



Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2019

Waterford, Michigan



Comprehensive Annual Financial Report

Oakland Schools

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

**For the Fiscal Year Ended
June 30, 2019**

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October 18, 2019

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, 2019 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, 2018 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 22 public school academies, each independently funded, with a countywide enrollment of approximately 186,932 students. Enrollment declined by 1%, or 2,057 full time equivalents between 2017-18 and 2018-19. 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 operated and housed staff in eight locations in 2018-19, 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. In 2019-20, the District ceased operations of the JobLink Service Center and no longer has staff at that location; however that facility is currently being leased to third parties and is called the Career Connections facility. The four technical campuses provide a countywide career focused education learning system to approximately 2,700 students from all 28 constituent districts. The condition of all Oakland Schools' facilities is excellent. Two of the four owned facilities are less than sixteen 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's economic recovery has spanned a decade since the low point of the "Great Recession" 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; health services; and leisure and hospitality, contributing to job growth in recent years. This job growth was most prevalent in higher-wage industries. Economists predict an average growth rate of 1.4% for the next three years, which exceeds state or national growth predictions. While the unemployment rate showed a minor increase from 2017-18 to 2018-19, the rate is below the State of Michigan average. 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, 2019, the District’s General Education Fund operating levy was .1950 mills. Due to another mileage rollback, the District will levy .1934 mills in fiscal year 2020.

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, 2019 were 2.4796 mills and .6067 mills, respectively, after application of millage roll-back rules. These millage rates will be reduced to 2.4589 and .6016, respectively, in fiscal year 2020 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 2019 and beyond until the tax base has fully recovered, resulting in a cumulative erosion of District revenue of \$393.7 million through fiscal year 2019. 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 4.7% and 5.2% in tax years 2018 and 2019, respectively and are expected to increase 4.25% annually for 2020 through 2023. 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. Oakland Schools continues to monitor the economic environment for indications of another recession that would impact property tax revenue estimates.

Oakland Schools continues to monitor ongoing Michigan Tax Tribunal (MTT) judgments. There was a significant backlog of cases that arose during the recession that took several years to complete. 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, 2020.

Major Initiatives

Mission

Our mission statement as of June 30, 2019 and as adopted by our Board of Education is:

“EVERY STUDENT. EVERY DAY.”

Our beliefs, as of June 30, 2019, 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, 2019, 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 has been undergoing a major effort to implement the Illuminate DnA Assessment system in all 28 of our districts. This system allows districts to manage student assessment data at the district, school and classroom level. Oakland Schools is subsidizing approximately 50% of the cost of this

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. In 2019, we are now supporting all 28 districts and 3 PSA districts reach full implementation and innovation in using DNA to meet both student academic and socio-emotional needs. We are also building capacity of classroom teachers through customized, in-district professional learning and regional 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 all 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 continue to work closely with Yale University to train teachers on the RULER Curriculum, have a county-wide program for implementing restorative practices and our anti-bullying work is continuing and involves more schools and teachers each year. We have partnered with local mental health providers to take steps to ensure mental health services are available to students and are involved in multiple initiatives to ensure this happens in an approachable and sensitive manner.

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.

Oakland Schools Educational Planning Services

Students leaving the Oakland County Children's Village now receive coordinating services from this unit to help assure their transition back into school is as seamless and positive as possible, while best positioning students for academic and social stability.

Collaborative Program Development Initiative (CPDI)

The purpose of the CPDI 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.
- Better with Breakfast program, which is a collaborative program between Oakland Schools, Oakland County and the United Way of Southeast Michigan. The intent of the program is to expand the school breakfast program in Oakland County. Funds are used to assist local school districts with equipment, marketing, technical assistance and funds to implement a universal breakfast program in their schools. Oakland Schools will provide funding over a three-year period which will fund the up-front costs necessary to implement the breakfast program in schools that have a relatively high percentage of free and reduced lunch students.

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. While the Consent Agreement is no longer in effect, Pontiac has continued to utilize Oakland Schools for these functions in 2018-19. In 2019-20, human resource services have transitioned and the employees have become direct hires of Pontiac Schools.
- Oakland Schools provides various business office services ranging from full service to individual staff services (e.g. payroll, accounts payable, controller) for four 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 twelve districts in Oakland County.
- Oakland Schools provides additional cost recovery services to districts on an as-needed basis. During 2019, these services consisted of technology support 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 190 classrooms 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, prenatal through age eight, in a systemic approach to prekindergarten through third grade education to ensure four statewide Great Start child outcomes: children who are born healthy, thriving and developmentally on track, ready to succeed in school, and reading proficiently by the end of third grade.
- 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 2,700 students throughout the County. Partnering with industry and our local districts, the K-12 Career Readiness Unit leads Student Services in helping all students (K-12) in Oakland County become career ready. This 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
- Cyber Liability
- 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, 2019 consisted of \$43,855,000 in bonded debt, \$2,958,217 in premium on debt issued, \$(508,190) of deferred refunding charges and \$3,419,050 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 (MPERS). The MPERS consists of several different benefit plan types depending upon the first date the employee was eligible to become a MPERS 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* and GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures for pensions and other postemployment benefits (OPEB), respectively. For defined benefit pensions, like the MPERS plan, GASB 68 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. These Statements also require certain note disclosures and contain supplemental information requirements about defined benefit pension and 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 60 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 sixteen consecutive school fiscal years: 2002-03 through 2016-18.

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,

A handwritten signature in black ink that reads "Michelle Saunders". The script is cursive and fluid, with the first name and last name clearly distinguishable.

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, 2018.**

The CAFR meets the criteria established for
ASBO International's Certificate of Excellence.

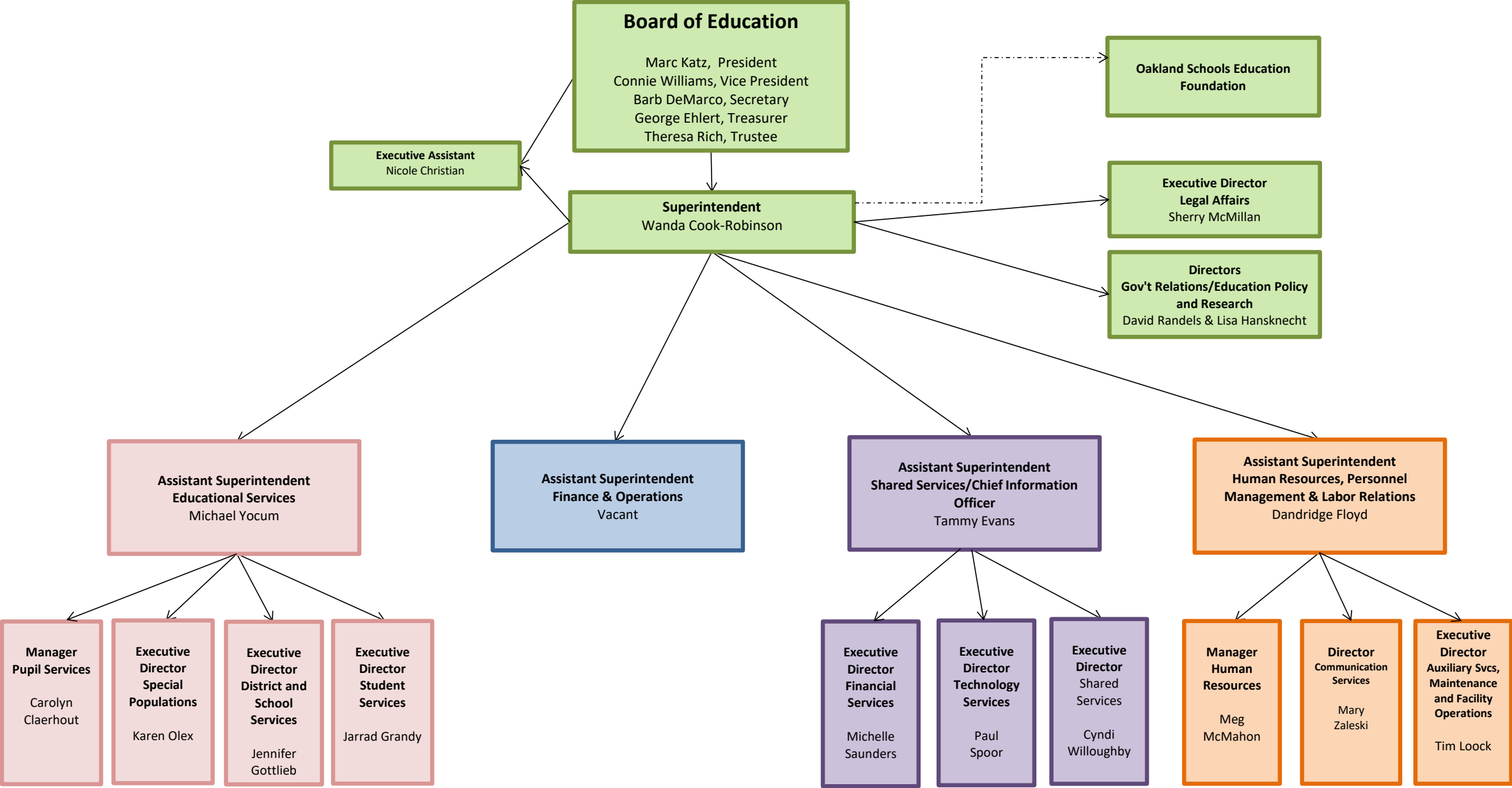


A handwritten signature in black ink, reading 'Tom Wohlleber'.

Tom Wohlleber, CSRM
President

A handwritten signature in black ink, reading 'Siobhán McMahon'.

Siobhán McMahon, CAE
Chief Operating Officer



Oakland Schools

District Officials

Administration

Dr. Wanda Cook-Robinson
Superintendent

Vacant
Assistant Superintendent, Finance and
Operations

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

Jennifer Gottlieb
Executive Director, District and
School Services

Mary Zaleski
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 business-type 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, 2019 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 business-type activities, the major funds, and the aggregate remaining fund information of Oakland Schools as of June 30, 2019 and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Education
Oakland Schools

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 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 18, 2019 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.

Plante & Moran, PLLC

October 18, 2019

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, 2019. 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

Notes to Financial Statements

Required Supplemental Information

Budgetary Comparison Schedules for Major Funds

Schedules of Proportionate Share of the Net Pension and OPEB Liabilities

Schedules 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

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.

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, 2019 and 2018:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
	(in millions)		(in millions)		(in millions)	
Assets						
Current and other assets	\$ 107.1	\$ 107.0	\$ 1.3	\$ 1.3	\$ 108.4	\$ 108.3
Capital assets	81.3	84.1	0.2	0.1	81.5	84.2
Total assets	188.4	191.1	1.5	1.4	189.9	192.5
Deferred Outflows of Resources	64.9	39.7	-	-	64.9	39.7
Liabilities						
Current liabilities	28.9	31.9	0.1	0.1	29.0	32.0
Noncurrent liabilities	50.3	51.2	-	-	50.3	51.2
Net pension liability	154.8	131.0	-	-	154.8	131.0
Net OPEB liability	41.3	44.7	-	-	41.3	44.7
Total liabilities	275.3	258.8	0.1	0.1	275.4	258.9
Deferred Inflows of Resources	26.9	13.8	-	-	26.9	13.8
Net Position						
Net investment in capital assets	35.0	36.8	0.2	0.1	35.2	36.9
Restricted	39.3	41.0	-	-	39.3	41.0
Unrestricted	(123.2)	(119.6)	1.2	1.2	(122.0)	(118.4)
Total net position	<u>\$ (48.9)</u>	<u>\$ (41.8)</u>	<u>\$ 1.4</u>	<u>\$ 1.3</u>	<u>\$ (47.5)</u>	<u>\$ (40.5)</u>

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 \$(48.9) million at June 30, 2019. Net investment in capital assets totaling \$35.0 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 \$39.3 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 \$(123.2) 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 2019.

The \$(123.2) million in unrestricted net position of governmental activities represents the accumulated results of all past years' General Fund operations, impacted by GASB Nos. 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 \$39.3 million of restricted net position represents the accumulated results of all past years' Special Education and Vocational Education funds 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.

Management's Discussion and Analysis (Continued)

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, 2019 and 2018:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
	(in millions)		(in millions)		(in millions)	
Revenue						
Program revenue:						
Charges for services	\$ 31.9	\$ 30.6	\$ 1.8	\$ 1.9	\$ 33.7	\$ 32.5
Operating grants	81.1	81.6	-	-	81.1	81.6
General revenue:						
Taxes	187.3	180.2	-	-	187.3	180.2
State aid not restricted to specific purposes	12.1	12.4	-	-	12.1	12.4
Other	3.7	1.2	-	-	3.7	1.2
Total revenue	316.1	306.0	1.8	1.9	317.9	307.9
Expenses						
Instruction	23.4	22.9	-	-	23.4	22.9
Support services	81.9	78.1	1.6	1.7	83.5	79.8
Community services	1.5	3.6	-	-	1.5	3.6
Interdistrict transfers and other	209.7	194.9	-	-	209.7	194.9
Debt service	2.0	2.1	-	-	2.0	2.1
Depreciation - Unallocated	4.7	4.9	0.1	0.1	4.8	5.0
Total expenses	323.2	306.5	1.7	1.8	324.9	308.3
Change in Net Position	(7.1)	(0.5)	0.1	0.1	(7.0)	(0.4)
Net Position - Beginning of year, as previously reported	(41.8)	3.9	1.3	1.2	(40.5)	5.1
Cumulative Effect of Change in Accounting	-	(45.2)	-	-	-	(45.2)
Net Position - Beginning of year	(41.8)	(41.3)	1.3	1.2	(40.5)	(40.1)
Net Position - End of year	\$ (48.9)	\$ (41.8)	\$ 1.4	\$ 1.3	\$ (47.5)	\$ (40.5)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$323.2 million. Certain activities were partially funded from those who benefited from the programs (\$31.9 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$81.1 million). We paid for the remaining "public benefit" portion of our governmental activities with \$187.3 million in taxes and \$12.1 million in unrestricted state aid and other grants. Other general revenue consists of \$3.7 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 2019.

The School District experienced a decrease in net position of \$7.1 million, which is directly related to the impact of GASB Nos. 68 and 75 and resulted in net pension and OPEB expenditures of \$7.9 million being recorded in the government-wide statements.

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.

In 2018, the School District adopted GASB Statement No. 75, which 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. The effect of the adoption was to decrease beginning net position by \$45.2 million and to include the net OPEB liability and related deferred inflows and outflows of resources in the financial statements.

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 \$72.9 million, which is an increase of \$3.0 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 increased \$0.9 million to \$5.0 million. The following represents significant changes in the General Education Fund:

Revenue - Revenue decreased by net \$2.7 million to a total of \$47.9 million primarily as a result of a decrease in federal revenue of \$2.3 million and decrease in other revenue of \$0.3 million. The decrease in federal and other revenue is primarily the result of a reduction in workforce development grants obtained by the School District.

Expenditures - Expenditures decreased by \$3.5 million, or 7 percent, to a total of \$45.2 million primarily due to a decrease in support services, community services, and interdistrict transfers and other related to grant programs. Other reductions in support services are due to a one-time expenditure in FY2018 to establish a cyberliability reserve.

Other Financing Sources (Uses) - Net transfers out to other funds decreased by \$0.8 million to a net \$(1.8) million, as additional operating transfers were made for capital projects offset by a decrease in transfers made for 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 a decrease in fund balance of \$2.3 million to \$16.5 million. The following represents significant changes in the Special Education Fund:

Revenue - Revenue increased by net \$8.3 million to a total of \$195.8 million primarily as a result of an increase in property tax and other local revenue of \$6.0 million, an increase in state revenue of \$0.6 million, and an increase in federal revenue of \$1.6 million.

Expenditures - Expenditures increased \$14 million, or 7.6 percent, to a total of \$197.5 million. The majority of this increase, \$13.5 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) and for a renovation project funded by the School District of a constituent district special education center program. The remainder of the increase is due to an increase in instructional and central support services, the majority of which are funded by the IDEA grants.

Other Financing Sources (Uses) - Net other financing sources (uses) decreased \$1.8 million due to the proceeds from sale of land and a building previously used for special education purposes totaling \$1.5 million being recognized in FY2018, dealing with an increase in operating transfers to other funds for capital projects and debt service of \$0.3 million.

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 \$6.0 million. The following represents significant changes in the Vocational Education Fund:

Revenue - Revenue increased by net \$1.9 million to a total of \$42.7 million as a result of an increase in property tax and other local revenue of \$1.7 million, a decrease in state revenue of \$0.1 million, and an increase in federal revenue of \$0.3 million.

Expenditures - Expenditures increased \$0.8 million, or 2 percent, to a total of \$38.7 million as a result of an increase in support services expenditures.

Other Financing Sources (Uses) - Net other financing sources (uses) increased \$1.0 million due to an increase in operating transfers to debt service funds.

Nonmajor Funds

The fund balance of our special revenue funds increased by \$2.1 million from \$11.3 million last year to \$13.4 million this year primarily as a result of the growth in shared services and tuition programs.

Combined, the fund balance of our debt service funds increased \$1.2 million from \$16.0 million to \$17.2 million. 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 \$13.0 million to \$14.9 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 2019. 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 minor revisions made to the 2018-2019 original budgets for the General Education Fund. Revenue and expenditures were increased approximately \$0.7 million and \$0.5 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 \$5.2 million and \$6.3 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.

Other Major Funds

In the Special Education Fund, budgeted revenue and expenditures were increased by approximately \$5.5 million and \$7.2 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 and interdistrict transfers and other. Such items relate to timing and grant funds will be expended by the expiration date of the associated grant. The timing of expenditures being reimbursed to constituent districts also resulted in budget variances. 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 2018-2019, 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 \$1.9 million and \$3.4 million, respectively, to address additional property tax revenue and 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, 2019, the School District had \$81.5 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 \$2.7 million, or 3.2 percent, from last year.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 3,410,122	\$ 3,410,122	\$ -	\$ -	\$ 3,410,122	\$ 3,410,122
Buildings	27,088,030	27,088,030	-	-	27,088,030	27,088,030
Furniture and equipment	31,262,480	29,748,588	1,550,665	1,423,665	32,813,145	31,172,253
Vehicles and other vehicles	846,874	872,702	-	-	846,874	872,702
Building improvements	93,254,359	92,842,441	-	-	93,254,359	92,842,441
Total capital assets	155,861,865	153,961,883	1,550,665	1,423,665	157,412,530	155,385,548
Less accumulated depreciation	74,553,368	69,899,492	1,345,358	1,281,270	75,898,726	71,180,762
Total capital assets - Net of accumulated depreciation	<u>\$ 81,308,497</u>	<u>\$ 84,062,391</u>	<u>\$ 205,307</u>	<u>\$ 142,395</u>	<u>\$ 81,513,804</u>	<u>\$ 84,204,786</u>

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 \$43.9 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 School 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.

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, 2019 budget. One of the most important factors affecting the budget is the economic condition of the State of Michigan. The fiscal year 2019 budget was adopted in June 2018, 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 2018. Property tax revenue increased by 4.0 percent, or \$7.1 million, in 2019. Based on projections from the Oakland County equalization department, taking into consideration a Headlee rollback, we anticipate 2020 tax receipts to increase by 4.2 percent compared to 2019 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 2019 and beyond until the tax base has fully recovered, resulting in a cumulative erosion of district revenue of approximately \$394 million through fiscal year 2019. 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 5.2 percent, 4.25 percent, and 4.25 percent growth projected for 2020, 2021, and 2022, 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 a plaintiff, 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 District fiscal year ending June 30, 2020.

In the past, the State of Michigan has at times issued midyear executive orders prorating and reducing the State's funding commitment to the School District. This possibility continues to exist for fiscal year 2020. 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 \$3.5 million and restricted fund balances in the Special Education Fund of \$16.5 million and Vocational Education Fund of \$6.0 million are sufficient to meet any unanticipated shortfalls the State may experience in the School Aid Fund in fiscal year 2020.

The 2020 budget, as adopted in June 2019, 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 (QSCB). The federal interest subsidy on QSCB bonds was reduced in fiscal year 2019 by 6.4 percent. Similar reductions were assumed in the creation of the fiscal year 2020 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, MI 48328, or telephone (248) 209-2122.

June 30, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 4)	\$ 74,555,441	\$ 994,770	\$ 75,550,211
Receivables:			
Property taxes receivable	66,292	-	66,292
Accrued interest receivable	109,542	2,554	112,096
Other receivables	419,089	30,546	449,635
Due from other governments	19,319,488	182,259	19,501,747
Inventories	-	112,714	112,714
Prepaid expenses and other assets	115,617	60	115,677
Restricted assets (Note 4)	12,499,506	-	12,499,506
Capital assets: (Note 7)			
Land	3,410,122	-	3,410,122
Depreciable capital assets, less accumulated depreciation of \$75,898,726	77,898,375	205,307	78,103,682
Total assets	188,393,472	1,528,210	189,921,682
Deferred Outflows of Resources			
Deferred charges on bond refunding (Note 9)	508,190	-	508,190
Deferred pension costs (Note 11)	56,295,850	-	56,295,850
Deferred OPEB costs (Note 11)	8,155,222	-	8,155,222
Total deferred outflows of resources	64,959,262	-	64,959,262
Liabilities			
Accounts payable	2,148,353	57,651	2,206,004
Due to other governmental units	17,740,757	-	17,740,757
Accrued liabilities and other	5,682,897	24,636	5,707,533
Unearned revenue (Note 6)	3,291,379	524	3,291,903
Noncurrent liabilities:			
Due within one year:			
Provision for compensated absences (Note 9)	341,905	-	341,905
Provision for uninsured losses and liabilities (Note 12)	78,000	-	78,000
Bonds payable (Note 9)	1,059,013	-	1,059,013
Due in more than one year:			
Provision for compensated absences - Net of current portion (Note 9)	3,077,145	-	3,077,145
Bonds payable - Net of current portion (Note 9)	45,754,204	-	45,754,204
Net pension liability (Note 11)	154,832,673	-	154,832,673
Net OPEB liability (Note 11)	41,328,273	-	41,328,273
Total liabilities	275,334,599	82,811	275,417,410
Deferred Inflows of Resources (Note 11)			
Revenue in support of pension contributions made subsequent to the report date	5,744,416	-	5,744,416
Deferred pension cost reductions	11,836,449	-	11,836,449
Deferred OPEB cost reductions	9,289,569	-	9,289,569
Total deferred inflows of resources	26,870,434	-	26,870,434
Net Position			
Net investment in capital assets	35,003,470	205,307	35,208,777
Restricted:			
Special education	16,502,756	-	16,502,756
Vocational education	6,023,410	-	6,023,410
Debt service	16,795,807	-	16,795,807
Unrestricted	(123,177,742)	1,240,092	(121,937,650)
Total net position	<u>\$ (48,852,299)</u>	<u>\$ 1,445,399</u>	<u>\$ (47,406,900)</u>

Statement of Activities

Year Ended June 30, 2019

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
Instruction:						
Special education	\$ 1,382,280	\$ -	\$ -	\$ (1,382,280)	\$ -	\$ (1,382,280)
Vocational education	18,149,313	357,958	2,297,799	(15,493,556)	-	(15,493,556)
Other instruction	3,931,521	5,128,367	46,084	1,242,930	-	1,242,930
Support services	81,869,567	26,363,113	14,032,287	(41,474,167)	-	(41,474,167)
Community services	1,485,391	-	1,454,256	(31,135)	-	(31,135)
Interdistrict transfers and other	209,688,844	-	63,309,880	(146,378,964)	-	(146,378,964)
Interest and other	2,031,281	-	-	(2,031,281)	-	(2,031,281)
Depreciation (excludes direct depreciation expenses of various programs)	4,679,704	-	-	(4,679,704)	-	(4,679,704)
Total governmental activities	323,217,901	31,849,438	81,140,306	(210,228,157)	-	(210,228,157)
Business-type activities - Includes depreciation expense of \$64,088	1,742,505	1,817,157	-	-	74,652	74,652
Total primary government	<u>\$ 324,960,406</u>	<u>\$ 33,666,595</u>	<u>\$ 81,140,306</u>	(210,228,157)	74,652	(210,153,505)
General revenue:						
Taxes:						
Property taxes levied for general education purposes				11,133,169	-	11,133,169
Property taxes levied for special education purposes				141,567,537	-	141,567,537
Property taxes levied for vocational education purposes				34,638,383	-	34,638,383
State aid not restricted to specific purposes				12,135,214	-	12,135,214
Interest and investment earnings				3,682,950	23,779	3,706,729
Total general revenue				203,157,253	23,779	203,181,032
Change in Net Position				(7,070,904)	98,431	(6,972,473)
Net Position - Beginning of year				(41,781,395)	1,346,968	(40,434,427)
Net Position - End of year				<u>\$ (48,852,299)</u>	<u>\$ 1,445,399</u>	<u>\$ (47,406,900)</u>

**Governmental Funds
Balance Sheet**
June 30, 2019

	General Education Fund	Special Education Fund	Vocational Education Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments (Note 4)	\$ 6,934,238	\$ 18,321,355	\$ 8,700,727	\$ 34,973,433	\$ 68,929,753
Receivables:					
Property taxes receivable	3,940	50,095	12,257	-	66,292
Accrued interest receivable	17,922	6,040	4,743	69,793	98,498
Other receivables	172,145	27,564	75,602	143,778	419,089
Due from other governments	6,042,555	10,717,041	1,454,758	1,105,134	19,319,488
Prepaid expenditures	28,508	19,695	17,170	50,244	115,617
Restricted assets (Notes 2 and 4)	-	-	-	12,499,506	12,499,506
Total assets	\$ 13,199,308	\$ 29,141,790	\$ 10,265,257	\$ 48,841,888	\$ 101,448,243
Liabilities					
Accounts payable	\$ 555,202	\$ 254,474	\$ 400,780	\$ 859,299	\$ 2,069,755
Due to other governmental units	3,559,477	11,253,648	994,453	1,933,179	17,740,757
Accrued payroll and other liabilities	806,501	1,106,413	2,776,043	546,645	5,235,602
Unearned revenue (Note 6)	3,136,808	-	70,571	84,000	3,291,379
Total liabilities	8,057,988	12,614,535	4,241,847	3,423,123	28,337,493
Deferred Inflows of Resources -					
Unavailable revenue (Note 6)	160,560	24,499	-	-	185,059
Total liabilities and deferred inflows of resources	8,218,548	12,639,034	4,241,847	3,423,123	28,522,552
Fund Balances					
Nonspendable - Prepaid expenditures	28,508	19,695	17,170	50,244	115,617
Restricted:					
Debt service	-	-	-	17,151,790	17,151,790
Special education	-	16,483,061	-	-	16,483,061
Vocational education	-	-	6,006,240	-	6,006,240
Committed:					
Capital projects	-	-	-	14,839,591	14,839,591
Special revenue funds	-	-	-	13,377,140	13,377,140
Assigned	1,500,000	-	-	-	1,500,000
Unassigned	3,452,252	-	-	-	3,452,252
Total fund balances	4,980,760	16,502,756	6,023,410	45,418,765	72,925,691
Total liabilities, deferred inflows of resources, and fund balances	\$ 13,199,308	\$ 29,141,790	\$ 10,265,257	\$ 48,841,888	\$ 101,448,243

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2019

Fund Balances Reported in Governmental Funds	\$ 72,925,691
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	155,861,865
Accumulated depreciation	<u>(74,553,368)</u>
Net capital assets used in governmental activities	81,308,497
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	185,059
Deferred inflows and outflows related to bond refundings are not reported in the funds	508,190
Bonds payable including premium are not due and payable in the current period and are not reported in the funds	(46,813,217)
Accrued interest is not due and payable in the current period and is not reported in the funds	(355,983)
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	(110,373,272)
Net OPEB liability and related deferred inflows and outflows	(42,462,620)
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	(5,744,416)
Internal service funds are included as part of governmental activities	<u>1,969,772</u>
Net Position of Governmental Activities	<u><u>\$ (48,852,299)</u></u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2019

	General Education Fund	Special Education Fund	Vocational Education Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Local sources	\$ 15,399,814	\$ 143,228,545	\$ 35,588,546	\$ 28,298,807	\$ 222,515,712
State sources	29,458,436	6,543,852	5,012,717	969,005	41,984,010
Federal sources	2,602,753	45,750,161	1,941,091	1,113,146	51,407,151
Other	428,293	274,953	127,685	-	830,931
Total revenue	47,889,296	195,797,511	42,670,039	30,380,958	316,737,804
Expenditures					
Current:					
Instruction	45,401	1,174,969	16,759,325	3,859,004	21,838,699
Support services	23,341,663	19,916,214	19,396,936	11,601,604	74,256,417
Community services	1,384,357	15,116	-	-	1,399,473
Debt service:					
Principal	-	-	-	840,000	840,000
Interest and other	-	-	-	2,182,400	2,182,400
Capital outlay	244,079	438,305	120,349	2,661,978	3,464,711
Interdistrict transfers and other	20,194,466	175,914,499	2,444,732	11,135,147	209,688,844
Total expenditures	45,209,966	197,459,103	38,721,342	32,280,133	313,670,544
Excess of Revenue Over (Under) Expenditures	2,679,330	(1,661,592)	3,948,697	(1,899,175)	3,067,260
Other Financing Sources (Uses)					
Transfers in (Note 8)	278,941	-	-	8,271,600	8,550,541
Transfers out (Note 8)	(2,108,800)	(648,700)	(4,548,800)	(1,244,241)	(8,550,541)
Total other financing (uses) sources	(1,829,859)	(648,700)	(4,548,800)	7,027,359	-
Net Change in Fund Balances	849,471	(2,310,292)	(600,103)	5,128,184	3,067,260
Fund Balances - Beginning of year	4,131,289	18,813,048	6,623,513	40,290,581	69,858,431
Fund Balances - End of year	<u><u>\$ 4,980,760</u></u>	<u><u>\$ 16,502,756</u></u>	<u><u>\$ 6,023,410</u></u>	<u><u>\$ 45,418,765</u></u>	<u><u>\$ 72,925,691</u></u>

Governmental Funds

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

Year Ended June 30, 2019

Net Change in Fund Balances Reported in Governmental Funds	\$ 3,067,260
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	1,925,810
Depreciation expense	(4,679,704)
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	(156,154)
Revenue in support of pension contributions made subsequent to the measurement date	(434,653)
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	984,119
Interest expense is recognized in the government-wide statements as it accrues	7,000
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	(7,871,188)
Internal service funds are included as part of governmental activities	86,606
Change in Net Position of Governmental Activities	<u><u>\$ (7,070,904)</u></u>

**Proprietary Funds
Statement of Net Position**

June 30, 2019

	<u>Production Print Enterprise Fund</u>	<u>Internal Service Fund</u>
Assets		
Current assets:		
Cash (Note 4)	\$ 994,770	\$ 5,625,688
Receivables:		
Accrued interest receivable	2,554	11,044
Other receivables	30,546	-
Due from other governments	182,259	-
Inventories	112,714	-
Prepaid expenses and other assets	60	-
Total current assets	1,322,903	5,636,732
Noncurrent assets - Capital assets - Net of accumulated depreciation of \$1,345,358 (Note 7)	205,307	-
Total assets	1,528,210	5,636,732
Liabilities		
Current liabilities:		
Accounts payable	57,651	78,598
Accrued liabilities and other	24,636	91,312
Unearned revenue	524	-
Provision for compensated absences (Note 9)	-	341,905
Provision for uninsured losses and liabilities (Note 12)	-	78,000
Total current liabilities	82,811	589,815
Noncurrent liabilities - Provision for compensated absences - Net of current portion (Note 9)	-	3,077,145
Total liabilities	82,811	3,666,960
Net Position		
Net investment in capital assets	205,307	-
Unrestricted	1,240,092	1,969,772
Total net position	<u><u>\$ 1,445,399</u></u>	<u><u>\$ 1,969,772</u></u>

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

Year Ended June 30, 2019

	<u>Production Print Enterprise Fund</u>	<u>Internal Service Fund</u>
Operating Revenue		
Charges for services	\$ 1,817,157	\$ -
Charges to other funds	<u>-</u>	<u>8,790,963</u>
Total operating revenue	1,817,157	8,790,963
Operating Expenses		
Claims, reinsurance, and administrative fees - Health, dental, vision, and other	-	8,436,883
Severance/Compensated absence	-	330,219
Production print operations	1,678,417	-
Depreciation	<u>64,088</u>	<u>-</u>
Total operating expenses	<u>1,742,505</u>	<u>8,767,102</u>
Operating Income	74,652	23,861
Nonoperating Revenue - Interest income	<u>23,779</u>	<u>62,745</u>
Change in Net Position	98,431	86,606
Net Position - Beginning of year	<u>1,346,968</u>	<u>1,883,166</u>
Net Position - End of year	<u><u>\$ 1,445,399</u></u>	<u><u>\$ 1,969,772</u></u>

**Proprietary Funds
Statement of Cash Flows**

Year Ended June 30, 2019

	<u>Production Print Enterprise Fund</u>	<u>Internal Service Fund</u>
Cash Flows from Operating Activities		
Receipts from customers	\$ 1,884,368	\$ -
Receipts from other funds	-	8,788,023
Payments for production print operations	(1,690,213)	-
Claims and administrative fees paid	-	(8,740,670)
	<u>194,155</u>	<u>47,353</u>
Net cash provided by operating activities	194,155	47,353
Cash Flows Used in Financing Activities - Purchase of capital assets	(127,000)	-
Cash Flows Provided by Investing Activities - Interest received on investments	<u>23,779</u>	<u>62,745</u>
Net Increase in Cash	90,934	110,098
Cash - Beginning of year	<u>903,836</u>	<u>5,515,590</u>
Cash - End of year	<u><u>\$ 994,770</u></u>	<u><u>\$ 5,625,688</u></u>
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 74,652	\$ 23,861
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	64,088	-
Changes in assets and liabilities:		
Receivables	67,211	(2,940)
Inventories and prepaids	(14,060)	-
Accounts payable	11,523	(14,760)
Due to other governmental units	(2,956)	-
Accrued and other liabilities	(6,303)	(41,621)
Accrued benefits	-	82,813
	<u>119,503</u>	<u>23,492</u>
Total adjustments	119,503	23,492
Net cash provided by operating activities	<u><u>\$ 194,155</u></u>	<u><u>\$ 47,353</u></u>

Oakland Schools

Fiduciary Fund Statement of Fiduciary Assets and Liabilities

June 30, 2019

Student Activity
Agency Fund

Assets

Cash and cash equivalents (Note 4)
Receivables

\$ 336,364
900

Total assets

\$ 337,264

Liabilities - Due to students and other

\$ 337,264

June 30, 2019**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) 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

The County elected its first county commissioner of schools (the "Commissioner") 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, 2019**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 millages 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 kindergarten through 8th grade and 9th 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, 2019**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 cofunded 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 Facility 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 Qualified School Construction Bond (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 Production Print 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 reported 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 are held for the students.

June 30, 2019**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 three months when acquired. Investments are stated at fair value, except for investments in external investment pools, which are valued at amortized cost.

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, 2019

Note 2 - Significant Accounting Policies (Continued)

Payments made for services that will benefit periods beyond June 30, 2019 are recorded as prepaid expenditures. Prepaid expenditures recorded in the governmental fund types do not reflect current appropriable 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 funds 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 "other financing sources" 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, 2019**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, 2019**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 on 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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS 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, 2019**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.

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 has evaluated the impact this standard will have on the financial statements. As of July 1, 2019, the School District will report the activities and balances currently reported as fiduciary in a newly created special revenue fund.

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.

June 30, 2019

Note 3 - Stewardship, Compliance, and Accountability (Continued)

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or 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.

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 \$47,410,208 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, 2019, the School District does not have investments with custodial credit risk, as all investments were held directly by the School District.

June 30, 2019

Note 4 - Deposits and Investments (Continued)**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. At year end, the School District's investment in Michigan Liquid Asset Fund (MILAF) Term Series had a weighted-average maturity of less than one year.

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, 2019, the School District had investments in commercial paper with a carrying value of \$1,349,394, held by an agent in the School District's name. As of year end, the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
Primary Government			
United States government agency securities:			
U.S. Treasury strips	\$ 6,388,742	AA+	Standard & Poor's
Federal Home Loan Bank bonds	748,553	AA+	Standard & Poor's
Commercial paper	1,349,394	A1	Standard & Poor's
Resolution Funding Corporation STRIPS	5,177,770	AA+	Standard & Poor's
Michigan Liquid Asset Fund Investment Pools	28,113,928	AAA	Standard & Poor's
Michigan Liquid Asset Fund - Term Series Sep 2020	700,000	AA+	Kroll
Total	<u>\$ 42,478,387</u>		

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 Resolution Funding Corporation STRIPS represent investments approximately equal to 12 percent of 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 net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

June 30, 2019

Note 5 - Fair Value Measurements (Continued)

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, 2019:

	Significant Other Observable Inputs (Level 2)
Debt securities:	
U.S. Treasury securities	\$ 6,388,742
Federal agency securities	748,553
Resolution Funding Corporation STRIPS	5,177,770
Commercial paper	1,349,394
Total debt securities	<u>\$ 13,664,459</u>

Investments in Entities that Calculate Net Asset Value per Share

The School District holds shares in the Michigan Liquid Asset Fund 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, 2019, the net asset value of the School District's investment in the MILAF Term Series was \$700,000 and matures in January 2020. 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.

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, 2019, the School District had approximately \$185,000 of unavailable revenue, primarily related to amounts due from other governmental units not received timely, and approximately \$3,291,000 of unearned revenue, primarily related to grant and categorical aid payments received prior to meeting all eligibility requirements.

June 30, 2019

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, 2018	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets not being depreciated - Land	\$ 3,410,122	\$ -	\$ -	\$ 3,410,122
Capital assets being depreciated:				
Buildings	27,088,030	-	-	27,088,030
Furniture and equipment	29,748,588	1,513,892	-	31,262,480
Vehicles other than buses	872,702	-	(25,828)	846,874
Building improvements	92,842,441	411,918	-	93,254,359
Subtotal	150,551,761	1,925,810	(25,828)	152,451,743
Accumulated depreciation:				
Buildings	8,962,006	544,706	-	9,506,712
Furniture and equipment	26,570,757	911,015	-	27,481,772
Vehicles other than buses	619,265	51,462	(25,828)	644,899
Building improvements	33,747,464	3,172,521	-	36,919,985
Subtotal	69,899,492	4,679,704	(25,828)	74,553,368
Net capital assets being depreciated	80,652,269	(2,753,894)	-	77,898,375
Net governmental activities capital assets	<u>\$ 84,062,391</u>	<u>\$ (2,753,894)</u>	<u>\$ -</u>	<u>\$ 81,308,497</u>

Business-type Activities

	Balance July 1, 2018	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets being depreciated - Furniture and equipment	\$ 1,423,665	\$ 127,000	\$ -	\$ 1,550,665
Accumulated depreciation - Furniture and equipment	1,281,270	64,088	-	1,345,358
Net business-type activities capital assets	<u>\$ 142,395</u>	<u>\$ 62,912</u>	<u>\$ -</u>	<u>\$ 205,307</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 \$813,400 to the ONE Cooperative Activities Fund to provide resources for projects.

The General Education Fund transferred \$1,250,000 to the capital projects funds to provide resources for projects.

The General Education Fund transferred \$45,400 to the debt service funds to provide resources for debt service.

The Special Education Fund transferred \$600,000 to the capital projects funds to provide resources for projects.

June 30, 2019

Note 8 - Interfund Transfers (Continued)

The Special Education Fund transferred \$42,100 to the debt service funds to provide resources for debt service.

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

The Vocational Education Fund transferred \$2,350,000 to the capital projects funds to provide resources for projects.

The Vocational Education Fund transferred \$2,192,200 to the debt service funds to provide resources for debt service.

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

The QSCB Debt Service Fund transferred \$845,000 to the QSCB Reserve Debt Service Fund to provide for annual set-aside requirements and debt service.

The Shared Services and Tuition Programs Cooperative Activities Fund transferred \$178,941 to the General Education Fund for indirect costs earned on shared services.

The HR/Finance Consortium Cooperative Activities Fund transferred \$100,000 to the General Education Fund to reimburse the General Education Fund for program-related expenditures.

The ONE Cooperative Activities Fund transferred \$68,900 to the the debt services funds to provide resources for debt service.

The Administration Building Capital Projects Fund transferred \$51,400 to the debt service funds to provide resources for debt service.

Note 9 - Long-term Debt

Long-term debt activity for the year ended June 30, 2019 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Other debt - General obligation bonds payable	\$ 44,695,000	\$ -	\$ (840,000)	\$ 43,855,000	\$ 885,000
Unamortized bond premiums	3,132,230	-	(174,013)	2,958,217	174,013
Total bonds payable	47,827,230	-	(1,014,013)	46,813,217	1,059,013
Compensated absences	3,331,237	359,316	(271,503)	3,419,050	341,905
Total governmental activities long-term debt	<u>\$ 51,158,467</u>	<u>\$ 359,316</u>	<u>\$ (1,285,516)</u>	<u>\$ 50,232,267</u>	<u>\$ 1,400,918</u>

The School District had deferred outflows of \$508,190 related to deferred charges on bond refundings at June 30, 2019. Amortization of deferred charges on bond refundings totaled \$29,894 during the year.

June 30, 2019

Note 9 - Long-term Debt (Continued)**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, 2019 are as follows:

Purpose	Remaining Annual Installments	Interest Rates	Maturing	Outstanding
\$30,695,000 general obligation bonds (2016)	\$885,000 - \$2,345,000	3% - 5%	2036	\$ 29,055,000
\$14,800,000 general obligation bonds (2010)	\$14,800,000	6.25%*	2027	<u>14,800,000</u>
Total governmental activities				<u>\$ 43,855,000</u>

*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.

Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities			
	Principal	Interest	Maximum Interest Subsidy	Total - Net
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	1,460,000	1,926,900	(800,680)	2,586,220
2025-2029	23,275,000	6,613,250	(2,402,040)	27,486,210
2030-2034	10,365,000	2,109,100	-	12,474,100
2035-2036	4,575,000	346,000	-	4,921,000
Total	<u>\$ 43,855,000</u>	<u>\$ 19,264,850</u>	<u>\$ (6,405,440)</u>	<u>\$ 56,714,410</u>

June 30, 2019

Note 10 - Leases***Operating Leases***

The School District leases certain facilities under noncancelable operating leases. Total costs for such leases were approximately \$283,500 for the current year. The future minimum lease payments for these leases are as follows:

Years Ending	Amount
2020	\$ 365,815
2021	313,356
2022	313,356
2023	313,356
2024	341,912
2025-2029	1,722,540
2030-2034	1,722,540
2035	28,709
Total	<u>\$ 5,121,584</u>

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.

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.

June 30, 2019

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

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. Some members who do not receive an annual increase 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.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree health care 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 stopped paying the 3 percent contribution to the retiree health care 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
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%
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%

June 30, 2019**Note 11 - Michigan Public School Employees' Retirement System (Continued)**

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 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, 2019 were \$13,928,988, 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 \$5,744,416 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, 2019.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2019 were \$3,661,105, which include the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2019, the School District reported a liability of \$154,832,673 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. 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, 2018 and 2017, the School District's proportion was 0.52 and 0.51 percent, respectively, representing a change of 1.90 percent.

Net OPEB Liability

At June 30, 2019, the School District reported a liability of \$41,328,273 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2019 was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. 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, 2018 and 2017, the School District's proportion was 0.52 and 0.50 percent, respectively, representing a change of 3.00 percent.

June 30, 2019

Note 11 - Michigan Public School Employees' Retirement System (Continued)***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For 2019, the School District recognized pension expense of \$23,666,978, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2019, 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	\$ 718,453	\$ (1,125,142)
Changes in assumptions	35,859,119	-
Net difference between projected and actual earnings on pension plan investments	-	(10,586,619)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	7,963,251	(124,688)
The School District's contributions to the plan subsequent to the measurement date	11,755,027	-
Total	<u>\$ 56,295,850</u>	<u>\$ (11,836,449)</u>

The \$5,744,416 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, 2020. 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
2020	\$ 13,970,671
2021	9,966,172
2022	6,413,486
2023	2,354,045
Total	<u>\$ 32,704,374</u>

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

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

For the year ended June 30, 2019, the School District recognized OPEB expense of \$2,264,223.

June 30, 2019

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

At June 30, 2019, 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	\$ -	\$ (7,692,253)
Changes in assumptions	4,376,685	-
Net difference between projected and actual earnings on OPEB plan investments	-	(1,588,344)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	1,143,477	(8,972)
Employer contributions to the plan subsequent to the measurement date	2,635,060	-
Total	<u>\$ 8,155,222</u>	<u>\$ (9,289,569)</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 OPEB expense):

Years Ending	Amount
2020	\$ (964,247)
2021	(964,247)
2022	(964,247)
2023	(640,690)
2024	(235,976)
Total	<u>\$ (3,769,407)</u>

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2018 are based on the results of an actuarial valuation as of September 30, 2017 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00% - 7.05%	Net of investment expenses based on the groups
Investment rate of return - OPEB	7.15%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75% for 2019 and 3.50% for 2018
Healthcare cost trend rate - OPEB	7.50%	Year 1 graded to 3.0% year 12
Mortality basis		RP2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP2017 from 2006
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 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation.

June 30, 2019

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

The discount rate used to measure the total pension liability was 6.00 to 7.05 percent as of September 30, 2018 depending on the plan option. The discount rate used to measure the total OPEB liability was 7.15 percent as of September 30, 2018. 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 %	5.70 %
Private equity pools	18.00	9.20
International equity pools	16.00	7.20
Fixed-income pools	10.50	0.50
Real estate and infrastructure pools	10.00	3.90
Absolute return pools	15.50	5.20
Short-term investment pools	2.00	-
Total	100.00 %	

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 (5.00 - 6.05%)	Current Discount Rate (6.00 - 7.05%)	1 Percent Increase (7.00 - 8.05%)
Net pension liability of the School District	\$ 203,283,341	\$ 154,832,673	\$ 114,578,043

June 30, 2019

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 (6.15%)	Current Discount Rate (7.15%)	1 Percent Increase (8.15%)
Net OPEB liability of the School District	\$ 49,613,751	\$ 41,328,273	\$ 34,359,173

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 Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the School District	\$ 33,992,049	\$ 41,328,273	\$ 49,744,419

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, 2019, the School District reported a payable of \$2,296,606 and \$319,826 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2019.

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 \$977,400 for the year ended June 30, 2019.

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 \$21,600 in unemployment expense for fiscal year 2019.

Workers' Compensation - The School District provides a workers' compensation plan that covers all employees. The premiums are paid for by the School District. During 2019, the premiums amounted to approximately \$110,600.

June 30, 2019

Note 12 - Risk Management (Continued)

Medical - The School District provides medical insurance with certain copay features to substantially all employees. Some plans require that the employee pay a portion of the premium. During 2019, the premiums paid by the School District amounted to approximately \$6,450,800.

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 \$166.7 million. The School District has a fleet of 15 vans, 10 trucks, and seven cargo trailers, 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 that 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 and those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	2019	2018
Estimated liability - Beginning of year	\$ 83,000	\$ 78,000
Estimated claims incurred, including changes in estimates	941,000	993,000
Claim payments	(946,000)	(988,000)
Estimated liability - End of year	<u>\$ 78,000</u>	<u>\$ 83,000</u>

Note 13 - Contingencies

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, that 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, 2019, the School District received approximately \$364,300, which is reported in the General Education Fund.

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 taxes (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 PILOTs compensate local governments for some or all of the real estate tax revenue that is lost due to the waiver of that revenue.

June 30, 2019

Note 14 - Tax Abatements (Continued)

For the fiscal year ended June 30, 2019, the School District's property tax revenue was reduced by approximately \$1,630,000 under these programs. The School District does not receive reimbursement for these amounts.

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, 2019

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 15,776,800	\$ 15,803,700	\$ 15,399,814	\$ (403,886)
State sources	29,341,500	32,614,600	29,458,436	(3,156,164)
Federal sources	6,904,900	4,259,700	2,602,753	(1,656,947)
Transfers and other revenue	670,800	695,900	707,234	11,334
Total revenue	52,694,000	53,373,900	48,168,237	(5,205,663)
Expenditures				
Current:				
Instruction	40,600	83,000	45,401	(37,599)
Support services:				
Pupil	228,600	280,300	201,637	(78,663)
Instructional staff	13,462,500	12,695,600	9,997,413	(2,698,187)
General administration	1,980,900	1,841,800	1,729,414	(112,386)
School administration	33,000	14,400	18,320	3,920
Business services	970,600	924,600	890,647	(33,953)
Operations and maintenance	719,200	1,088,900	881,242	(207,658)
Pupil transportation services	1,245,500	1,366,200	1,300,498	(65,702)
Central	9,418,500	8,862,700	7,708,704	(1,153,996)
Other	1,000,200	931,200	857,867	(73,333)
Community services	5,079,100	1,972,200	1,384,357	(587,843)
Interdistrict transfers and other	18,912,500	23,565,900	22,303,266	(1,262,634)
Total expenditures	53,091,200	53,626,800	47,318,766	(6,308,034)
Net Change in Fund Balance	(397,200)	(252,900)	849,471	1,102,371
Fund Balance - Beginning of year	4,131,289	4,131,289	4,131,289	-
Fund Balance - End of year	<u>\$ 3,734,089</u>	<u>\$ 3,878,389</u>	<u>\$ 4,980,760</u>	<u>\$ 1,102,371</u>

Oakland Schools

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

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 141,418,600	\$ 143,271,500	\$ 143,228,545	\$ (42,955)
State sources	5,753,400	6,524,200	6,543,852	19,652
Federal sources	48,719,200	51,561,100	45,750,161	(5,810,939)
Transfers and other revenue	221,700	220,000	274,953	54,953
Total revenue	196,112,900	201,576,800	195,797,511	(5,779,289)
Expenditures				
Current:				
Instruction	2,510,000	2,077,800	1,174,969	(902,831)
Support services:				
Pupil	11,479,000	10,608,600	9,663,383	(945,217)
Instructional staff	4,144,600	3,825,600	3,456,732	(368,868)
General administration	859,100	778,600	725,061	(53,539)
Business services	1,152,000	792,900	778,751	(14,149)
Operations and maintenance	623,400	544,700	490,099	(54,601)
Pupil transportation services	93,400	68,200	52,703	(15,497)
Central	4,667,500	5,047,800	4,828,051	(219,749)
Other	339,000	398,300	359,739	(38,561)
Community services	400	400	15,116	14,716
Interdistrict transfers and other	176,528,100	185,417,700	176,563,199	(8,854,501)
Total expenditures	202,396,500	209,560,600	198,107,803	(11,452,797)
Net Change in Fund Balance	(6,283,600)	(7,983,800)	(2,310,292)	5,673,508
Fund Balance - Beginning of year	18,813,048	18,813,048	18,813,048	-
Fund Balance - End of year	<u><u>\$ 12,529,448</u></u>	<u><u>\$ 10,829,248</u></u>	<u><u>\$ 16,502,756</u></u>	<u><u>\$ 5,673,508</u></u>

Oakland Schools

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

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 35,076,200	\$ 35,642,700	\$ 35,588,546	\$ (54,154)
State sources	3,990,900	5,019,500	5,012,717	(6,783)
Federal sources	1,606,900	1,956,000	1,941,091	(14,909)
Transfers and other revenue	154,400	128,000	127,685	(315)
Total revenue	40,828,400	42,746,200	42,670,039	(76,161)
Expenditures				
Current:				
Instruction	17,498,400	17,199,900	16,829,743	(370,157)
Support services:				
Pupil	2,388,400	2,639,400	2,655,368	15,968
Instructional staff	2,844,700	3,262,300	3,045,025	(217,275)
General administration	915,000	784,300	741,072	(43,228)
School administration	2,249,000	2,377,700	2,316,316	(61,384)
Business services	1,412,100	1,274,700	1,256,196	(18,504)
Operations and maintenance	3,602,200	3,782,200	3,686,121	(96,079)
Pupil transportation services	190,000	126,700	117,364	(9,336)
Central	5,830,600	5,714,300	5,450,111	(264,189)
Other	225,500	174,000	179,294	5,294
Interdistrict transfers and other	3,822,000	7,015,600	6,993,532	(22,068)
Total expenditures	40,977,900	44,351,100	43,270,142	(1,080,958)
Net Change in Fund Balance	(149,500)	(1,604,900)	(600,103)	1,004,797
Fund Balance - Beginning of year	6,623,513	6,623,513	6,623,513	-
Fund Balance - End of year	<u><u>\$ 6,474,013</u></u>	<u><u>\$ 5,018,613</u></u>	<u><u>\$ 6,023,410</u></u>	<u><u>\$ 1,004,797</u></u>

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

	Last Five Plan Years				
	Plan Years Ended September 30				
	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.51505 %	0.50550 %	0.47845 %	0.46070 %	0.43183 %
School District's proportionate share of the net pension liability	\$ 154,832,673	\$ 130,996,169	\$ 119,368,632	\$ 112,525,808	\$ 95,110,375
School District's covered employee payroll	\$ 44,265,616	\$ 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	349.78 %	303.49 %	290.19 %	292.39 %	258.40 %
Plan fiduciary net position as a percentage of total pension liability	62.12 %	63.96 %	63.01 %	62.92 %	66.20 %

Oakland Schools

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

	Last Five Fiscal Years Years Ended June 30				
	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 13,720,880	\$ 13,262,230	\$ 12,085,927	\$ 11,005,194	\$ 8,210,005
Contributions in relation to the statutorily required contribution	13,720,880	13,262,230	12,085,927	11,005,194	8,210,005
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -
School District's Covered Employee Payroll	\$ 44,385,939	\$ 44,060,613	\$ 44,388,538	\$ 40,183,160	\$ 38,428,512
Contributions as a Percentage of Covered Employee Payroll	30.91 %	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 Two Plan Years	
	Plan Years Ended September 30	
	2018	2017
School District's proportion of the net OPEB liability	0.51992 %	0.50477 %
School District's proportionate share of the net OPEB liability	\$ 41,328,273	\$ 44,699,757
School District's covered employee payroll	\$ 44,265,616	\$ 43,162,651
School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	93.36 %	103.56 %
Plan fiduciary net position as a percentage of total OPEB liability	43.10 %	36.53 %

Oakland Schools

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

	Last Two Fiscal Years	
	Years Ended June 30	
	2019	2018
Statutorily required contribution	\$ 3,485,051	\$ 3,182,377
Contributions in relation to the statutorily required contribution	3,485,051	3,182,377
Contribution Deficiency	\$ -	\$ -
School District's Covered Employee Payroll	\$ 44,385,939	\$ 44,060,613
Contributions as a Percentage of Covered Employee Payroll	7.85 %	7.22 %

June 30, 2019***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 for each of the reported plan years ended September 30.

Changes in Assumptions

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

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percent.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percent.

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 for each of the reported plan years ended September 30.

Changes in Assumptions

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

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percent.

Other Supplemental Information

Oakland Schools

Other Supplemental Information

Budgetary Comparison Schedule - Nonmajor Special Revenue Funds

Shared Services and Tuition Programs Cooperative Activities Fund

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 12,705,300	\$ 13,420,600	\$ 13,781,374	\$ 360,774
State sources	917,700	871,900	861,727	(10,173)
Transfers in and other revenue	321,000	358,000	-	(358,000)
Total revenue	13,944,000	14,650,500	14,643,101	(7,399)
Expenditures				
Current:				
Instruction	3,756,500	3,915,500	3,939,756	24,256
Support services:				
Pupil	160,000	239,100	251,621	12,521
Instructional staff	15,000	-	-	-
General administration	543,500	637,300	617,679	(19,621)
School administration	703,700	702,500	727,364	24,864
Business services	1,922,400	1,545,000	1,402,424	(142,576)
Operations and maintenance	62,300	48,600	29,665	(18,935)
Pupil transportation services	-	1,300	1,144	(156)
Central	7,040,000	6,436,700	6,493,319	56,619
Interdistrict transfers and other	236,900	255,900	253,141	(2,759)
Total expenditures	14,440,300	13,781,900	13,716,113	(65,787)
Net Change in Fund Balance	(496,300)	868,600	926,988	58,388
Fund Balance - Beginning of year	2,862,850	2,862,850	2,862,850	-
Fund Balance - End of year	<u><u>\$ 2,366,550</u></u>	<u><u>\$ 3,731,450</u></u>	<u><u>\$ 3,789,838</u></u>	<u><u>\$ 58,388</u></u>

Oakland Schools

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

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 753,500	\$ 859,800	\$ 900,917	\$ 41,117
Transfers and other revenue	26,600	826,600	826,600	-
Total revenue	780,100	1,686,400	1,727,517	41,117
Expenditures				
Support services - Central	1,602,500	1,528,000	424,739	(1,103,261)
Interdistrict transfers and other	-	73,900	68,900	(5,000)
Total expenditures	1,602,500	1,601,900	493,639	(1,108,261)
Net Change in Fund Balance	(822,400)	84,500	1,233,878	1,149,378
Fund Balance - Beginning of year	7,744,637	7,744,637	7,744,637	-
Fund Balance - End of year	<u><u>\$ 6,922,237</u></u>	<u><u>\$ 7,829,137</u></u>	<u><u>\$ 8,978,515</u></u>	<u><u>\$ 1,149,378</u></u>

Oakland Schools

Other Supplemental Information
Budgetary Comparison Schedule - Nonmajor Special Revenue Funds
(Continued)

Medicaid Cooperative Activities Fund

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 9,629,700	\$ 11,221,600	\$ 11,226,171	\$ 4,571
State sources	39,100	39,900	39,703	(197)
Federal sources	250,000	440,000	363,710	(76,290)
Total revenue	9,918,800	11,701,500	11,629,584	(71,916)
Expenditures				
Current -				
Support services:				
Operations and maintenance	36,800	36,400	36,357	(43)
Central	628,300	603,300	568,780	(34,520)
Interdistrict transfers and other	9,253,700	11,061,800	11,024,447	(37,353)
Total expenditures	9,918,800	11,701,500	11,629,584	(71,916)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Oakland Schools

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Special Revenue Funds (Continued)

HR/Finance Consortium Cooperative Activities Fund

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 920,500	\$ 1,049,200	\$ 1,050,512	\$ 1,312
State sources	58,200	67,800	67,575	(225)
Total revenue	978,700	1,117,000	1,118,087	1,087
Expenditures - Support services - Central	1,268,800	1,257,900	1,201,878	(56,022)
Net Change in Fund Balance	(290,100)	(140,900)	(83,791)	57,109
Fund Balance - Beginning of year	692,953	692,953	692,953	-
Fund Balance - End of year	<u>\$ 402,853</u>	<u>\$ 552,053</u>	<u>\$ 609,162</u>	<u>\$ 57,109</u>

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2019

	Special Revenue Funds	2016 Refunding Bonds Debt Service Fund	Qualified School Construction Bond Debt Service Fund	Qualified School Construction Bond Reserve Debt Service Fund	Administration Building Capital Projects Fund	CFE Campus Renovations Capital Projects Fund	Career Connections Facility Capital Projects Fund	Total
Assets								
Cash and investments	\$ 14,813,888	\$ 4,643,960	\$ -	\$ -	\$ 6,828,269	\$ 8,205,221	\$ 482,095	\$ 34,973,433
Receivables:								
Accrued interest receivable	34,780	6,526	1,570	228	16,553	9,027	1,109	69,793
Other receivables	90,936	-	-	-	-	1,096	51,746	143,778
Due from other governments	1,105,134	-	-	-	-	-	-	1,105,134
Prepaid expenditures	375	-	-	-	31,056	18,813	-	50,244
Restricted assets	-	-	4,228,824	8,270,682	-	-	-	12,499,506
Total assets	\$ 16,045,113	\$ 4,650,486	\$ 4,230,394	\$ 8,270,910	\$ 6,875,878	\$ 8,234,157	\$ 534,950	\$ 48,841,888
Liabilities								
Accounts payable	\$ 103,774	\$ -	\$ -	\$ -	\$ 96,091	\$ 659,434	\$ -	\$ 859,299
Due to other governmental units	1,933,179	-	-	-	-	-	-	1,933,179
Accrued payroll and other liabilities	546,645	-	-	-	-	-	-	546,645
Unearned revenue	84,000	-	-	-	-	-	-	84,000
Total liabilities	2,667,598	-	-	-	96,091	659,434	-	3,423,123
Fund Balances								
Nonspendable - Prepaid expenditures	375	-	-	-	31,056	18,813	-	50,244
Restricted - Debt service	-	4,650,486	4,230,394	8,270,910	-	-	-	17,151,790
Committed:								
Capital projects	-	-	-	-	6,748,731	7,555,910	534,950	14,839,591
Special revenue funds	13,377,140	-	-	-	-	-	-	13,377,140
Total fund balances	13,377,515	4,650,486	4,230,394	8,270,910	6,779,787	7,574,723	534,950	45,418,765
Total liabilities and fund balances	\$ 16,045,113	\$ 4,650,486	\$ 4,230,394	\$ 8,270,910	\$ 6,875,878	\$ 8,234,157	\$ 534,950	\$ 48,841,888

Oakland Schools

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

Year Ended June 30, 2019

	Special Revenue Funds	2016 Refunding Bonds Debt Service Fund	Qualified School Construction Bond Debt Service Fund	Qualified School Construction Bond Reserve Debt Service Fund	Administration Building Capital Projects Fund	CFE Campus Renovations Capital Projects Fund	Career Connections Facility Capital Projects Fund	Total
Revenue								
Local sources	\$ 26,958,974	\$ 90,462	\$ 181,313	\$ 784,600	\$ 83,383	\$ 140,474	\$ 59,601	\$ 28,298,807
State sources	969,005	-	-	-	-	-	-	969,005
Federal sources	363,710	-	-	749,436	-	-	-	1,113,146
Total revenue	28,291,689	90,462	181,313	1,534,036	83,383	140,474	59,601	30,380,958
Expenditures								
Current:								
Instruction	3,859,004	-	-	-	-	-	-	3,859,004
Support services	11,576,670	-	-	-	15,528	9,406	-	11,601,604
Debt service:								
Principal	-	840,000	-	-	-	-	-	840,000
Interest and other	-	1,253,400	1,500	927,500	-	-	-	2,182,400
Capital outlay	125,852	-	-	-	401,950	2,059,581	74,595	2,661,978
Interdistrict transfers and other	11,131,847	-	-	-	-	3,300	-	11,135,147
Total expenditures	26,693,373	2,093,400	1,500	927,500	417,478	2,072,287	74,595	32,280,133
Excess of Revenue Over (Under) Expenditures	1,598,316	(2,002,938)	179,813	606,536	(334,095)	(1,931,813)	(14,994)	(1,899,175)
Other Financing Sources (Uses)								
Transfers in	826,600	1,800,000	600,000	845,000	2,500,000	1,700,000	-	8,271,600
Transfers out	(347,841)	-	(845,000)	-	(51,400)	-	-	(1,244,241)
Total other financing sources (uses)	478,759	1,800,000	(245,000)	845,000	2,448,600	1,700,000	-	7,027,359
Net Change in Fund Balances	2,077,075	(202,938)	(65,187)	1,451,536	2,114,505	(231,813)	(14,994)	5,128,184
Fund Balances - Beginning 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
Fund Balances - End of year	<u>\$ 13,377,515</u>	<u>\$ 4,650,486</u>	<u>\$ 4,230,394</u>	<u>\$ 8,270,910</u>	<u>\$ 6,779,787</u>	<u>\$ 7,574,723</u>	<u>\$ 534,950</u>	<u>\$ 45,418,765</u>

Other Supplemental Information
Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2019

	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	\$ 3,320,428	\$ 8,939,865	\$ 1,928,870	\$ 624,725	\$ 14,813,888
Receivables:					
Accrued interest receivable	9,061	19,634	4,693	1,392	34,780
Other receivables	-	90,936	-	-	90,936
Due from other governments	1,087,453	-	5,204	12,477	1,105,134
Prepaid expenditures	375	-	-	-	375
Total assets	<u><u>\$ 4,417,317</u></u>	<u><u>\$ 9,050,435</u></u>	<u><u>\$ 1,938,767</u></u>	<u><u>\$ 638,594</u></u>	<u><u>\$ 16,045,113</u></u>
Liabilities					
Accounts payable	\$ 28,779	\$ 71,920	\$ 2,325	\$ 750	\$ 103,774
Due to other governmental units	15,141	-	1,918,038	-	1,933,179
Accrued payroll and other liabilities	499,559	-	18,404	28,682	546,645
Unearned revenue	84,000	-	-	-	84,000
Total liabilities	<u>627,479</u>	<u>71,920</u>	<u>1,938,767</u>	<u>29,432</u>	<u>2,667,598</u>
Fund Balances					
Nonspendable - Prepaid expenditures	375	-	-	-	375
Committed - Special revenue funds	3,789,463	8,978,515	-	609,162	13,377,140
Total fund balances	<u>3,789,838</u>	<u>8,978,515</u>	<u>-</u>	<u>609,162</u>	<u>13,377,515</u>
Total liabilities and fund balances	<u><u>\$ 4,417,317</u></u>	<u><u>\$ 9,050,435</u></u>	<u><u>\$ 1,938,767</u></u>	<u><u>\$ 638,594</u></u>	<u><u>\$ 16,045,113</u></u>

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

Year Ended June 30, 2019

	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	\$ 13,781,374	\$ 900,917	\$ 11,226,171	\$ 1,050,512	\$ 26,958,974
State sources	861,727	-	39,703	67,575	969,005
Federal sources	-	-	363,710	-	363,710
Total revenue	14,643,101	900,917	11,629,584	1,118,087	28,291,689
Expenditures					
Current:					
Instruction	3,859,004	-	-	-	3,859,004
Support services	9,502,804	403,938	601,250	1,068,678	11,576,670
Capital outlay	101,164	20,801	3,887	-	125,852
Interdistrict transfers and other	74,200	-	11,024,447	33,200	11,131,847
Total expenditures	13,537,172	424,739	11,629,584	1,101,878	26,693,373
Excess of Revenue Over Expenditures	1,105,929	476,178	-	16,209	1,598,316
Other Financing Sources (Uses)					
Transfers in	-	826,600	-	-	826,600
Transfers out	(178,941)	(68,900)	-	(100,000)	(347,841)
Total other financing (uses) sources	(178,941)	757,700	-	(100,000)	478,759
Net Change in Fund Balances	926,988	1,233,878	-	(83,791)	2,077,075
Fund Balances - Beginning of year	2,862,850	7,744,637	-	692,953	11,300,440
Fund Balances - End of year	<u><u>\$ 3,789,838</u></u>	<u><u>\$ 8,978,515</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 609,162</u></u>	<u><u>\$ 13,377,515</u></u>

**Other Supplemental Information
Schedule of Bonded Indebtedness**

June 30, 2019

Years Ending June 30	2009-2010 General Bonds	2016 Refunding Bonds	Total
	Principal	Principal	
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	\$ 14,800,000	\$ 29,055,000	\$ 43,855,000
Interest rate (percent)	6.25	3.00 - 5.00	
Original issue	\$ 14,800,000	\$ 30,695,000	

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.

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.

Revenue Capacity

These schedules contain information to help the reader assess the School District's most significant local revenue source, the property tax.

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.

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.

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.

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 35,003,470
Restricted	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	39,321,973
Unrestricted	<u>12,759,358</u>	<u>13,582,991</u>	<u>9,226,420</u>	<u>19,902,415</u>	<u>(76,486,579)</u>	<u>(74,701,841)</u>	<u>(61,333,731)</u>	<u>(54,561,605)</u>	<u>(119,596,597)</u>	<u>(123,177,742)</u>
Total governmental activities	<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>	<u>(48,852,299)</u>
Business-type activities:										
Net investment in capital assets	347,886	410,102	454,675	572,803	451,572	490,149	323,990	220,075	142,395	205,307
Unrestricted	<u>517,607</u>	<u>283,775</u>	<u>323,902</u>	<u>400,564</u>	<u>647,658</u>	<u>564,718</u>	<u>727,120</u>	<u>959,031</u>	<u>1,204,573</u>	<u>1,240,092</u>
Total business-type activities	<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>	<u>1,445,399</u>
Primary government:										
Net investment in capital assets	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	35,208,777
Restricted	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	39,321,973
Unrestricted	<u>13,276,965</u>	<u>13,866,766</u>	<u>9,550,322</u>	<u>20,302,979</u>	<u>(75,838,921)</u>	<u>(74,137,123)</u>	<u>(60,606,611)</u>	<u>(53,602,574)</u>	<u>(118,392,024)</u>	<u>(121,937,650)</u>
Total primary government net position	<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>	<u>\$ (47,406,900)</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

Changes in Governmental Net Position (Unaudited)

Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
Instruction	\$ 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	\$ 23,463,114
Support services	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	293,043,802
Interest on long-term debt	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	2,031,281
Depreciation (unallocated)	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	4,679,704
Total governmental activities	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	323,217,901
Business-type activities:										
Support services	-	-	-	-	-	-	-	1,886,186	1,680,673	1,678,417
Depreciation (unallocated)	-	-	-	-	-	-	-	109,463	106,709	64,088
Total business-type activities	-	-	-	-	-	-	-	1,995,649	1,787,382	1,742,505
Total primary government expenses	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	324,960,406
Program Revenue										
Governmental activities:										
Charges for services:										
Instruction	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	5,486,325
Support services	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	26,363,113
Total charges for services	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	31,849,438
Operating grants and contributions:										
Instruction	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	2,343,883
Support services	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	15,486,543
Interdistrict payments and other	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	63,309,880
Total operating grants and contributions	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	81,140,306
Total governmental activities program revenue	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	112,989,744
Business-type activities:										
Charges for services: Support services	-	-	-	-	-	-	-	2,118,822	1,939,877	1,817,157
Total primary government program revenue	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	114,806,901
Net (Expenses) Revenue:										
Governmental activities	(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)	(210,228,157)
Business-type activities	-	-	-	-	-	-	-	123,173	152,495	74,652
Total primary government net (expenses)	\$ (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)	\$ (210,153,505)

Oakland Schools

Changes in Governmental Net Position (Unaudited) (Continued)

Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (Expenses) Revenue:										
Governmental activities	\$ (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)	\$ (210,228,157)
Business-type activities	-	-	-	-	-	-	-	123,173	152,495	74,652
Total primary government net (expenses)	(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)	(210,153,505)
General Revenue										
Governmental activities:										
Property taxes	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	187,339,089
Federal and state aid not restricted to specific purposes	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	12,135,214
Investment earnings	777,735	898,623	476,824	199,629	283,907	125,960	953,873	491,390	1,261,664	3,682,950
Other	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	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	203,157,253
Business-type activities:										
Investment earnings	-	-	-	-	-	-	-	4,823	13,367	23,779
Other	-	-	-	-	-	-	-	-	2,000	-
Loss on the impairment of capital assets	-	-	-	-	-	-	-	-	-	-
Total primary government general revenue	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	203,181,032
Change in Net Position										
Governmental activities	\$ (10,765,324)	\$ (12,798,314)	\$ (3,357,077)	\$ (5,635,657)	\$ (196,022)	\$ (3,471,065)	\$ (3,290,727)	\$ 175,899	\$ (574,678)	\$ (7,070,904)
Business-type activities	-	-	-	-	-	-	-	127,996	165,862	98,431
Total primary government change in net position	\$ (10,765,324)	\$ (12,798,314)	\$ (3,357,077)	\$ (5,635,657)	\$ (196,022)	\$ (3,471,065)	\$ (3,290,727)	\$ 303,895	\$ (408,816)	\$ (6,972,473)

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									
	2010	2011*	2012	2013	2014	2015	2016	2017	2018	2019
General Education Fund:										
Reserved	\$ 28,951	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	4,532,173	-	-	-	-	-	-	-	-	-
Nonspendable	-	30,676	55,918	51,671	62,682	48,658	82,590	28,623	29,311	28,508
Assigned	-	139,000	427,100	-	-	-	-	-	-	1,500,000
Unassigned	-	2,163,479	556,588	1,445,111	4,006,109	5,354,979	4,495,201	4,771,686	4,101,978	3,452,252
Total General Education Fund	\$ 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	\$ 4,980,760
All other governmental funds:										
Reserved	\$ 38,769,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved - Reported in:										
Special Revenue Funds	26,023,392	-	-	-	-	-	-	-	-	-
Capital Project Funds	19,313,306	-	-	-	-	-	-	-	-	-
Nonspendable	-	115,166	234,323	165,402	173,015	132,291	239,828	174,203	116,522	87,109
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	39,641,091
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	28,216,731
Total all other governmental funds	\$ 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	\$ 67,944,931

Source: Prior years' Comprehensive Annual Financial Reports

* 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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue										
Local	\$ 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	\$ 222,515,712
State	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	41,984,010
Federal	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	51,407,151
Other revenue	<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>	<u>830,931</u>
Total revenue	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	316,737,804
Expenditures										
Current:										
Instruction	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	21,838,699
Support services	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	74,256,417
Community services	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	1,399,473
Interdistrict transfers and other	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	209,688,844
Facilities acquisition	322,780	196,680	900,377	41,694	111,787	4,540	31,918	-	-	-
Debt service:										
Principal	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	840,000
Interest and other	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	2,182,400
Bond issuance costs and fees	-	-	-	-	-	-	230,432	-	-	-
Capital outlay	<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>	<u>3,464,711</u>
Total expenditures	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	313,670,544
Excess of Revenue (Under) Over Expenditures	(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	3,067,260
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	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	8,550,541
Transfers out	<u>(20,713,821)</u>	<u>(13,305,600)</u>	<u>(8,868,604)</u>	<u>(4,869,868)</u>	<u>(4,518,498)</u>	<u>(4,901,600)</u>	<u>(15,182,226)</u>	<u>(6,934,684)</u>	<u>(7,614,248)</u>	<u>(8,550,541)</u>
Total other financing sources (uses)	14,800,000	-	-	-	-	-	(5,687,462)	-	1,516,700	-
Net Change in Fund Balances	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	3,067,260
Fund Balances - Beginning of year	<u>87,002,084</u>	<u>88,666,922</u>	<u>72,879,328</u>	<u>66,371,572</u>	<u>59,159,179</u>	<u>61,061,018</u>	<u>59,356,703</u>	<u>55,382,829</u>	<u>62,093,749</u>	<u>69,858,431</u>
Fund Balances - End of year	\$ 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	\$ 72,925,691
Debt service as a percentage of noncapital expenditures (a)	1.36%	1.60%	1.76%	3.17%	1.54%	1.45%	1.09%	1.24%	1.02%	0.97%

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	Fiscal Year	Tax Year	Real Property						Personal	Total Value	Total
			Agricultural	Commercial	Industrial	Residential	Developmental	Total Real Property	Property		Direct Tax Rate
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
2018	19/20	2019	49,363,690	9,874,861,799	1,824,816,636	45,025,561,832	-	56,774,603,957	3,531,464,890	60,306,068,847	3.2539

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	Art Institute Authority
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
2018	2019	4.0400	0.2349	3.2813	1.5431	0.2129	1.0000	0.0982	0.1945

Source: Oakland County Apportionment of Local Tax Rates

Oakland Schools

Principal Property Taxpayers (Unaudited)

For the Current Year and Nine Years Prior

Taxpayer	2018		Percentage of County		2009		Percentage of County	
	Taxable Value	Rank	Taxable Value		Taxable Value	Rank	Taxable Value	
Detroit Edison Company/DTE	\$ 613,252,667	1	1.07 %		\$ 438,376,120	2	0.70 %	
Consumers Energy	372,537,818	2	0.65 %		188,745,980	4	0.30 %	
FCA Auburn Hills Owner LLC (formerly Chrysler)	172,863,430	3	0.30 %		427,281,130	3	0.68 %	
Taubman/Great Lakes Crossing	123,710,780	4	0.22 %		147,766,930	6	0.24 %	
Enbridge Energy	117,854,260	5	0.21 %		-	-	- %	
International Transmission	111,083,140	6	0.19 %		103,685,600	10	0.17 %	
General Motors	84,142,020	7	0.15 %		693,019,000	1	1.11 %	
SighCidermill Village	81,805,520	8	0.14 %		-	-	- %	
Edward Rose/Occidental Development Ltd	81,329,400	9	0.14 %		-	-	- %	
SL Town Etal	77,785,070	10	0.14 %		109,390,720	9	0.18 %	
Oakland Management	65,858,000	11	0.11 %		-	-	- %	
Comcast	58,050,400	12	0.10 %		60,048,280	16	0.10 %	
Redwood-ERC Novi LLC	57,076,220	13	0.10 %		57,167,690	17	0.09 %	
Frankel/Forbes/Cohn	54,119,590	14	0.09 %		155,863,920	5	0.25 %	
Ramco Lion Venture	50,496,800	15	0.09 %		117,522,270	8	0.19 %	
Kroger	49,551,290	16	0.09 %		49,564,870	20	0.08 %	
VHS Huron Valley-Sinai Hospital	36,795,130	17	0.06 %		-	-	- %	
Southfield Galleria	35,279,170	18	0.06 %		-	-	- %	
Troy Apts IV	29,512,510	19	0.05 %		-	-	- %	
Troy Office Center	28,310,750	20	0.05 %		-	-	- %	
Total	\$ 2,301,413,965		4.01 %		\$ 2,548,432,510		4.09 %	

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	Total Levy	Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Percent of Levy Collected
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
2018	2019	186,983,839	187,336,580	100.2	-	187,336,580	100.2

Source: Oakland County Treasurer

Ratios of Outstanding Debt (Unaudited)

Last Ten Fiscal Years

Tax Year	Limited Tax General Obligation Bonds (a)	Accumulated Resources Restricted to Repaying the Principal of General Bonded Debt (b)	Net General Bonded Debt	Taxable Value	Net General Bonded Debt as a Percentage of Taxable Value	Total Debt as a Percentage of Taxable Value	Population	Percentage of Personal Income (c)	Net Debt per Capita
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	0.05 %	27
2018	43,855,000	12,499,506	31,355,494	53,892,786,921	0.06%	0.08%	1,255,936	*	25

* Fiscal year 2019 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
beginning tax year 2011 - Oakland Schools L-4029

Oakland Schools

Direct and Overlapping Governmental Activities Debt (Unaudited)

Year Ended June 30, 2019

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
Overlapping debt:			
Oakland County - Net of Self Supporting	\$ 303,945,000	0.0%	\$ -
Water & sewer special assessment debt	71,330,206	0.0%	-
Cities, Villages and Townships	1,236,527,541	0.0%	-
Community Colleges	1,935,024	0.0%	-
District Libraries	448,380	0.0%	-
Local School Districts	2,227,772,877	0.0%	-
Total overlapping debt	<u>\$ 3,841,959,028</u>		-
Direct district debt:			
General Obligation Bonds			<u>43,855,000</u>
Total direct district debt			<u>\$ 43,855,000</u>

Source: Oakland County Treasurer and Municipal Advisory Council of Michigan

Oakland Schools

Legal Debt Margin (Unaudited)

Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Calculation of debt limit:										
State Equalized Value	\$ 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	\$ 70,074,783,331
1/9 of 1% of State Equalized Value	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	77,860,870
Calculation of debt subject to limit:										
Net debt subject to limit	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	43,855,000
Legal debt margin	\$ 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	\$ 34,005,870
Net debt subject to limit as percent of debt limit	85.86%	97.04%	104.22%	94.62%	86.75%	77.06%	70.67%	64.96%	61.27%	56.32%

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.

Demographic and Economic Statistics (Unaudited)

Last Ten Fiscal Years

<u>Fiscal Years Ended June 30</u>	<u>Population</u>	<u>Total Personal Income (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
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	86,271,021	68,971	3.4%
2019	1,255,936	*	*	3.7%

* 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	2018 Employees	Percentage of Total Employment	2009 Employees	Percentage of Total Employment
1 Beaumont Health System	17,896	2.79%	13,694	2.65%
2 FCA US LLC (formerly Chrysler)	12,564	1.96%	6,710	1.30%
3 General Motors Corporation	9,242	1.44%	8,200	1.59%
4 Ascension Michigan (formerly St. John Providence Hospital)	4,408	0.69%	4,396	0.85%
5 U.S. Postal Service	4,195	0.65%	3,540	0.69%
6 Oakland County Government	3,432	0.53%	3,474	0.67%
7 Henry Ford Health System	3,405	0.53%	n/a	n/a
8 Trinity Health (formerly St. Joseph Mercy)	3,098	0.48%	4,823	0.93%
9 Magna International of America Inc.	2,199	0.34%	n/a	n/a
10 Comerica Bank	2,163	0.34%	n/a	n/a
Electronic Data Systems (EDS)	n/a	n/a	4,000	0.77%
Blue Cross/Blue Shield of Michigan	n/a	n/a	3,959	0.77%
Botsford Health Care	n/a	n/a	3,060	0.59%
Total Principal Employers	62,602	9.75%	55,856	10.81%

Fiscal year 2019 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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government:										
Instruction	132.00	122.00	123.00	129.00	122.60	123.20	108.40	126.50	130.45	128.97
Support services	379.25	323.00	310.50	330.80	343.30	367.10	354.40	352.30	357.39	378.75
Community service	<u>48.00</u>	<u>46.00</u>	<u>50.00</u>	<u>57.00</u>	<u>58.20</u>	<u>50.00</u>	<u>31.00</u>	<u>33.00</u>	<u>26.90</u>	<u>12.00</u>
Subtotal	559.25	491.00	483.50	516.80	524.10	540.30	493.80	511.80	514.74	519.72
External services	<u>0.25</u>	<u>-</u>	<u>3.00</u>	<u>12.20</u>	<u>33.20</u>	<u>38.60</u>	<u>71.80</u>	<u>77.00</u>	<u>80.00</u>	<u>75.90</u>
Total Regular Employees	<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>	<u>595.62</u>
Part-time or retired employees							<u>64.30</u>	<u>64.94</u>	<u>60.86</u>	<u>61.08</u>

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.

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
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
2019	186,932	309,365,833	1,655	316,737,804	1,694	128.97

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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Vocational education buildings owned:										
Number of buildings	2	2	2	2	2	2	2	2	2	2
Square footage	200,414	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	2	2	2	2	2	2	2	2	2	2
Square footage	216,801	216,801	218,801	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	-	-
Square footage	19,317	19,317	19,317	19,317	19,317	19,317	19,317	19,317	-	-
Other buildings owned:										
Number of buildings	1	1	2	2	2	2	2	2	2	2
Square footage	133,238	133,238	166,238	166,238	166,238	166,238	166,238	166,238	166,238	166,238
Other buildings leased:										
Number of buildings	2	2	1	1	2	2	2	2	2	2
Square footage	52,303	52,303	33,747	33,747	38,339	38,339	38,339	38,339	38,339	38,339
Total buildings owned and leased:										
Number of buildings	8	8	8	8	9	9	9	9	8	8
Square footage	622,073	622,073	638,517	638,517	643,109	643,109	643,109	643,109	623,792	623,792

Source: District internal records