.1900	0.2415	3.3690	1.5844	0.2146	1.0000	0.1000	0.2000
2015	2016	4.0900	0.2410	3.3633	1.5819	0.2146	0.9998	0.0998	0.1996
2016	2017	4.0400	0.2392	3.3398	1.5707	0.2146	0.9941	0.0990	0.1981
2017	2018	4.0400	0.2368	3.3079	1.5555	0.2140	0.9863	0.0980	0.1961

Source: Oakland County Apportionment of Local Tax Rates

Oakland Schools

Principal Property Taxpayers (Unaudited)

For the Current Year and Nine Years Prior

Taxpayer	2017		Percentage of County Taxable Value		2008		Percentage of County Taxable Value	
	Taxable Value	Rank			Taxable Value	Rank		
Detroit Edison Company/DTE	\$ 551,389,249	1	1.01	%	\$ 473,058,860	3	0.73	%
Consumers Energy	287,012,198	2	0.52	%	182,819,030	4	0.28	%
FCA Auburn Hills Owner LLC (formerly Chrysler)	167,950,630	3	0.31	%	561,632,390	2	0.87	%
Enbridge Energy	116,830,080	4	0.21	%	-	-	-	%
SL Town Etal	78,961,590	5	0.14	%	-	-	-	%
Oakland Management	75,449,600	6	0.14	%	-	-	-	%
Frankel/Forbes/Cohn	74,439,120	7	0.14	%	-	-	-	%
Tauman/Great Lakes Crossing	68,408,310	8	0.13	%	129,049,130	5	0.20	%
Comcast	56,856,520	9	0.10	%	56,602,950	17	0.09	%
Redwood-ERC Novi LLC	56,025,150	10	0.10	%	-	-	-	%
General Motors	52,539,020	11	0.10	%	900,634,242	1	1.39	%
International Transmission	49,976,650	12	0.09	%	70,580,010	12	0.11	%
SighCidermill Village	41,797,597	13	0.08	%	-	-	-	%
Twelve Oaks Mall LLC	39,131,100	14	0.07	%	-	-	-	%
Ramco Lion Venture	37,773,280	15	0.07	%	81,805,620	10	0.13	%
Occidental Development Ltd	33,762,500	16	0.06	%	-	-	-	%
VHS Huron Valley-Sinai Hospital	30,722,890	17	0.06	%	-	-	-	%
Troy Apts IV	28,910,220	18	0.05	%	-	-	-	%
Hartman Tyner	27,498,670	19	0.05	%	-	-	-	%
Urbancal Oakland Mall	23,506,650	20	0.04	%	-	-	-	%
Total	<u>\$ 1,898,941,024</u>		<u>3.47</u>	<u>%</u>	<u>\$ 2,456,182,232</u>		<u>3.80</u>	<u>%</u>

Source: Oakland County Department of Management and Budget, Equalization Division

Note: The Taxable Values have been compiled from a number of sources/reports and may include estimated figures.

Oakland Schools**Property Tax Levies and Collections (Unaudited)****Last Ten Fiscal Years**

Tax Year	Fiscal Year Ended June 30				Delinquent Collections	Total Tax Collections	Percent of Levy Collected
		Total Levy	Current Collections	Percent Collected			
2008	2009	\$216,924,988	\$216,924,988	100.0	-	\$216,294,988	100.0
2009	2010	208,747,666	208,747,666	100.0	-	208,747,666	100.0
2010	2011	183,975,834	183,975,834	100.0	-	183,975,834	100.0
2011	2012	169,871,503	169,871,503	100.0	-	169,871,503	100.0
2012	2013	165,116,378	163,870,419	99.2	-	163,870,419	99.2
2013	2014	165,032,488	164,539,717	99.7	-	164,539,717	99.7
2014	2015	167,738,055	167,867,989	100.1	-	167,867,989	100.1
2015	2016	173,670,414	173,760,655	100.1	-	173,760,655	100.1
2016	2017	175,377,383	175,561,749	100.1	-	175,561,749	100.1
2017	2018	180,040,597	180,201,551	100.1	-	180,201,551	100.1

Source: Oakland County Treasurer

Oakland Schools

Ratios of Outstanding Debt (Unaudited)

Last Ten Fiscal Years

Tax Year	Accumulated Resources Restricted			Net General Bonded Debt as a Percentage of Taxable Value				Population	Percentage of Personal Income (c)	Net Debt per Capita
	Limited Tax General Obligation Bonds (a)	to Repaying the Principal of General Bonded Debt (b)	Net General Bonded Debt	Taxable Value	Bonded Debt as a Percentage of Taxable Value	Total Debt as a Percentage of Taxable Value				
2008	\$51,860,000	\$0	\$51,860,000	\$60,761,690,153	0.09%	0.09%	1,202,174	0.08 %	\$43	
2009	64,735,000	11,668,814	53,066,186	58,471,419,235	0.09%	0.11%	1,205,508	0.11 %	44	
2010	63,250,000	11,614,659	51,635,341	47,113,715,697	0.11%	0.13%	1,202,362	0.11 %	43	
2011	61,705,000	11,518,637	50,186,363	50,600,548,409	0.10%	0.12%	1,205,127	0.10 %	42	
2012	56,670,000	11,415,055	45,254,945	49,010,501,143	0.09%	0.12%	1,225,333	0.08 %	37	
2013	55,625,000	11,298,570	44,326,430	48,985,600,539	0.09%	0.11%	1,243,313	0.08 %	36	
2014	54,540,000	11,231,235	43,308,765	49,788,677,544	0.09%	0.11%	1,249,149	0.07 %	35	
2015	46,680,000	10,627,531	36,052,469	51,636,908,346	0.07%	0.09%	1,244,851	0.06 %	29	
2016	45,495,000	11,239,710	34,255,290	52,511,343,048	0.07%	0.09%	1,243,970	0.06 %	28	
2017	44,695,000	11,114,752	33,580,248	54,427,460,698	0.06%	0.08%	1,250,836	*	27	

* Fiscal year 2018 information is not yet available.

Note: (a) All debt is related to governmental activities

(b) This is the amount restricted for debt service principal payments, contained in the Qualified School Construction Bond Debt Service Fund and the Qualified School Construction Bond Reserve Debt Service Fund.

(c) Personal income information can be found in the table on Demographic and Economic Statistics.

Sources: Population - U.S. Department of Commerce, Bureau of Census

Taxable Value - prior to tax year 2010 - Oakland County Department of Management and Budget, Equalization Division

Oakland Schools**Direct and Overlapping Governmental Activities Debt (Unaudited)**

Year Ended June 30, 2018

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
Overlapping debt:			
Oakland County - Net of Self Supporting	\$ 334,205,000	0.0%	\$ -
Water & sewer special assessment debt	73,575,895	0.0%	-
Cities, Villages and Townships	1,184,130,881	0.0%	-
Community Colleges	2,770,575	0.0%	-
Local School Districts	2,277,264,148	0.0%	-
Total overlapping debt	<u>\$ 3,871,946,499</u>		-
Direct district debt:			
General Obligation Bonds			<u>44,695,000</u>
Total direct district debt			<u>\$ 44,695,000</u>

Source: Oakland County Treasurer and Municipal Advisory Council of Michigan

Oakland Schools

Legal Debt Margin (Unaudited) Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Calculation of debt limit:										
State Equalized Value 1/9 of 1% of State Equalized Value	\$ 74,491,081,562	\$ 67,858,986,149	\$ 58,658,799,626	\$ 53,285,653,580	\$ 53,903,767,161	\$ 57,706,325,006	\$ 63,702,012,174	\$ 59,449,270,456	\$ 63,034,061,500	\$ 65,649,975,015
	82,767,868	75,398,873	65,176,444	59,206,282	59,893,075	64,118,139	70,780,014	66,054,745	70,037,846	72,944,417
Calculation of debt subject to limit:										
Net debt subject to limit	51,860,000	64,735,000	63,250,000	61,705,000	56,670,000	55,625,000	54,540,000	46,680,000	45,495,000	44,695,000
Legal debt margin	\$ 30,907,868	\$ 10,663,873	\$ 1,926,444	\$ (2,498,718)	\$ 3,223,075	\$ 8,493,139	\$ 16,240,014	\$ 19,374,745	\$ 24,542,846	\$ 28,249,417
Net debt subject to limit as percent of debt limit	62.66%	85.86%	97.04%	104.22%	94.62%	86.75%	77.06%	70.67%	64.96%	61.27%

Source: Oakland County Treasurer

Note - The legal debt margin is only applicable in the year the debt is issued. Subsequent changes in the legal debt margin only relate to additional debt issued.

Per Section 629(2) of this State Aid Act - An intermediate school district board shall not borrow money or issue bonds for a sum that, together with the outstanding bonded indebtedness of the intermediate school district, exceeds 1/9 of 1% of the state equalized value of the taxable property within the District, unless the question of borrowing the money or issuing bonds is submitted first to a vote of the school electors of the intermediate school district in accordance with Act 451.

Oakland Schools**Demographic and Economic Statistics (Unaudited)****Last Ten Fiscal Years**

Fiscal Years Ended June 30	Population	Total Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2009	1,202,174	\$64,506,257	\$53,658	15.5%
2010	1,205,508	60,677,507	50,334	12.5%
2011	1,202,362	60,033,981	49,930	10.9%
2012	1,205,127	64,496,968	53,519	8.8%
2013	1,225,333	68,065,416	55,549	9.0%
2014	1,243,313	70,246,571	56,500	8.1%
2015	1,249,149	73,973,217	59,219	5.4%
2016	1,244,851	78,829,158	63,324	4.7%
2017	1,243,970	81,802,445	65,759	2.9%
2018	1,250,836	*	*	3.4%

* Information not yet available

Source:

Population = U.S. Department of Commerce, Bureau of Census

Personal Income = Michigan Bureau of Economic Analysis

Unemployment Rate = Michigan Department of Labor & Economic Growth

Oakland Schools

Principal Employers (Unaudited)

For the Current Year and Nine Years Prior

Taxpayer	2017 Employees	Percentage of Total Employment		Percentage of Total Employment	
		2008 Employees	Employment	2008 Employees	Employment
1 Beaumont Health System	18,301	2.88%	14,610	2.55%	
2 FCA US LLC (formerly Chrysler)	13,099	2.06%	9,053	1.58%	
3 General Motors Corporation	9,687	1.53%	15,097	2.63%	
4 Ascension Michigan (formerly St. John Providence Hospital)	5,474	0.86%	3,841	0.67%	
5 U.S. Postal Service	4,195	0.66%	4,176	0.73%	
6 Henry Ford Health System	4,085	0.64%	n/a	n/a	
7 Oakland County Government	3,451	0.54%	4,447	0	
8 Trinity Health (formerly St. Joseph Mercy)	2,466	0.39%	4,721	0.82%	
9 Magna International of America Inc.	2,441	0.38%	n/a	n/a	
10 Comerica Bank	2,003	0.32%	n/a	n/a	
Electronic Data Systems (EDS)	n/a	n/a	4,334	0.76%	
Blue Cross/Blue Shield of Michigan	n/a	n/a	3,996	0.70%	
Botsford Health Care	n/a	n/a	2,351	0.41%	
Total Principal Employers	65,202	10.26%	66,626	11.63%	

Fiscal year 2018 information is not yet available.

Source: Oakland County Department of Planning & Economic Development

Oakland Schools

Full-time Equivalent School District Employees (Unaudited)

For the Current Year and Nine Years Prior

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government:										
Instruction	125.00	132.00	122.00	123.00	129.00	122.60	123.20	108.40	126.50	130.45
Support services	405.70	379.25	323.00	310.50	330.80	343.30	367.10	354.40	352.30	357.39
Community service	44.00	48.00	46.00	50.00	57.00	58.20	50.00	31.00	33.00	26.90
Subtotal	574.70	559.25	491.00	483.50	516.80	524.10	540.30	493.80	511.80	514.74
External services	1.00	0.25	-	3.00	12.20	33.20	38.60	71.80	77.00	80.00
Total Regular Employees	<u>575.70</u>	<u>559.50</u>	<u>491.00</u>	<u>486.50</u>	<u>529.00</u>	<u>557.30</u>	<u>578.90</u>	<u>565.60</u>	<u>588.80</u>	<u>594.74</u>
Part-time or retired employees								64.30	64.94	60.86

Source: School District Human Resource records

Note: The above data is a snapshot of District employees as of June 30 each year.

Definition of Employee Groups:

Instruction - employees dealing directly with the teaching of pupils or the interaction between teacher and pupils. This includes instructors, instructional technicians, and consultants dealing directly with pupils.

Support services - employees providing administrative, technical, and logistical support to facilitate and enhance instruction

Community service - employees that provide services for the community as a whole, such as community welfare activities. Employees in this category include those working in the JobLink and Homeless/Wraparound programs.

External services - employees providing services for local districts on a cost recovery basis in order to further the State's consolidation of services initiatives.

Part-time or retired employees - substitute teachers or retirees of the Michigan Public School System which are authorized to work for the District on an as-needed basis.

Oakland Schools

Operating Indicators (Unaudited)

Last Ten Years Ended June 30

Year	Enrollment	Operating Expenditures/Uses	Cost per Pupil	Operating Revenue/Sources	Revenue per Pupil	Total Teaching Staff
2009	199,719	280,722,093	1,406	294,972,134	1,477	125.00
2010	195,825	322,904,856	1,649	317,379,349	1,621	132.00
2011	194,738	291,607,420	1,497	283,593,784	1,456	122.00
2012	193,472	269,672,549	1,394	274,821,013	1,420	123.00
2013	192,242	253,434,620	1,318	254,436,811	1,324	129.00
2014	190,484	259,212,255	1,361	265,860,360	1,396	122.60
2015	188,504	276,439,795	1,466	278,688,650	1,478	123.20
2016	187,911	281,834,080	1,500	287,998,342	1,533	108.40
2017	188,951	289,651,657	1,533	300,107,206	1,588	126.50
2018	188,989	296,043,892	1,566	305,999,401	1,619	130.45

Source: Prior year District financial reports

Oakland Schools

Facility Capital Asset Owned and Leased Information (Unaudited)

Last Ten Fiscal Years Ended June 30

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Vocational education buildings owned:										
Number of buildings	1	2	2	2	2	2	2	2	2	2
Square footage	100,110	200,414	200,414	200,414	200,414	200,414	200,414	200,414	200,414	200,414
Vocational education buildings leased:										
Number of buildings	3	2	2	2	2	2	2	2	2	2
Square footage	317,105	216,801	216,801	218,801	218,801	218,801	218,801	218,801	218,801	218,801
Special education buildings owned:										
Number of buildings	1	1	1	1	1	1	1	1	1	-
Square footage	19,317	19,317	19,317	19,317	19,317	19,317	19,317	19,317	19,317	-
Other buildings owned:										
Number of buildings	1	1	1	2	2	2	2	2	2	2
Square footage	133,238	133,238	133,238	166,238	166,238	166,238	166,238	166,238	166,238	166,238
Other buildings leased:										
Number of buildings	2	2	2	1	1	2	2	2	2	2
Square footage	25,235	52,303	52,303	33,747	33,747	38,339	38,339	38,339	38,339	38,339
Total buildings owned and leased:										
Number of buildings	8	8	8	8	8	9	9	9	9	8
Square footage	595,005	622,073	622,073	638,517	638,517	643,109	643,109	643,109	643,109	623,792

Source: District internal records