

Oakridge Public Schools

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2016



Oakridge Public Schools

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BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

October 21, 2016

Board of Education
Oakridge Public Schools
Muskegon, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oakridge Public Schools (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's 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.

Board of Education
Oakridge Public Schools
October 21, 2016
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Oakridge Public Schools as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, and pension information on pages 3 through 11 and 40 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2016, on our consideration of Oakridge Public Schools’ internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Oakridge Public Schools’ internal control over financial reporting and compliance.



Muskegon, Michigan

Oakridge Public Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

The discussion and analysis of Oakridge Public School's financial performance provides an overall review of the school district's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to provide, in layman's terms, a look at the district's performance and past and current position. We encourage readers to consider the information presented here in conjunction with the financial statements and the notes to the financial statements.

This information is required by GASB 34 (Governmental Accounting Standards Board's Statement No. 34). GASB 34 requires the presentation of two basic types of financial statements; namely, District-wide Financial Statements and Fund Financial Statements.

Overview of the Financial Statements

This annual report consists of four parts: (1) management's discussion and analysis, (2) the independent auditors' report, (3) the basic financial statements, and (4) required supplementary information. The financial statements also include notes that explain some of the information in the statements and provide more detail data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year.

District-wide Financial Statements

The district-wide statements provide a financial perspective of the District as a whole. These statements are "full accrual" basis of accounting and provide information about the district's overall financial status. They are used to help determine whether or not the district is better off or worse off as the result of the year's activities. There are two district-wide statements: the *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* reports all of the district's assets, deferred inflows and outflows, and liabilities, both short-term and long-term, regardless if they are "currently available" or not. Capital assets and long-term obligations of the district are reported in this statement.

The *Statement of Activities* accounts for the current year's revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the information relative to funding received and expenditures made for district services.

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

- Over time, increases or decreases in the district's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the district's overall health, one needs to consider additional non-financial factors such as changes in the district's property tax base, the quality of the education provided, and the condition of the district's buildings.

In the district-wide statements, the district's activities are classified as *governmental activities*. This includes most of the district's basic services, such as regular and special education, food service, athletics, transportation, and administration. Property taxes and state aid finance most of these services.

Oakridge Public Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

Fund Financial Statements

The fund financial statements focus on individual parts of the district, reporting the district's operations in more detail than the district-wide statements. The fund level statements are reported on a *modified accrual basis*. Only those assets that are "*measurable*" and "*currently available*" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the district's major instructional and instructional support activities are reported in the *General Fund*. The primary funding sources for the general fund are from local property taxes, state foundation grant per student, state categorical funding for specific programs, federal grants and inter-governmental transfers.

Other funds include the Special Revenue Funds for Food Service and Technology Millage. The Debt Service Funds are used to record debt payments of principal and interest. Local property tax funds are used to pay the majority of the debt, with any unmet needs being covered by the Michigan School Bond Loan Program and Michigan School Loan Revolving Fund. The Capital Project Funds are used to record the costs associated with the acquisition of land, construction or improvement of school facilities, and for equipment purchases. The Agency Fund, known as internal accounts or student activity accounts, are held in a trustee capacity for various student or school related groups' financial transactions. Monies in these funds are not available for general school use.

Financial Analysis of the District as a Whole

The net position of the district as of June 30, 2016, amounted to approximately -\$17.5 million which represents a slight increase from the previous year as school districts are now mandated to calculate their proportionate share of net pension liability (see note H). Figure A-1 on the following page shows a condensed breakdown of the net position.

The largest portion of the district's net position reflects resources that are restricted as to how they may be used. This net position category represents investments in capital (e.g., land, buildings and improvements, and furniture and equipment), plus capital related deferred outflows of resources, less any related debt used to acquire those assets that are still outstanding. The district uses these capital assets to provide services to students; consequently, these assets are not available for spending. Although the district's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The debt used as a decrease to capital assets relates to general obligation bonds, which are paid from local property taxes.

Oakridge Public Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

Figure A-1
Condensed Statement of Net Position

| Governmental Activities | | |
|---|--------------------------------------|--------------------------------------|
| | <u>2016</u> | <u>2015</u> |
| Current assets | \$ 4,995,896 | \$ 6,839,632 |
| Capital assets | 21,241,803 | 21,592,589 |
| Deferred outflows | | |
| Deferred charges on refunding | 202,067 | 220,437 |
| Related to pensions | <u>2,983,523</u> | <u>2,553,139</u> |
| Total assets and deferred outflows | 29,423,289 | 31,205,797 |
| Current liabilities | 3,941,239 | 6,258,178 |
| Noncurrent liabilities | 42,249,890 | 40,468,206 |
| Deferred inflows related to pensions | <u>747,948</u> | <u>2,427,897</u> |
| Total liabilities and deferred inflows | 46,939,077 | 49,154,281 |
| Net position | | |
| Net investment in capital assets | 5,750,911 | 4,902,980 |
| Restricted | 89,763 | 0 |
| Unrestricted | <u>(23,356,462)</u> | <u>(22,851,464)</u> |
| Total net position | <u><u>\$ (17,515,788)</u></u> | <u><u>\$ (17,948,484)</u></u> |

Comments on Major Changes to Net Position

The net position of the district increased approximately \$433,000 during the 2015-16 year. Figure A-2 on the following page shows the breakdown of this change. The Statement of Activities presented later in the government-wide financial statements, provides greater detail on the district's annual activity. The cost of the district's governmental activities for the year increased to approximately \$20.8 million. However, the amount that the district's taxpayers ultimately financed for these activities was \$16.4 million because approximately \$4.4 million was paid for by participants and other governments and organizations who subsidized certain programs with grants and contributions. The remaining "public benefit" portion was paid for with property taxes, state pupil foundation aid, investment earnings, and other miscellaneous revenues.

Oakridge Public Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

Figure A-2
Statement of Net Position from Operating Results

| | Governmental Activities | |
|---|--|--|
| | <u>2016</u> | <u>2015</u> |
| Revenues | | |
| Program Revenues | | |
| Charges for services | \$ 545,110 | \$ 648,087 |
| Operating grants and contributions | 3,915,971 | 3,692,292 |
| Capital grants and contributions | 13,426 | 13,082 |
| General Revenues | | |
| Property taxes | 2,258,388 | 2,209,100 |
| Unrestricted grants and contributions | 14,495,322 | 14,901,840 |
| Other | 62,500 | 27,060, |
| | <hr/> | <hr/> |
| Total Revenues | 21,290,717 | 21,491,461 |
| Expenses | | |
| Instruction | 12,100,422 | 11,436,036 |
| Support services | 6,596,253 | 6,294,802 |
| Community services | 20,680 | 16,258 |
| Food services | 850,070 | 863,036 |
| Athletics | 381,441 | 334,293 |
| Interest on long-term debt | 863,990 | 832,160 |
| Unallocated depreciation and amortization | 45,165 | 42,084 |
| | <hr/> | <hr/> |
| Total Expenses | 20,858,021 | 19,818,669 |
| Change in net position | 432,696 | 1,672,792 |
| Beginning net position | <u>(17,948,484)</u> | <u>(19,621,276)</u> |
| Ending net position | <u><u>\$ (17,515,788)</u></u> | <u><u>\$ (17,948,484)</u></u> |

Oakridge Public Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

Capital Asset and Debt Administration

Figure A-3
Summary of Capital Assets (Net of Depreciation)

| | Governmental Activities | |
|---------------------------|--------------------------------|-----------------------------|
| | <u>2016</u> | <u>2015</u> |
| Land | \$ 105,000 | \$ 105,000 |
| Land improvements | 241,466 | 318,170 |
| Building and improvements | 20,346,836 | 20,618,448 |
| Equipment | 399,377 | 426,012 |
| Vehicles | 149,124 | 124,959 |
| | <hr/> | <hr/> |
| Total | <u>\$ 21,241,803</u> | <u>\$ 21,592,589</u> |

Comments on Capital Assets and Debt Administration

Capital Assets – A summary of the District’s capital assets, net of depreciation, at year end is outlined in figure A-3 above. Additional information on the district’s capital assets can be found in note D of the Notes to the Financial Statements.

Debt Administration – A comparative summary of the District’s indebtedness at year end is outlined in figure A-4 below.

Under State statute, the District is legally restricted from incurring long-term bonded debt in excess of 15% of the assessed value of taxable property within the school district. Certain bonds are not included in the computation of the legal debt margin. At June 30, 2016, none of the District’s bonded debt is subject to the debt limit. Additional information on the Oakridge Public Schools’ long-term debt can be found in note G of the Notes to the Financial Statements.

Figure A-4
Summary of Indebtedness

| | Outstanding June 30, | |
|--------------------------|-----------------------------|-----------------------------|
| | <u>2016</u> | <u>2015</u> |
| General obligation bonds | \$ 15,692,959 | \$ 16,910,046 |
| School bond loan fund | 3,212,890 | 2,821,187 |
| Compensated absences | 100,264 | 94,167 |
| | <hr/> | <hr/> |
| Total | <u>\$ 19,006,113</u> | <u>\$ 19,825,400</u> |

Oakridge Public Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

Financial Analysis of the District's Funds

The financial performance of the district as a whole is reflected in its governmental funds as well. The combined governmental funds equity increased by approximately \$397,000 during the 2015-16 fiscal year, resulting in combined governmental fund equity of approximately \$2.4 million at year end. The general fund equity ended the year at \$2,042,086 or 11.0% of expenditures. The primary factors affecting the district's governmental funds' fund balance are listed below.

Factors Impacting Fund Equity

- *Student enrollment* – Proposal A tied funding for school districts to student enrollment. The district's blended count on which our foundation allowance was based increased by 74 students for the 2015-16 school year.
- *Retirement benefits* – The district's required contribution rate for retirement benefits for its employees ranged from 34.66% to 36.31% of payroll during 2015-16.
- *Utility and fuel costs* – The district's costs for utilities remains highly volatile.
- *Sequestration* – Many federal programs are experiencing funding cuts due to sequestration. Additionally, sequestration will have a negative impact on the District's federal subsidy bond issue.

General Fund Budgetary Highlights

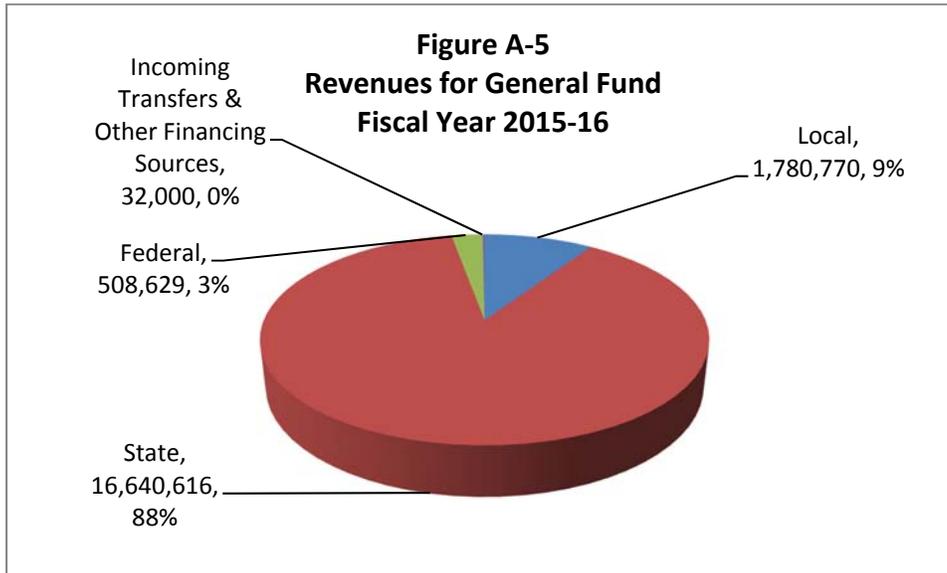
The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. When the budget is prepared each year, several unknown factors exist. Estimates are used for such major items as student count, employee contracts, state aid, staffing, utilities, and tax appeals. When compared in total, the variances between the initial budget, final budget and actual results are minimal considering all the unknowns that exist during initial budgeting. As a matter of practice, the district amends its budget periodically during the year. These revisions are made in order to deal with unexpected changes in revenues and expenditures. The following analysis describes the reasons for changes in the budget during the year and the differences in actual and budget figures.

Revenues

One of the changes impacting the District's budget is the revenue received from the State of Michigan as the per pupil foundation allowance. The foundation grant for the 2015-16 year was \$7,391; an increase of \$265 per student compared to the previous year.

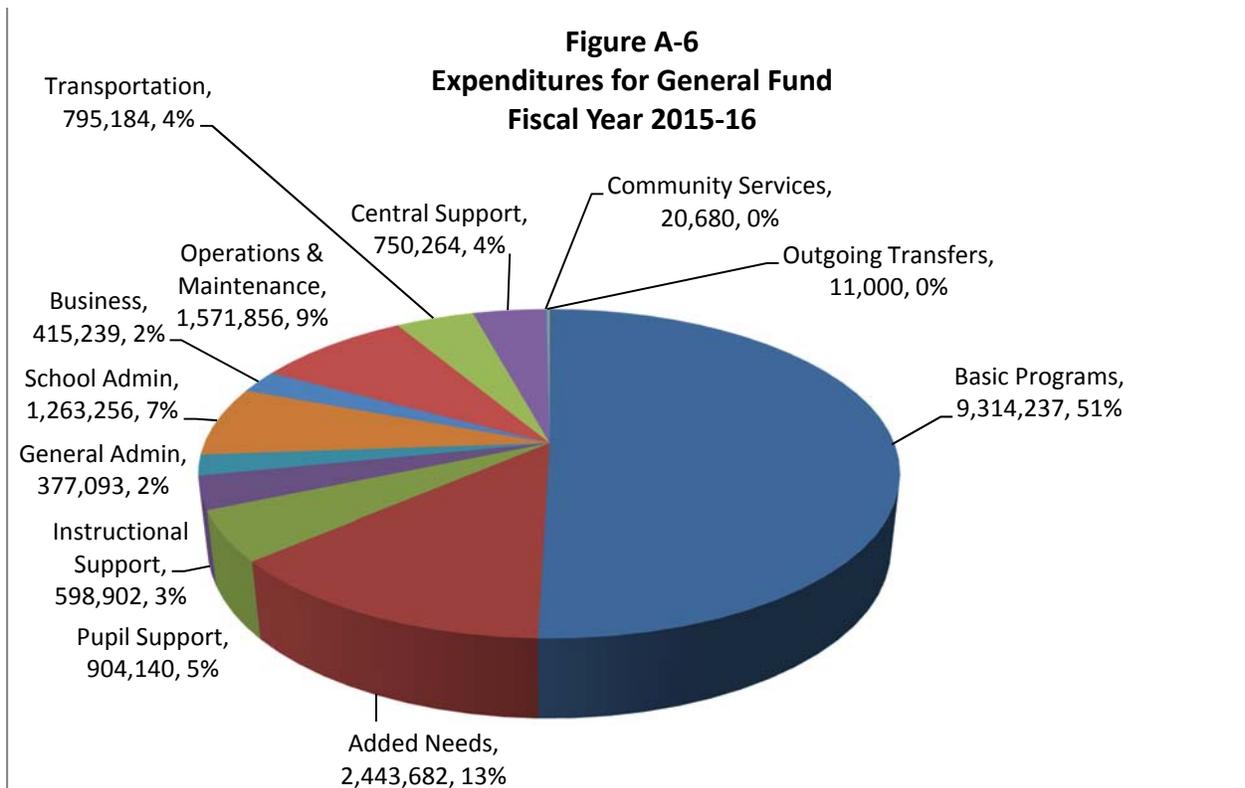
A substantial portion (88%) of the district's General Fund revenues is received from state sources. This means that the financial stability of the district rests primarily with the economic health of the State of Michigan. Figure A-5 depicts the breakdown of the sources of revenue and other financing sources for the district's General Fund which totaled \$18,962,015.

Oakridge Public Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Fiscal Year Ended June 30, 2016



Expenditures

Figure A-6 reflects the breakdown by functional category of \$18,465,533 in expenditures and other financing uses for the district's general fund for 2015-16. Direct classroom instruction was nearly \$9 million. Support services includes library services, counselors, special education services, administration, clerical staff, maintenance/custodial staff, utilities, insurance, and transportation services. The remaining categories are self-explanatory.



Oakridge Public Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

The original budget called for an operating increase of \$261,516, while the final amended budget called for an operating increase of \$272,697.

Revenues

Original budget to final budget – Overall, there was a 4.2% increase (\$768,343) in the total General Fund revenue budget from the original budget to the final amendment.

- State revenues were higher than estimated due to an increase in enrollment. Additionally, there was an increase of the unfunded actuarial accrued liability (UAAL) for the Michigan Public Schools Employees Retirement System (MPSERS). Other factors include an unanticipated Literacy Grant and carryover of At Risk funds.
- Federal revenues had a slight increase due to carryover funds from the previous fiscal year.

Final amendment to actual – There was a -1.75% difference between the final amended revenue budget and the actual revenue. Overall, actual revenue was decreased \$337,148.

- Local revenues were lower than estimated due to Special education transportation and Act 18 recording of net revenue to bill back expenses.
- Federal revenues were lower than estimated due to carryover of Title 1 and Title 2 funds to the 2016-17 school year.

Expenditures

Original budget to final budget – Overall, there was a 4.1% change in total General Fund expenditures budget from the original budget to the end of the year. Overall, expenditure budgets increased approximately \$757,000.

- Basic education budgets increased approximately \$321,000. Contributing factors include Salaries, Benefits and UAAL costs.
- Added costs increased just over \$28,000. These costs were offset by the Early Literacy Grant.
- Pupil support budgets increased by approximately \$36,000 due to increase coverage in the counseling and social work.
- Improvement of instruction increased around \$151,000. This includes contracting for curriculum services and Title Grant carryover.
- Principals' office was increased \$52,204 with final staffing assignments and the spread of principal's base management funds.
- Internal services budgets increased 59,277. These budget changes included all costs for the district-wide central copy center and district-wide copy machines as well as base management dollar allocations.
- Operations & maintenance budgets rose just over \$97,000. This increase is due to continued improvement to our facilities.
- Transportation budgets decreased close to \$66,000 due mainly to a reduction in fuel and repairs.
- Other central support budgets rose approximately \$170,000. One factor was planned purchases of computer hardware. Athletics is also grouped into this category with contracting coaches and the expense allocation of sports trips contributing to the increase.
- Outgoing transfers declined around \$110,000 with the elimination of a transfer to the Technology Fund.

Oakridge Public Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

Final amendment to actual – Overall, there was a decrease of 2.9% in the total General Fund expenditures budget from the final amendment to what actually occurred. Actual expenditures were approximately \$561,000 less than budgeted as noted below.

- Added needs had a favorable variance of \$96,088. Caused mainly by compensation under spending of grant funds deferred to the 2016-17 school year.
- Improvement of instruction variance was favorable by \$142,265. This reduction is mainly from grant supply accounts deferred to the next school year.
- Internal services expenses were approximately \$31,000 caused mainly by a reduction in interest.
- Operations & maintenance variance was over \$67,000. This was the result of utility savings and the incompleteness of an HCAC project.
- Transportation had a reduction of around \$160,000 which was offset by ACT 18 Transportation Revenue from the MAISD.
- Other central support and other financing sources budgets were reduced by \$26,337. The reduction in actual costs versus the final amendment was attributed to reduced athletic costs and software savings.

Factors Bearing on the District's Future

2016-17 District Budget

The adopted budget for the 2016-17 fiscal year projects an add to fund balance of \$91,075.

The district anticipated the foundation allowance to be \$7,511 with eliminated categoricals. The budget is also predicated on static enrollment at 2,048 pupils.

The budget includes retirement costs at approximately 36.31% of payroll with a portion of that being returned to the district through a state aid categorical. This budget will be amended twice during the fiscal year to reflect updated foundation allowance information, actual student counts, changes to any legislation, and final staffing assignments.

The district has current contracts with all three unions. On September 29, 2016, the district and the teacher's union agreed on a 1% increase of Salaries per the current OEA contract.

Requests for Information

This financial report is designed to provide the district's citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances, and to show how the District is accountable for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Mr. Todd Hronek, Director of Finance, Oakridge Public Schools, 275 South Wolf Lake Road, Muskegon, MI 49442, telephone number (231) 788.7109.

Oakridge Public Schools
STATEMENT OF NET POSITION
June 30, 2016

| | Governmental activities |
|---|--------------------------------|
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | \$ 1,393,629 |
| Receivables | 2,860 |
| Due from other governmental units | 3,596,266 |
| Inventories | 3,141 |
| Total current assets | 4,995,896 |
| Noncurrent assets | |
| Capital assets, net | |
| Nondepreciable | 105,000 |
| Depreciable | 21,136,803 |
| Total noncurrent assets | 21,241,803 |
| Total assets | 26,237,699 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred charges on refunding | 202,067 |
| Related to pensions | 2,983,523 |
| Total deferred outflows of resources | 3,185,590 |
| Total assets and deferred outflows of resources | 29,423,289 |
| LIABILITIES | |
| Current liabilities | |
| State aid loans | 350,469 |
| Accounts payable and accrued liabilities | 1,824,695 |
| Due to other governmental units | 404,475 |
| Unearned revenue | 97,513 |
| Bonds and other obligations, due within one year | 1,264,087 |
| Total current liabilities | 3,941,239 |
| Noncurrent liabilities | |
| Bonds and other obligations, less amounts due within one year | 17,742,026 |
| Net pension liability | 24,507,864 |
| Total noncurrent liabilities | 42,249,890 |
| Total liabilities | 46,191,129 |
| DEFERRED INFLOWS OF RESOURCES | |
| Related to pensions | 747,948 |
| Total liabilities and deferred inflows of resources | 46,939,077 |
| NET POSITION | |
| Net investment in capital assets | 5,750,911 |
| Restricted for technology | 89,763 |
| Unrestricted | (23,356,462) |
| Total net position | \$ (17,515,788) |

The accompanying notes are an integral part of this statement.

Oakridge Public Schools
STATEMENT OF ACTIVITIES
For the year ended June 30, 2016

| <i>Functions/Programs</i> | <u>Expenses</u> | <u>Program Revenue</u> | | <u>Net (Expense) Revenue and Changes in Net Position</u> |
|--|----------------------|---------------------------------|---|--|
| | | <u>Charges for services</u> | <u>Operating grants and contributions</u> | |
| Governmental activities | | | | <u>Governmental activities</u> |
| Instruction | \$ 12,100,422 | \$ 111,917 | \$ 1,992,974 | \$ (9,995,531) |
| Support services | 6,596,253 | 153,407 | 808,331 | (5,621,089) |
| Community services | 20,680 | - | 9,751 | (10,929) |
| Food services | 850,070 | 186,910 | 783,104 | 119,944 |
| Athletics | 381,441 | 92,876 | 2,931 | (285,634) |
| Interest on long-term debt | 863,990 | - | 318,880 | (545,110) |
| Unallocated depreciation and amortization | 45,165 | - | - | (45,165) |
| Total governmental activities | \$ 20,858,021 | \$ 545,110 | \$ 3,915,971 | \$ 13,426 |
| General revenues | | | | |
| Property taxes | | | | 2,258,388 |
| Grants and contributions not restricted to specific programs | | | | 14,495,322 |
| Investment earnings | | | | 952 |
| Miscellaneous | | | | 61,548 |
| Total general revenues | | | | <u>16,816,210</u> |
| Change in net position | | | | 432,696 |
| Net position at beginning of year | | | | <u>(17,948,484)</u> |
| Net position at end of year | | | | <u>\$ (17,515,788)</u> |

The accompanying notes are an integral part of this statement.

Oakridge Public Schools
BALANCE SHEET
 Governmental Funds
 June 30, 2016

| | General Fund | Other governmental funds | Total governmental funds |
|-------------------------------------|-------------------------|---|---|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,000,546 | \$ 393,083 | \$ 1,393,629 |
| Receivables | 2,860 | - | 2,860 |
| Due from other governmental units | 3,561,316 | 34,950 | 3,596,266 |
| Inventories | - | 3,141 | 3,141 |
| Total assets | \$ 4,564,722 | \$ 431,174 | \$ 4,995,896 |
| LIABILITIES | | | |
| State aid loans | \$ 350,469 | \$ - | \$ 350,469 |
| Accounts payable | 152,223 | 24,410 | 176,633 |
| Accrued liabilities | 1,524,949 | 272 | 1,525,221 |
| Due to other governmental units | 404,475 | - | 404,475 |
| Unearned revenue | 90,520 | 6,993 | 97,513 |
| Total liabilities | 2,522,636 | 31,675 | 2,554,311 |
| FUND BALANCES | | | |
| Nonspendable | | | |
| Inventories | - | 3,141 | 3,141 |
| Restricted | | | |
| Debt service | - | 113,402 | 113,402 |
| Technology | - | 104,763 | 104,763 |
| Food services | - | 165,284 | 165,284 |
| Committed for capital projects | | 12,909 | 12,909 |
| Unassigned | 2,042,086 | - | 2,042,086 |
| Total fund balances | 2,042,086 | 399,499 | 2,441,585 |
| Total liabilities and fund balances | \$ 4,564,722 | \$ 431,174 | \$ 4,995,896 |

The accompanying notes are an integral part of this statement.

Oakridge Public Schools
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION**
 June 30, 2016

Total fund balances—governmental funds \$ 2,441,585

Amounts reported for governmental activities in the Statement of
 Net Position are different because:

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

| | | |
|--------------------------|--------------------|------------|
| Cost of capital assets | \$ 31,113,022 | |
| Accumulated depreciation | <u>(9,871,219)</u> | 21,241,803 |

Deferred charges on refunding are not capitalized and
 amortized in the governmental funds.

| | | |
|-------------------------------|-----------------|---------|
| Deferred charges on refunding | 238,807 | |
| Accumulated amortization | <u>(36,740)</u> | 202,067 |

Deferred inflows and outflows of resources related to pensions
 are not reported in the governmental funds.

| | | |
|--|------------------|-----------|
| Deferred outflows of resources - related to pensions | 2,983,523 | |
| Deferred inflows of resources - related to pensions | <u>(747,948)</u> | 2,235,575 |

Accrued interest in governmental activities is not reported in the
 governmental funds.

(122,841)

Long-term obligations in governmental activities are not due and
 payable in the current period and are not reported in the
 governmental funds.

(43,513,977)

Net position of governmental activities

\$ (17,515,788)

The accompanying notes are an integral part of this statement.

Oakridge Public Schools
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended June 30, 2016

| | <u>General Fund</u> | <u>Other governmental funds</u> | <u>Total governmental funds</u> |
|---|---------------------|---|---|
| REVENUES | | | |
| Local sources | | | |
| Property taxes | \$ 884,995 | \$ 1,373,393 | \$ 2,258,388 |
| Investment earnings | 700 | 252 | 952 |
| Fees and charges | 404,985 | 186,910 | 591,895 |
| Other | 490,090 | 355,090 | 845,180 |
| Total local sources | 1,780,770 | 1,915,645 | 3,696,415 |
| State sources | 16,640,616 | 44,146 | 16,684,762 |
| Federal sources | 508,629 | 1,067,683 | 1,576,312 |
| Total revenues | 18,930,015 | 3,027,474 | 21,957,489 |
| EXPENDITURES | | | |
| Current | | | |
| Instruction | 11,757,919 | - | 11,757,919 |
| Support services | 6,675,934 | 282,547 | 6,958,481 |
| Community services | 20,680 | - | 20,680 |
| Food services | - | 900,733 | 900,733 |
| Debt service | | | |
| Principal repayment | - | 1,150,000 | 1,150,000 |
| Interest and other charges | - | 835,000 | 835,000 |
| Capital projects | - | 228,619 | 228,619 |
| Total expenditures | 18,454,533 | 3,396,899 | 21,851,432 |
| Excess (deficiency) of revenues over (under) expenditures | 475,482 | (369,425) | 106,057 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 32,000 | 11,000 | 43,000 |
| Transfers out | (11,000) | (32,000) | (43,000) |
| Loan proceeds | - | 291,043 | 291,043 |
| Total other financing sources (uses) | 21,000 | 270,043 | 291,043 |
| Net change in fund balances | 496,482 | (99,382) | 397,100 |
| Fund balances at beginning of year | 1,545,604 | 498,881 | 2,044,485 |
| Fund balances at end of year | \$ 2,042,086 | \$ 399,499 | \$ 2,441,585 |

The accompanying notes are an integral part of this statement.

Oakridge Public Schools
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the year ended June 30, 2016

Net change in fund balances—total governmental funds \$ 397,100

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

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities these costs are depreciated over their estimated useful lives.

| | | |
|----------------------|----------------|-----------|
| Depreciation expense | \$ (686,212) | |
| Capital outlay | <u>358,895</u> | (327,317) |

Governmental funds report the entire proceeds from the sale of capital assets as revenue, but the Statement of Activities reports only the gain or loss on the sale of capital assets. (23,469)

Governmental funds report outflows for deferred charges on refunding as expenditures; in the Statement of Activities these costs are amortized over the bond period. (18,370)

Debt proceeds are other financing sources in the governmental funds, but the proceeds increase long-term debt in the Statement of Net Position. (391,703)

Repayment of principal on long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. 1,217,087

Interest expense on long-term obligations is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until paid. 21,103

Compensated absences reported in the Statement of Activities do not require the use of current financial resources. They are reported as expenditures when financial resources are used in the governmental funds. (6,097)

Some pension related expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (435,638)

Change in net position of governmental activities \$ 432,696

The accompanying notes are an integral part of this statement.

Oakridge Public Schools
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
June 30, 2016

| | <u>Agency funds</u> |
|---------------------------|-------------------------|
| ASSETS | |
| Cash and cash equivalents | <u>\$ 219,657</u> |
| LIABILITIES | |
| Deposits held for others | <u>\$ 219,657</u> |

The accompanying notes are an integral part of this statement.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Oakridge Public Schools (School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Reporting Entity

The School District is governed by an elected seven-member Board of Education (Board), which has responsibility and control over all activities related to public school education within the School District. The School District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities.

Generally accepted accounting principles require that if the School District is considered to be financially accountable for other organizations, those organizations should be included as component units in the School District's financial statements. Since no organizations met this criterion, none are included in the financial statements.

Basis of Presentation—Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the School District. All fiduciary activities are reported only in the fund financial statements. Governmental activities normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

The fund financial statements provide information about the School District's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School District reports the following major governmental funds:

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

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-wide and Fund Financial Statements—Continued

Additionally, the School District reports the following fund types:

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

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

The capital projects funds account for the financial resources to be used for the acquisition of fixed assets or construction of major capital projects.

The agency fund is custodial in nature and used to account for assets held by the School District as an agent for another organization or individual.

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, they are eliminated in the preparation of the government-wide financial statements.

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

Measurement Focus and Basis of Accounting

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

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

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

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

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

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the school districts. For the current fiscal year, the foundation allowance was based on pupil membership counts taken in October and February.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-PRE property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

Cash and Investments

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

Investments for the School District are reported at fair value (generally based on quoted market prices). Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the School District intends to hold the investment until maturity.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Cash and Investments—Continued

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

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out method. The cost of such inventories is recorded as expenses when consumed rather than when purchased.

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

Capital Assets

Capital assets, which include property, plant, and equipment, are reported 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.

As the School District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

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

| <u>Capital Asset Classes</u> | <u>Years</u> |
|------------------------------|--------------|
| Land improvements | 10-20 |
| Buildings and improvements | 10-50 |
| Equipment | 5-20 |
| Vehicles | 8 |

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year in which they are incurred.

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

Defined Benefit Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension 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. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/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, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then.

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

Net Position Flow Assumption

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

It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

In the computation of net investment in capital assets, School Bond Loan Fund and School Loan Revolving Fund debt is not considered to be capital related debt.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government 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 formal action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by formal action remains in place until a similar action is taken (another formal action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education has authorized the Director of Finance 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.

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

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

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Compensated Absences

The liability for compensated absences reported in the government-wide statement consists of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

For fund financial statements, no compensated absence liability is reported for current employees and a compensated absence liability is reported for terminated employees only when the termination date is on or before year end.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund and special revenue funds. All annual appropriations lapse at year end.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by Board of Education resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the General Fund are noted in the required supplementary information section.
4. The Director of Finance is authorized to transfer budgeted amounts within major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year.
6. The budget is amended during the year with supplemental appropriations, the last one approved prior to June 30, 2016.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2016, the School District had no investments.

Interest rate risk

In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in interest rates by using the following methods: segmented time distribution, specific identification, weighted average maturity, duration and simulation model.

Credit risk

State law limits investments in commercial paper and corporate bonds to the three highest classifications issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices.

Concentration of credit risk

In accordance with its investment policy, the School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School District investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Investments in any one type of non-U.S. Treasury securities may be no more than 10 percent of the total current investment portfolio. There were no investment concentrations as of June 30, 2016.

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2016, \$1,876,091 of the School District's bank balance of \$2,126,091 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments

For an investment this is the risk that, in the event of the failure of the counterparty, the 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 will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities allowed by law and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the School District will do business.

Foreign currency risk

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

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

| | Balance July 1, 2015 | Additions | Deductions | Balance June 30, 2016 |
|---|---------------------------------|---------------------|-------------------|----------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 105,000 | \$ - | \$ - | \$ 105,000 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 1,289,327 | - | - | 1,289,327 |
| Buildings and improvements | 27,542,263 | 239,045 | 45,960 | 27,735,348 |
| Equipment | 1,170,123 | 59,576 | - | 1,229,699 |
| Vehicles | 693,374 | 60,274 | - | 753,648 |
| Total capital assets, being depreciated | 30,695,087 | 358,895 | 45,960 | 31,008,022 |
| Less accumulated depreciation: | | | | |
| Land improvements | 971,157 | 76,704 | - | 1,047,861 |
| Buildings and improvements | 6,923,815 | 487,188 | 22,491 | 7,388,512 |
| Equipment | 744,111 | 86,211 | - | 830,322 |
| Vehicles | 568,415 | 36,109 | - | 604,524 |
| Total accumulated depreciation | 9,207,498 | 686,212 | 22,491 | 9,871,219 |
| Total capital assets, being depreciated, net | 21,487,589 | (327,317) | 23,469 | 21,136,803 |
| Capital assets, net | \$ 21,592,589 | \$ (327,317) | \$ 23,469 | \$ 21,241,803 |

Depreciation

Depreciation expense has been charged to functions as follows:

| | |
|--------------------------|-------------------|
| Instruction | \$ 505,327 |
| Support services | 60,055 |
| Food services | 2,951 |
| Athletics | 72,714 |
| Unallocated depreciation | 45,165 |
| | \$ 686,212 |

NOTE E—INTERFUND TRANSFERS

The General Fund transferred \$11,000 to the Building and Site Capital Projects Fund to finance operations, and the Food Service Fund transferred \$32,000 to the General Fund to cover allowable indirect costs.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE F—SHORT-TERM DEBT

The School District issues State of Michigan school aid anticipation notes to provide short-term operating funds. The notes are obligations of the General Fund, which received the note proceeds, and are backed by the full faith, credit and resources of the School District. The short-term debt activity for the year ended June 30, 2016 follows:

| | Balance July 1, 2015 | Additions | Reductions | Balance June 30, 2016 |
|----------------------------------|---------------------------------------|---------------------|---------------------|--|
| State aid anticipation note | | | | |
| 2014/2015 0.42% due July 2015 | \$ 249,010 | \$ - | \$ 249,010 | \$ - |
| 2014/2015 1.05% due August 2015 | 1,078,000 | - | 1,078,000 | - |
| 2014/2015 1.235% due August 2015 | 882,000 | - | 882,000 | - |
| 2015/2016 .76% due July 2016 | - | 1,223,224 | 983,298 | 239,926 |
| 2015/2016 .64% due July 2016 | - | 576,776 | 466,233 | 110,543 |
| | \$ 2,209,010 | \$ 1,800,000 | \$ 3,658,541 | \$ 350,469 |

NOTE G—LONG-TERM OBLIGATIONS

The School District issues bonds, notes and other contractual commitments to provide for the acquisition, construction and improvement of major capital facilities and for the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other obligations include the School Bond Loan Fund and the School Loan Revolving Fund.

The following is a summary of long-term obligations activity for the School District for the year ended June 30, 2016:

| | Balance July 1, 2015 | Additions | Reductions | Balance June 30, 2016 | Due within one year |
|--------------------------------|---------------------------------------|-------------------|---------------------|--|--------------------------------------|
| Governmental activities | | | | | |
| Bonds | \$ 16,105,000 | \$ - | \$ 1,150,000 | \$ 14,955,000 | \$ 1,175,000 |
| Premium | 805,046 | - | 67,087 | 737,959 | 67,087 |
| Other obligations | 2,821,187 | 391,703 | - | 3,212,890 | - |
| Compensated absences | 94,167 | 18,894 | 12,797 | 100,264 | 22,000 |
| | \$ 19,825,400 | \$ 410,597 | \$ 1,229,884 | \$ 19,006,113 | \$ 1,264,087 |

In the previous schedule, the addition for other obligations represents \$52,819 of accrued interest on the School Bond Loan Fund and \$47,841 of accrued interest and \$291,043 of additional draws on the School Loan Revolving Fund.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE G—LONG-TERM OBLIGATIONS—Continued

Bonds and other obligations consist of the following:

| | <u>Interest Rate</u> | <u>Date of Maturity</u> | <u>Balance</u> |
|--|----------------------|-------------------------|-----------------------------|
| Governmental activities: | | | |
| Bonds | | | |
| 2015 Refunding General Obligation Bond | 3-5% | May 2028 | \$ 8,950,000 |
| 2011 General Obligation Bond | 4.7-6.75% | May 2026 | 6,005,000 |
| | | | <u><u>\$ 14,955,000</u></u> |
| Other obligations | | | |
| School Bond Loan Fund | 3.34% | May 2034 | \$ 1,603,099 |
| School Loan Revolving Fund | 3.34% | May 2034 | 1,609,791 |
| | | | <u><u>\$ 3,212,890</u></u> |

The annual requirements of principal and interest to amortize the bonded debt outstanding as of June 30, 2016 follow:

| <u>Year ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|-----------------------------|----------------------------|-----------------------------|
| 2017 | \$ 1,175,000 | \$ 737,048 | \$ 1,912,048 |
| 2018 | 1,205,000 | 686,268 | 1,891,268 |
| 2019 | 1,235,000 | 631,468 | 1,866,468 |
| 2020 | 1,275,000 | 566,918 | 1,841,918 |
| 2021 | 1,315,000 | 498,608 | 1,813,608 |
| 2022-2026 | 7,165,000 | 1,380,320 | 8,545,320 |
| 2027-2028 | 1,585,000 | 71,100 | 1,656,100 |
| | <u><u>\$ 14,955,000</u></u> | <u><u>\$ 4,571,730</u></u> | <u><u>\$ 19,526,730</u></u> |

NOTE H—EMPLOYEE BENEFITS

Employee Retirement System

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at <http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html>.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE H—EMPLOYEE BENEFITS—Continued

Benefits Provided

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

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System who became a member after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

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

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus plan described above and a DC plan that provides a 50% employer match (up to 3% of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus plan. If they elect to opt out of the Pension Plus plan, their participation in the DC plan will be retroactive to their date of hire.

Employees in the Pension Plus and DC plans are immediately vested in their own contributions and earnings on those contributions. The employee becomes vested in the employer match contribution at the following rates: 50% after two years of service, 75% after three years of service, and 100% after four years of service. Non-vested contributions are forfeited upon termination of employment. Forfeitures during a plan year are credited to a forfeitures account. Forfeitures are first applied to restore any forfeited amounts that are required to be restored. The remaining amounts in the forfeitures account may be maintained in reserve, used to cover a portion of the plan's administrative expenses or offset future employer contributions, as determined by the plan administrator.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE H—EMPLOYEE BENEFITS—Continued

Regular Retirement

The pension benefit for DB and Pension Plus plan members is based on a member’s years of credited service (employment) and final average compensation (FAC). The FAC is calculated based on the member’s highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period. For a Member Investment Plan member, who became a member of MPSERS prior to July 1, 2010, the averaging period is 36 consecutive months. For a Pension Plus member, who became a member of MPSERS after June 30, 2010, the averaging period is 60 consecutive months. For a Basic Plan member, this period is the 60 consecutive months yielding the highest total wages. The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member’s pension is determined by their pension election under PA 300 of 2012.

Post-Retirement Adjustments

A retiree who became a Member Investment Plan member prior to July 1, 2010, receives an annual post-retirement non-compounded increase of three percent of the initial pension in the October following twelve months of retirement. Basic Plan members do not receive an annual post-retirement increase, but are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions. Pension Plus members do not receive an annual post-retirement increase.

Contributions

The majority of the members currently participate on a contributory basis. School Districts are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

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

The schedule below summarizes pension contribution rates in effect for the System’s fiscal year ended September 30, 2015.

Pension Contribution Rates

| <u>Benefit Structure</u> | <u>Member</u> | <u>Employer</u> |
|--------------------------|---------------|-----------------|
| Basic | 0.0 - 4.0 % | 22.52 - 23.07 % |
| Member Investment Plan | 3.0 - 7.0 | 22.52 - 23.07 |
| Pension Plus | 3.0 - 6.4 | 21.99 |
| Defined Contribution | 0.0 | 17.72 - 18.76 |

The School District’s pension contributions for the year ended June 30, 2016 were equal to the required contribution total. Pension contributions were approximately \$2,549,000, including Section 147c contributions.

For the year ended June 30, 2016, the School District and employee defined contribution plan contributions were approximately \$23,746 and \$27,507, respectively.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE H—EMPLOYEE BENEFITS—Continued

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

At June 30, 2016, the School District reported a liability of \$24,507,864 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2014, and rolled-forward using generally accepted actuarial procedures. The School District’s proportionate share of the net pension liability was based on its statutorily required contributions in relation to all participating school districts’ statutorily required contributions for the measurement period. At September 30, 2015, the School District’s proportion was 0.10034 percent.

For the year ended June 30, 2016, the School District recognized pension expense of \$2,103,495.

At June 30, 2016, 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 |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ 81,177 |
| Changes of assumptions | 603,436 | - |
| Net difference between projected and actual earnings on pension plan investments | 125,093 | - |
| Changes in proportion and differences between School District contributions and proportionate share of contributions | 119,112 | - |
| State of Michigan Section 147c UAAL rate stabilization state aid payments subsequent to the measurement date | - | 666,771 |
| School District contributions subsequent to the measurement date | 2,135,882 | - |
| Total | \$ 2,983,523 | \$ 747,948 |

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE H—EMPLOYEE BENEFITS—Continued

The School District contributions subsequent to the measurement date of \$2,135,882 reported as deferred outflows of resources related to pensions above, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The State of Michigan Section 147c UAAL rate stabilization state aid payments subsequent to the measurement date of \$666,771 reported as deferred inflows of resources related to pensions above, will be recognized as revenue in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ending June 30, | Amount |
|-------------------------|------------|
| 2017 | \$ 100,828 |
| 2018 | 100,828 |
| 2019 | 68,109 |
| 2020 | 496,699 |

Actuarial assumptions

Valuation Assumptions

| | |
|------------------------------|--|
| Investment rate of return – | 8% a year for the MIP and Basic plans and 7% a year for the Pension Plus plan, both rates are compounded annually net of investment and administrative expenses. |
| Salary increases – | 3.5% |
| Inflation – | 2.1% |
| Cost-of-living adjustments – | 3% annual non-compounded for MIP members |

Mortality Assumptions

The healthy life post-retirement mortality table used in this valuation of the System was the RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA.

Experience Study

The annual actuarial valuation report of the System used for these statements is dated September 30, 2014. Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on pension 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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE H—EMPLOYEE BENEFITS—Continued

Actuarial Assumptions—Continued

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

| <u>Investment Category</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return*</u> |
|--------------------------------------|------------------------------|--|
| Domestic Equity Pools | 28.0 % | 5.9 % |
| Alternative Investment Pools | 18.0 | 9.2 |
| International Equity | 16.0 | 7.2 |
| Fixed Income Pools | 10.5 | 0.9 |
| Real Estate and Infrastructure Pools | 10.0 | 4.3 |
| Absolute Return Pools | 15.5 | 6.0 |
| Short Term Investment Pools | 2.0 | 0.0 |
| Total | <u>100.0</u> % | |

*Long term rates of return are net of administrative expenses and 2.1% inflation.

Discount rate

The discount rate used to measure the total pension liability was 8 percent (7 percent for the Pension Plus Plan). 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 contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the School District’s proportionate share of the net pension liability calculated using the discount rate of 8 percent (7 percent for Pension Plus Plan), as well as what the School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

| | <u>1% Lower (7%)</u> | <u>Discount Rate (8%)</u> | <u>1% Higher (9%)</u> |
|--|--------------------------|-------------------------------|---------------------------|
| School District’s proportionate share of the net pension liability | \$ 31,596,920 | \$ 24,507,864 | \$ 18,531,500 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2015 Comprehensive Annual Financial Report.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE H—EMPLOYEE BENEFITS—Continued

Other Post-employment Benefits

Introduction

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

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3 percent of their compensation to offset employer contributions for health care benefits of current retirees.

Retiree Healthcare Reform of 2012

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

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

Employer Contributions

The School District is required to contribute the full actuarial funding contribution amount to fund retiree health care benefits. The contribution requirements of the School District are established and may be amended by the MPSERS Board of Trustees. The employer contribution rate ranged from 5.52% - 6.45% of covered payroll for the period October 1, 2013 to March 9, 2015, 2.2% - 2.71% of covered payroll for the period March 10, 2015 to September 30, 2015, and from 6.4% - 6.83% of covered payroll for the period October 1, 2015 to June 30, 2016. The School District post-employment healthcare contributions to MPSERS for the years ended June 30, 2016, 2015 and 2014 were approximately \$508,000, \$185,000 and \$505,000 respectively, and were equal to the required contribution for those years.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE I—COMMITMENTS AND CONTINGENCIES

Commitments

- **Construction contracts** – As of June 30, 2016, the School District had awarded construction contracts totaling approximately \$472,000.
- **Operating Leases** - The School District has lease agreements expiring at various dates through July 2018. Expense for the year ended June 30, 2016 was approximately \$101,500. The following is a schedule of future minimum rental payments required under operating leases for School District buses.

| <u>Year ending June 30,</u> | <u>Amount</u> |
|---------------------------------|--------------------------|
| 2017 | \$ 83,931 |
| 2018 | 212,841 |
| 2019 | 161,000 |
| | <u><u>\$ 457,772</u></u> |

Litigation

The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School District’s legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the School District.

Grant Programs

The School District participates in grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

NOTE J—OTHER INFORMATION

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers’ disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool’s total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool’s policy year may be subject to special assessment to make up the deficiency. The workers’ compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2016 or any of the prior three years.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE K—SUBSEQUENT EVENT

In August 2016, the School District received the proceeds of \$599,632 and \$900,368 State of Michigan (State) school aid anticipation notes payable. The notes payable are not subject to redemption prior to their maturities in July 2017 and bear interest at the rates of 1.0 and .76 percent per annum, respectively. The School District pledged for payment of the notes payable, the amount of state school aid to be received plus the full faith, credit, and resources of the School District.

NOTE L—UPCOMING ACCOUNTING PRONOUNCEMENT

GASB Statement 75—Accounting and Financial Reporting for Postemployment Benefits other than Pensions was issued by the GASB in June 2015 and will be effective for the School District's 2018 fiscal year. The statement requires governments that participate in postemployment benefits other than pensions (OPEB) to report in their Statement of Net Position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Cost-sharing employers will be required to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The net OPEB liability recorded in the Statement of Net Position on July 1, 2017 will be very significant.

GASB Statement 77—Tax Abatement Disclosures was issued by the GASB in August 2015 and will be effective for the School District's 2017 fiscal year. This Statement requires School Districts to disclose the following information about tax abatement agreements entered into by other governments that reduce the School District's tax revenues: the names of the governments that entered into the agreements, the specific taxes being abated, and the gross dollar amount of taxes abated during the period.

REQUIRED SUPPLEMENTARY INFORMATION

Oakridge Public Schools
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
 General Fund
 For the year ended June 30, 2016

| | <u>Budgeted amounts</u> | | <u>Actual</u> | Variance with final budget- positive (negative) |
|---|-------------------------|-------------------|---------------------|--|
| | <u>Original</u> | <u>Final</u> | | <u>(negative)</u> |
| REVENUES | | | | |
| Local sources | \$ 1,971,347 | \$ 1,954,354 | \$ 1,780,770 | \$ (173,584) |
| State sources | 15,877,923 | 16,628,024 | 16,640,616 | 12,592 |
| Federal sources | 644,550 | 679,785 | 508,629 | (171,156) |
| Incoming transfers and other transactions | 37,000 | 37,000 | 32,000 | (5,000) |
| Total revenues | 18,530,820 | 19,299,163 | 18,962,015 | (337,148) |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Basic programs | 8,987,205 | 9,309,123 | 9,314,237 | (5,114) |
| Added needs | 2,509,573 | 2,539,770 | 2,443,682 | 96,088 |
| Support services | | | | |
| Pupil | 875,172 | 911,391 | 904,140 | 7,251 |
| Instructional staff | 592,063 | 741,167 | 598,902 | 142,265 |
| General administration | 374,515 | 389,992 | 377,093 | 12,899 |
| School administration | 1,218,455 | 1,270,659 | 1,263,256 | 7,403 |
| Business | 415,489 | 447,087 | 415,239 | 31,848 |
| Operations and maintenance | 1,514,595 | 1,639,331 | 1,571,856 | 67,475 |
| Pupil transportation services | 1,021,070 | 955,564 | 795,184 | 160,380 |
| Central | 606,352 | 776,601 | 750,264 | 26,337 |
| Community services | 18,597 | 19,771 | 20,680 | (909) |
| Outgoing transfers and other transactions | 136,218 | 26,010 | 11,000 | 15,010 |
| Total expenditures | 18,269,304 | 19,026,466 | 18,465,533 | 560,933 |
| Excess of revenues over expenditures | \$ 261,516 | \$ 272,697 | 496,482 | \$ 223,785 |
| Fund balance at beginning of year | | | 1,545,604 | |
| Fund balance at end of year | | | \$ 2,042,086 | |

Oakridge Public Schools
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement System
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|--|---------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| School District's proportion of the net pension liability (%) | 0.10034% | 0.09971% | - | - | - | - | - | - | - | - |
| School District's proportionate share of the net pension liability | \$ 24,507,864 | \$ 21,961,893 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| School District's covered-employee payroll | \$ 8,350,709 | \$ 8,467,524 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 293.48% | 259.37% | - | - | - | - | - | - | - | - |
| Plan fiduciary net position as a percentage of the total pension liability | 63.17% | 66.20% | - | - | - | - | - | - | - | - |

Note: For years prior to 2015 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Oakridge Public Schools
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of School District's Contributions
 Last 10 Fiscal Years (Amounts were determined as of 6/30 of each year)

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|---|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Statutorily required contributions | \$ 1,881,901 | \$ 2,070,244 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the statutorily required contributions | 1,881,901 | 2,070,244 | - | - | - | - | - | - | - | - |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School District's covered-employee payroll | \$ 8,594,135 | \$ 8,341,904 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions as a percentage of covered-employee payroll | 21.90% | 24.82% | - | - | - | - | - | - | - | - |

Note: For years prior to 2015 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Oakridge Public Schools
REQUIRED SUPPLEMENTARY INFORMATION
Notes to Required Supplementary Information
For the year ended June 30, 2016

Changes of benefit terms: There were no changes of benefit terms in 2016.

Changes of assumptions: There were no changes of benefit assumptions in 2016.