

**SCHOOL DISTRICT OF THE CITY OF OAK PARK**

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

**YEAR ENDED JUNE 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
School District of the City of Oak Park

### **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 the School District of the City of Oak Park, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District of the City of Oak Park'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.

### ***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 the School District of the City of Oak Park as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter - Change in Accounting Principle***

As discussed in Note 12 to the financial statements, School District of the City of Oak Park implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of the City of Oak Park basic financial statements. The additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The additional supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2018 on our consideration of the School District of the City of Oak Park's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of School District of the City of Oak Park's 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 the School District of the City of Oak Park's internal control over financial reporting and compliance.

*Maney Costeiran PC*

October 22, 2018

## MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the School District of the City of Oak Park’s annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

For the year ended June 30, 2018, School District of the City of Oak Park implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These changes are significant at the District-wide level.

### FINANCIAL HIGHLIGHTS

- General Fund revenues were \$56.6 million, \$1.2 million more than General Fund expenditures and transfers.
- State Aid Foundation Allowance was \$8,145 which was \$93 more than the previous school year.
- The District’s blended student count increased from 4,973 students to 5,158 students, an increase of 185 students from last year.

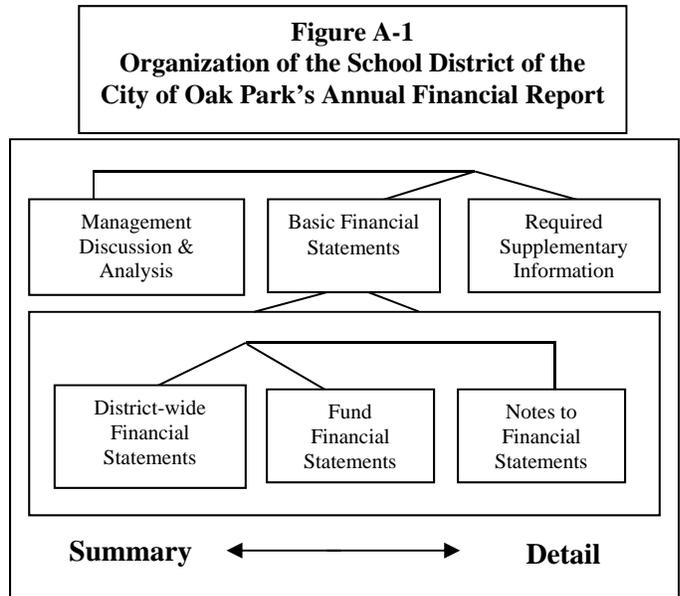
### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are District-wide financial statements that provide both short-term and long-term information about the District’s overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District’s operations in more detail than the District-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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



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

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

## **DISTRICT-WIDE STATEMENTS**

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

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

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

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

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

## **FUND FINANCIAL STATEMENTS**

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

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

The District has two kinds of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

## **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net position** - The District's *combined* net position increased by \$2.2 million during the year. The combined net position at June 30, 2018, increased from \$(31,477,367), as restated, to \$(29,311,502).

<b>Statement of Net Position</b>		
<b>Table A-3</b>		
	2018	2017
Current and other assets	\$ 26,542,470	\$ 24,257,538
Capital assets, net of depreciation	28,057,361	29,878,267
Total assets	<u>54,599,831</u>	<u>54,135,805</u>
Deferred outflows of resources	17,867,989	8,621,524
Current liabilities	6,995,320	6,675,830
Noncurrent liabilities	88,378,365	65,396,882
Total liabilities	<u>95,373,685</u>	<u>72,072,712</u>
Deferred inflows of resources	6,405,637	2,171,522
Net assets:		
Net investment in capital assets	19,289,508	18,343,317
Restricted	3,097,293	2,817,072
Unrestricted	<u>(51,698,303)</u>	<u>(32,647,294)</u>
Total net position	<u>\$ (29,311,502)</u>	<u>\$ (11,486,905)</u>
The 2017 figures have not been updated for the adoption of GASB 75		

<b>Changes in Net Position</b>		
<b>Table A-4</b>		
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 304,640	\$ 293,136
Federal and state categorical grants	19,384,723	17,148,003
General revenues:		
Property taxes	7,048,149	7,079,217
Investment earnings	167,614	7,142
State aid - unrestricted	35,923,634	33,892,379
Other	86,323	202,788
Total revenues	<u>62,915,083</u>	<u>58,622,665</u>
Expenses:		
Instruction	37,517,398	32,815,266
Support services	16,501,851	15,126,141
Community services	1,473,550	1,278,427
Food services	2,758,652	3,131,709
Interest on long-term debt	486,238	437,344
Unallocated depreciation	2,011,529	2,055,983
Total expenses	<u>60,749,218</u>	<u>54,844,870</u>
Change in net position	<u>\$ 2,165,865</u>	<u>\$ 3,777,795</u>
The 2017 figures have not been updated for the adoption of GASB 75		

## **District Governmental Activities**

The District seeks a balance between maximizing resources for the education of our students and maintaining the long-term financial health of the District. The governmental activities mirror that goal. Our support services seek to be efficient at providing the necessary safe, orderly, and positive learning environment so that more dollars are available for the direct instruction of students. Our before-and-after-care program and our school breakfast and lunch program seek to be self-supporting and cost effective.

- State Aid Foundation Allowance was \$8,145, a \$93 increase from the previous school year.
- Food Service increased fund balance by \$179,171 on revenues of \$2,592,885.

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds reported *combined* fund balance of \$19 million.

The General Fund's fund balance increased \$1.2 million and resulted in a positive \$15.8 million fund balance at June 30, 2018.

### **General Fund Budgetary Highlights**

The District is required to adopt an operating budget prior to the start of the fiscal year. Certain information is not known at the time of budget adoption, such as the amount of state aid, the actual number of students and the cost of employee contracts, and must be estimated or projected. Over the course of the budget year, the District revises the annual operating budget several times. For fiscal year 2017 - 2018 budget amendments included:

- Changes adopted during the fiscal year to account for final enrollment counts, award of grants, and changes in assumptions since the original budget was adopted.

The District's original budget was adopted with a surplus of \$112,744. The budget amendment approved in June called for a budget deficit of \$429,045. Actual revenues exceeded actual expenditures by \$1.2 million at year-end.

- Actual revenues were \$2.5 million lower than budgeted. This variance in excess of the anticipated was due primarily to grant revenue carrying over to the next year.
- Actual expenditures were \$4.1 million lower than budgeted. This variance in excess of the anticipated was due primarily to grant dollars not expended in current year and carried forward to the next school year in addition to cost cutting efforts.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

By the end of 2018, the District had invested \$59.4 million in a broad range of capital assets, including school buildings, athletic and support facilities, computer and transportation equipment. This amount represents a net decrease of \$2,152,985 from last year. (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year was \$2,011,529.

<b>Capital Assets Table A-5</b>		
	2018	2017
Land	\$ 341,499	\$ 341,499
Buildings and additions	48,587,341	48,545,707
Site improvements	4,772,030	4,655,219
Transportation equipment	607,945	599,152
Furniture and equipment	5,062,244	7,382,467
Subtotal	59,371,059	61,524,044
Accumulated depreciation	31,313,698	31,645,777
Total	<u>\$ 28,057,361</u>	<u>\$ 29,878,267</u>

### Long-term Debt

At year-end the District had \$9.9 million in general obligation bonds and other long-term debt outstanding - a net decrease of 22 percent from last year. (More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.)

- The District continued to pay down its debt, retiring \$2.8 million of outstanding bonds.

<b>Outstanding Long-term Debt Table A-6</b>		
	2018	2017
General obligation debts (financed with property taxes)	\$ 8,767,853	\$ 11,534,950
Compensated absences and termination benefits	1,121,492	1,167,546
Total	<u>\$ 9,889,345</u>	<u>\$ 12,702,496</u>

### FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following factors that would affect the District's budget for the 2017-2018 fiscal year:

- The District's foundation allowance will increase \$187 per student from \$8,145 in 2017-2018 to \$8,332 in 2018 - 2019.
- Student enrollment has increased slightly. The District continues to be a K-12 school of choice giving all students an opportunity to learn.
- During the past several years Oak Park Schools has made adjustments and implemented cost-savings measures and has eliminate the deficit and at the same time has offered more programs.
- The District no longer needs to borrow to meet cash flow needs.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Administrative Offices, School District of the City of Oak Park, 13900 Granzon, Oak Park, Michigan 48237.

**BASIC FINANCIAL STATEMENTS**

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

	<b>Governmental activities</b>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 17,106,523
Receivables:	
Accounts receivable	14,543
Taxes receivable	46,764
Intergovernmental	9,148,930
Due from student groups	86,873
Inventories	36,435
Prepays	102,402
Capital assets not being depreciated	341,499
Capital assets, net of accumulated depreciation	27,715,862
<b>TOTAL ASSETS</b>	<b>54,599,831</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Related to other postemployment benefit	1,526,146
Related to pensions	16,341,843
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>17,867,989</b>
<b>LIABILITIES:</b>	
Accounts payable	2,710,183
Accrued salaries and related items	2,393,131
Accrued retirement	1,168,372
Accrued interest	114,000
Unearned revenue	609,634
Noncurrent liabilities:	
Due within one year	1,808,458
Due in more than one year	8,080,887
Net other postemployment benefit liability	19,953,998
Net pension liability	58,535,022
<b>TOTAL LIABILITIES</b>	<b>95,373,685</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Related to pensions	3,348,055
Related to other postemployment benefit	674,590
Related to state aid funding for pension	2,382,992
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>6,405,637</b>
<b>NET POSITION:</b>	
Net investment in capital assets	19,289,508
Restricted for debt service	395,677
Restricted for capital projects	1,935,100
Restricted for food service	766,516
Unrestricted	(51,698,303)
<b>TOTAL NET POSITION</b>	<b>\$ (29,311,502)</b>

See notes to financial statements.

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Governmental activities</u>
		<u>Charges for services</u>	<u>Operating grants</u>	<u>Net (expense) revenue and changes in net position</u>
Governmental activities:				
Instruction	\$ 37,517,398	\$ -	\$ 14,219,494	\$(23,297,904)
Support services	16,501,851	37,010	2,769,939	(13,694,902)
Community services	1,473,550	82,034	-	(1,391,516)
Food services	2,758,652	185,596	2,395,290	(177,766)
Interest on long-term debt	486,238	-	-	(486,238)
Unallocated depreciation	2,011,529	-	-	(2,011,529)
Total governmental activities	<u>\$ 60,749,218</u>	<u>\$ 304,640</u>	<u>\$ 19,384,723</u>	<u>(41,059,855)</u>
General revenues:				
Property taxes, levied for general purposes				3,743,471
Property taxes, levied for debt service				2,198,974
Property taxes, levied for sinking fund				1,105,704
Investment earnings				167,614
State sources - unrestricted				35,923,634
Other				<u>86,323</u>
Total general revenues				<u>43,225,720</u>
<b>CHANGE IN NET POSITION</b>				<b>2,165,865</b>
<b>NET POSITION:</b>				
Beginning of year, as restated				<u>(31,477,367)</u>
End of year				<u><u>\$(29,311,502)</u></u>

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<b>General fund</b>	<b>Total nonmajor funds</b>	<b>Total governmental funds</b>
<b>ASSETS</b>			
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 13,630,980	\$ 3,475,543	\$ 17,106,523
Receivables:			
Taxes receivable	18,663	28,101	46,764
Accounts receivable	14,543	-	14,543
Intergovernmental	9,039,151	109,779	9,148,930
Due from other funds	258,866	190,052	448,918
Due from student groups	86,873	-	86,873
Inventories	-	36,435	36,435
Prepays	102,402	-	102,402
<b>TOTAL ASSETS</b>	<b>\$ 23,151,478</b>	<b>\$ 3,839,910</b>	<b>\$ 26,991,388</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 2,596,116	\$ 114,067	\$ 2,710,183
Accrued salaries and related items	2,393,131	-	2,393,131
Accrued retirement	1,168,372	-	1,168,372
Due to other funds	-	448,918	448,918
Unearned revenue	608,538	1,096	609,634
<b>TOTAL LIABILITIES</b>	<b>6,766,157</b>	<b>564,081</b>	<b>7,330,238</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable revenue - property taxes	18,663	28,101	46,764
Unavailable revenue - federal	576,294	-	576,294
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>594,957</b>	<b>28,101</b>	<b>623,058</b>

See notes to financial statements.

	<u>General fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
<b>FUND BALANCES:</b>			
Nonspendable:			
Inventories	\$ -	\$ 36,435	\$ 36,435
Prepays	102,402	-	102,402
Restricted for:			
Capital outlay	-	1,935,100	1,935,100
Debt service	-	509,677	509,677
Food service	-	766,516	766,516
Unassigned	15,687,962	-	15,687,962
<b>TOTAL FUND BALANCES</b>	<u>15,790,364</u>	<u>3,247,728</u>	<u>19,038,092</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF     RESOURCES, AND FUND BALANCES</b>	<u>\$ 23,151,478</u>	<u>\$ 3,839,910</u>	<u>\$ 26,991,388</u>
<b>Total governmental fund balances</b>			<u>\$ 19,038,092</u>
Amounts reported for governmental activities in the statement of net position are different because:			
Deferred outflows of resources - related to pensions		\$ 16,341,843	
Deferred inflows of resources - related to pensions		(3,348,055)	
Deferred outflows of resources - related to other postemployment benefits		1,526,146	
Deferred inflows of resources - related to other postemployment benefits		(674,590)	
Deferred inflows of resources - related to state pension funding		<u>(2,382,992)</u>	
			11,462,352
Capital assets used in governmental activities are not financial resources and are not reported in the funds:			
The cost of the capital assets is		59,371,059	
Accumulated depreciation is		<u>(31,313,698)</u>	
			28,057,361
Long-term liabilities are not due and payable in the current period and are not reported in the funds:			
Bonds payable		(7,990,000)	
Compensated absences and termination benefits		(1,121,492)	
Unamortized issuance premiums		(777,853)	
Net other postemployment benefits liability		(19,953,998)	
Net pension liability		<u>(58,535,022)</u>	
			(88,378,365)
Unavailable revenue at June 30, 2018, expected to be collected after September 1, 2018			623,058
Accrued interest on bonds payable is not included as a liability in government funds, it is recorded when paid			(114,000)
<b>Net position of governmental activities</b>			<u>\$ (29,311,502)</u>

See notes to financial statements.

**SCHOOL DISTRICT OF THE CITY OF OAK PARK**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2018**

	<u>General fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
<b>REVENUES:</b>			
Local sources:			
Property taxes	\$ 3,739,130	\$ 3,354,380	\$ 7,093,510
Tuition	82,034	-	82,034
Investment earnings	159,459	8,155	167,614
Other	149,613	296,263	445,876
Total local sources	<u>4,130,236</u>	<u>3,658,798</u>	<u>7,789,034</u>
State sources	46,254,167	112,680	46,366,847
Federal sources	3,073,851	2,183,942	5,257,793
Intermediate sources	2,984,846	-	2,984,846
Incoming transfers and other	215,278	-	215,278
Total revenues	<u>56,658,378</u>	<u>5,955,420</u>	<u>62,613,798</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Basic programs	29,369,740	-	29,369,740
Added needs	7,714,415	-	7,714,415
Total instruction	<u>37,084,155</u>	<u>-</u>	<u>37,084,155</u>
Supporting services	16,959,505	-	16,959,505
Food service activities	-	2,413,714	2,413,714
Community service activities	1,453,317	-	1,453,317

See notes to financial statements.

	<u>General fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
<b>EXPENDITURES:</b>			
Debt service:			
Principal repayment	\$ -	\$ 2,609,071	\$ 2,609,071
Interest	-	467,715	467,715
Capital outlay	-	158,445	158,445
Total expenditures	<u>55,496,977</u>	<u>5,648,945</u>	<u>61,145,922</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,161,401</u>	<u>306,475</u>	<u>1,467,876</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	102,225	102,225
Transfers out	-	(102,225)	(102,225)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>1,161,401</u>	<u>306,475</u>	<u>1,467,876</u>
<b>FUND BALANCES:</b>			
Beginning of year	<u>14,628,963</u>	<u>2,941,253</u>	<u>17,570,216</u>
End of year	<u><u>\$ 15,790,364</u></u>	<u><u>\$ 3,247,728</u></u>	<u><u>\$ 19,038,092</u></u>

See notes to financial statements.

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

<b>Net change in fund balances total governmental funds</b>	<b>\$ 1,467,876</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(2,011,529)
Capital outlay	204,723
Loss on disposal of capital assets	(14,100)
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	94,189
Accrued interest payable, end of the year	(114,000)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items are as follows:	
Payments on debt	2,609,071
Amortization of bond premium	158,026
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Unavailable revenue, beginning of the year	(105,681)
Unavailable revenue, end of the year	623,058
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences and termination benefits, beginning of the year	1,167,546
Accrued compensated absences and termination benefits, end of the year	(1,121,492)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Other postemployment benefits related items	273,598
Pension related items	(947,996)
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period:	
State aid funding for pension and OPEB, beginning of year	2,265,568
State aid funding for pension, end of year	(2,382,992)
<b>Change in net position of governmental activities</b>	<b>\$ 2,165,865</b>

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2018**

	<u>Agency fund</u>
<b>ASSETS:</b>	
Cash	\$ 298,813
	<hr/>
<b>LIABILITIES:</b>	
Accounts payable	\$ 5,693
Due to other funds	86,873
Due to student and other groups	206,247
	<hr/>
<b>TOTAL LIABILITIES</b>	<b>\$ 298,813</b>
	<hr/>

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-wide Financial Statements**

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

**B. Reporting Entity**

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

**C. Basis of Presentation - Government-wide Financial Statements**

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

**D. Basis of Presentation - Fund Financial Statements**

The fund financial statements provide information about the 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.

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Presentation - Fund Financial Statements (Concluded)**

The District reports the following major governmental funds:

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

**Other nonmajor funds**

The *capital projects sinking fund* accounts for the receipt of sinking fund millage proceeds and the acquisition of fixed assets or construction of capital projects. The District has complied with the applicable provisions of §1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95 relating to sinking funds.

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

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

**Fiduciary Funds** account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

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

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

**SCHOOL DISTRICT OF THE CITY OF OAK PARK**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Measurement Focus and Basis of Accounting**

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

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

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

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

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

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Measurement Focus and Basis of Accounting (Concluded)**

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

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

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

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

**F. Budgetary Information**

Budgetary basis of accounting

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

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

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Budgetary Information (Concluded)**

The 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 School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2018. The District does not consider these amendments to be significant.

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

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

2. Investments

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. 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 District intends to hold the investment until maturity.

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

2. Investments (Concluded)

State statutes authorize the 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 District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

3. Inventories and prepaids

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

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

4. Capital assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 2 years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

4. Capital assets (Concluded)

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

Buildings and additions	50
Furniture and equipment	5 - 15
Transportation equipment	8
Site improvements	20

5. Defined benefit plans

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

6. Deferred outflows

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

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

7. Deferred inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

8. Net position flow assumption

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

9. Fund balance flow assumptions

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

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Concluded)**

10. Fund balance policies

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

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

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

**H. Revenues and Expenditures/Expenses**

1. Program revenues

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

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Revenues and Expenditures/Expenses (Continued)**

2. Property taxes

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

For the year ended June 30, 2018, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund:	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.0000
Sinking fund:	
PRE, Non-PRE, Commercial Personal Property	3.0000
Debt service:	
PRE, Non-PRE, Commercial Personal Property	6.0000

3. Compensated absences

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

4. Long-term obligations

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

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**H. Revenues and Expenditures/Expenses (Concluded)**

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

**NOTE 2 - DEPOSITS AND INVESTMENTS - CREDIT RISK**

The District had no investments at June 30, 2018.

**Interest rate risk.** The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its choices.

**Concentration of credit risk.** The District places no limit on the amount the District may invest in any one issuer.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2018, \$17,375,891 of the District's bank balance of \$17,650,891 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount is \$17,405,336.

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS - CREDIT RISK (Continued)**

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

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District’s own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

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

The District does not have any assets or liabilities subject to fair value measurements.

The District does not have any investments subject to the fair value measurement.

The carrying amount as previously reported in Note 2:

Deposits - including fiduciary funds of \$298,813	<u><u>\$ 17,405,336</u></u>
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The above amounts are reported in the financial statements as follows:

Cash - agency fund	\$ 298,813
Cash - District-wide	<u>17,106,523</u>
	<u><u>\$ 17,405,336</u></u>

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

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables at June 30, 2018 consist of the following:

Intergovernmental receivables:	
State aid	\$ 8,093,469
Federal government	880,585
Intermediate sources and other	174,876
	<u>\$ 9,148,930</u>

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

**NOTE 4 - CAPITAL ASSETS**

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

	Balance July 1, 2017	Additions	Disposals/ reclassifications	Balance June 30, 2018
Assets not being depreciated:				
Land	\$ 341,499	\$ -	\$ -	\$ 341,499
Other capital assets:				
Buildings and additions	48,545,707	41,634	-	48,587,341
Site improvements	4,655,219	116,811	-	4,772,030
Transportation equipment	599,152	34,285	25,492	607,945
Furniture and equipment	7,382,467	11,993	2,332,216	5,062,244
Subtotal	<u>61,182,545</u>	<u>204,723</u>	<u>2,357,708</u>	<u>59,029,560</u>
Accumulated depreciation:				
Buildings and additions	22,592,261	1,651,065	-	24,243,326
Site improvements	2,006,004	223,385	-	2,229,389
Transportation equipment	503,754	17,974	25,492	496,236
Furniture and equipment	6,543,758	119,105	2,318,116	4,344,747
Total accumulated depreciation	<u>31,645,777</u>	<u>2,011,529</u>	<u>2,343,608</u>	<u>31,313,698</u>
Net capital assets being depreciated	<u>29,536,768</u>	<u>(1,806,806)</u>	<u>14,100</u>	<u>27,715,862</u>
Net governmental capital assets	<u>\$ 29,878,267</u>	<u>\$ (1,806,806)</u>	<u>\$ 14,100</u>	<u>\$ 28,057,361</u>

Depreciation for the fiscal year ended June 30, 2018 amounted to \$2,011,529. The District allocated depreciation to the various activities as follows:

Unallocated	<u>\$ 2,011,529</u>
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Unallocated depreciation represents the assets that serve multiple functions and thus it would be impractical to allocate the depreciation.

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM DEBT**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of long term obligations for the District for the year ended June 30, 2018:

	General obligation bonds	Compensated absences and termination benefits	Total
Balance, July 1, 2017	\$ 11,534,950	\$ 1,167,546	\$ 12,702,496
Deletions	<u>(2,767,097)</u>	<u>(46,054)</u>	<u>(2,813,151)</u>
Balance, June 30, 2018	8,767,853	1,121,492	9,889,345
Due within one year	<u>(1,715,000)</u>	<u>(93,458)</u>	<u>(1,808,458)</u>
Total due in more than one year	<u><u>\$ 7,052,853</u></u>	<u><u>\$ 1,028,034</u></u>	<u><u>\$ 8,080,887</u></u>

Bonds payable at June 30, 2018 is comprised of the following issues:

2016 general obligation refunding bonds due in annual installments of \$1,370,000 to \$1,715,000 through May 1, 2023 including interest from 4.00% to 5.00%.	<u>\$ 7,990,000</u>
Total bonded debt	7,990,000
Unamortized issuance premiums	777,853
Compensated absences and termination benefits	<u>1,121,492</u>
Total general long-term debt	<u><u>\$ 9,889,345</u></u>

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM DEBT (Concluded)**

The annual requirements to amortize long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2018, including interest of \$1,002,150 are as follows:

Year ending June 30,	Principal	Interest	Total
2019	\$ 1,715,000	\$ 342,000	\$ 2,057,000
2020	1,635,000	273,400	1,908,400
2021	1,635,000	208,000	1,843,000
2022	1,635,000	130,250	1,765,250
2024	1,370,000	48,500	1,418,500
Total	7,990,000	1,002,150	8,992,150
Unamortized issuance premiums	777,853	-	777,853
Compensated absences and termination benefits	1,121,492	-	1,121,492
	<u>\$ 9,889,345</u>	<u>\$ 1,002,150</u>	<u>\$ 10,891,495</u>

Interest expense (all funds) for the year ended June 30, 2018 was \$467,715.

At June 30, 2018 outstanding general obligation bond of \$8,675,000 relating to the 2008 issue is considered to be defeased.

**NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund payable and receivable balances at June 30, 2018 are as follows:

Receivable fund		Payable fund	
General fund	\$ 258,866	Food service fund	\$ 448,918
Capital project fund	40,691		
Debt service fund	149,361		
	<u>\$ 448,918</u>		<u>\$ 448,918</u>

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

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS**

**Plan Description**

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

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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

**Benefits Provided - Overall**

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

<u>Plan name</u>	<u>Plan type</u>	<u>Plan status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

**Benefits Provided - Pension**

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

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Benefits Provided - Pension (Concluded)**

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

**Pension Reform 2010**

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus Plan member. Pension Plus Plan 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 Plan members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus Plan members.

**Pension Reform 2012**

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

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

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

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

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

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Pension Reform 2012 (Concluded)**

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

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

**Option 4** - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

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

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

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

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Pension Reform of 2017**

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

**Benefits Provided - Other Postemployment Benefit (OPEB)**

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

**Retiree Healthcare Reform of 2012**

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

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

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Regular Retirement (no reduction factor for age)**

Eligibility - A Basic Plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60<sup>th</sup> birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

**Member Contributions**

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

**Employer Contributions**

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Postemployment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

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

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2016 valuation will be amortized over a 22-year period for fiscal 2017.

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

	<u>Pension</u>	<u>Other postemployment benefit</u>
October 1, 2016 - September 30, 2017	15.27% - 19.03%	5.69% - 5.91%
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Employer Contributions (Concluded)**

The District's pension contributions for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately \$6,140,000 with \$6,080,000 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2018 were equal to the required contribution total. OPEB benefits were approximately \$1,807,000 with \$1,718,000 specifically for the Defined Benefit Plan.

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

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

**Pension Liabilities**

At June 30, 2018, the District reported a liability of \$58,535,022 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the District's proportion was 0.22588% and 0.21121%.

<i>MPSERS (Plan) Non-university employers</i>	September 30, 2017	September 30, 2016
Total pension liability	\$ 72,407,218,688	\$ 67,917,445,078
Plan fiduciary net position	\$ 46,492,967,573	\$ 42,968,263,308
Net pension liability	\$ 25,914,251,115	\$ 24,949,181,770
Proportionate share	0.22588%	0.21121%
Net pension liability for the District	\$ 58,535,022	\$ 52,694,386

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

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

For the year ended June 30, 2018, the District recognized pension expense of \$7,028,099.

At June 30, 2018, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes in assumptions	\$ 6,412,977	\$ -
Differences between expected and actual experience	508,709	287,219
Changes in proportion and difference between employer contributions and proportionate share of contributions	3,789,674	262,477
Net difference between projected and actual earnings on pension plan investments	-	2,798,359
Reporting Unit's contributions subsequent to the measurement date	5,630,483	-
	<b>\$16,341,843</b>	<b>\$ 3,348,055</b>

\$5,630,483, reported as deferred outflows of resources related to pensions resulting from district employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year ended September 30,	Amount
2018	\$ 2,086,191
2019	3,101,037
2020	1,897,002
2021	279,075

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

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

**OPEB Liabilities**

At June 30, 2018, the District reported a liability of \$19,953,998 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the District's proportion was 0.22533%.

<u><i>MPERS (Plan) Non-university employers</i></u>	<u>September 30, 2017</u>
Total other postemployment benefit liability	\$ 13,920,945,991
Plan fiduciary net position	\$ 5,065,474,948
Net other postemployment benefit liability	\$ 8,855,471,043
Proportionate share	0.22533%
Net other postemployment benefit liability for the District	\$ 19,953,998

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,444,346.

At June 30, 2018, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes in assumptions	\$ -	\$ -
Differences between expected and actual experience	-	212,451
Changes in proportion and difference between employer contributions and proportionate share of contributions	3,190	-
Net difference between projected and actual earnings on pension plan investments	-	462,139
Reporting Unit's contributions subsequent to the measurement date	1,522,956	-
	\$ 1,526,146	\$ 674,590

\$1,522,956, reported as deferred outflows of resources related to OPEB resulting from district employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year ended September 30,	Amount
2018	\$ (162,303)
2019	(162,303)
2020	(162,303)
2021	(162,303)
2022	(22,188)

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Actuarial Assumptions**

**Investment rate of return for pension** - 7.5% a year, compounded annually net of investment and administrative expenses for the non-hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the hybrid group (Pension Plus Plan).

**Investment rate of return for OPEB** - 7.5% a year, compounded annually net of investment and administrative expenses.

**Salary increases** - The rate of pay increase used for individual members is 3.5%.

**Inflation** - 3.0%.

**Mortality assumptions** - RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2025 using projection scale BB (for men, 80% of the table rates were used and for women, 70% of the table rates were used).

**Experience study** - The annual actuarial valuation report of the System used for these statements is dated September 30, 2016. 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.

**The long-term expected rate of return on pension and other postemployment benefit plan investments** - The pension rate was 7.5% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.5%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**Cost of living pension adjustments** - 3.0% annual non-compounded for MIP members.

**Healthcare cost trend rate for other postemployment benefit** - 7.5% for year one and graded to 3.5% to year twelve.

**Additional assumptions for other postemployment benefit only - applies to individuals hired before September 4, 2012:**

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

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

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Actuarial Assumptions (Continued)**

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

The target asset allocation at September 30, 2017 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment category</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Domestic Equity Pools	28.00%	5.60%
Alternate Investment Pools	18.00%	8.70%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	(0.10)%
Real Estate and Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.00%
Short Term Investment Pools	2.00%	(0.90)%
	<u>100.00%</u>	

\* Long term rate of return does not include 2.3% inflation.

**Pension discount rate** - The discount rate used to measure the total pension liability was 7.5% (7.0% for Pension Plus Plan). This discount rate was based on the long-term rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that plan members contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Actuarial Assumptions (Continued)**

**OPEB discount rate** - The discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the net pension liability to changes in the discount rate** - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for Pension Plus Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Pension		
	1% Decrease (6.5% / 7.0%)	Discount rate (7.5% - 7.0%)	1% Increase (8.5% - 8.0%)
Reporting Unit's proportionate share of the net pension liability	\$ 76,251,665	\$ 58,535,022	\$ 43,618,738

**Sensitivity of the net OPEB liability to changes in the discount rate** - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Other postemployment benefit		
	1% Decrease (6.5%)	Discount rate (7.5%)	1% Increase (8.5%)
Reporting Unit's proportionate share of the  net other postemployment benefit liability	\$ 23,371,899	\$ 19,953,998	\$ 17,053,271

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Concluded)**

**Actuarial Assumptions (Concluded)**

**Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates** - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	Other postemployment benefit		
	1% Decrease (6.5% decreasing to 2.5%)	Healthcare cost trend rates (7.5% decreasing to 3.5%)	1% Increase (8.5% decreasing to 4.5%)
Reporting Unit's proportionate share of the			
net other postemployment benefit liability	\$ 16,898,354	\$ 19,953,998	\$ 23,423,469

**Pension and OPEB Plan Fiduciary Net Position**

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2017 Comprehensive Annual Financial Report.

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

**Other Information**

On December 20, 2017, the Michigan Supreme Court affirmed that Public Act 75 of 2010 is unconstitutional as it substantially impaired the employee's employment contracts by involuntarily reducing the employee's wages by 3%. As a result, the funds collected pursuant to Public Act 75 before the effective date of Public Act 300 of 2012, must be refunded to the employees in accordance with the Michigan Court of Claims judgment on the aforementioned court case. Effective September 30, 2017, the 3% contribution collected under Public Act 75, which amounted to approximately \$554 million (including interest), was posted as a liability on the plan's CAFR report.

**SCHOOL DISTRICT OF THE CITY OF OAK PARK**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - RISK MANAGEMENT**

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

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2018 or any of the prior 3 years.

**NOTE 9 - TRANSFERS**

A transfer from the QZAB bond fund of \$102,225 was to remove the remaining fund balance from this fund as all debt payments have been made.

**NOTE 10 - CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

**NOTE 11 - TAX ABATEMENTS**

Effective for the year ended June 30, 2018, the District is required to disclose significant tax abatements as required by GASB Statement No. 77, *Tax Abatements*.

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - TAX ABATEMENTS (Concluded)**

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

Municipality	Taxes abated
City of Royal Oak:	
Operating	\$ 113,509
Oakland County:	
Operating	79,358
Debt	69,119
	\$ 261,986

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District’s Section 22 funding of the State School Aid Act.

There are no significant abatements made by the District.

**NOTE 12 - NEW ACCOUNTING STANDARD**

For the year ended June 30, 2017, the District implemented the following new pronouncement: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**Summary:**

GASB Statement No. 75 requires governments that participate in defined benefit Other Postemployment Benefit (OPEB) plans to report in the 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. The Statement requires cost-sharing employers 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 Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 - NEW ACCOUNTING STANDARD (Concluded)**

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

	Governmental activities
Net position as previously stated July 1, 2017	\$ (11,486,905)
Adoption of GASB Statement No. 75	
Other postemployment benefit liability	(21,047,048)
Deferred inflows	(614,422)
Deferred outflows	1,671,008
Net position as restated July 1, 2017	\$ (31,477,367)

**NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the District’s 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District’s 2021 year end. The objective of this Statement is to increase the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2018**

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget</b>
<b>REVENUES:</b>				
Local sources	\$ 4,010,692	\$ 4,191,985	\$ 4,130,236	\$ (61,749)
State sources	43,821,733	46,701,743	46,254,167	(447,576)
Federal sources	4,510,987	5,291,420	3,073,851	(2,217,569)
Incoming transfers and other	2,830,282	2,984,782	3,200,124	215,342
Total revenues	<u>55,173,694</u>	<u>59,169,930</u>	<u>56,658,378</u>	<u>(2,511,552)</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Basic programs	26,984,461	29,865,724	29,369,740	495,984
Added needs	9,314,028	9,523,633	7,714,415	1,809,218
Total instruction	<u>36,298,489</u>	<u>39,389,357</u>	<u>37,084,155</u>	<u>2,305,202</u>
Supporting services:				
Pupil	3,290,005	3,549,657	3,203,215	346,442
Instructional staff	1,608,202	1,897,579	1,632,553	265,026
General administration	538,767	502,064	459,283	42,781
School administration	2,514,791	2,688,316	2,610,663	77,653
Business	610,214	710,515	678,999	31,516
Operation/maintenance	4,627,772	4,734,413	4,514,470	219,943
Pupil transportation	2,183,709	2,464,807	2,312,262	152,545
Central	1,327,835	1,313,774	1,180,457	133,317
Athletics	384,836	385,886	367,603	18,283
Total supporting services	<u>17,086,131</u>	<u>18,247,011</u>	<u>16,959,505</u>	<u>1,287,506</u>
Community services	<u>1,676,330</u>	<u>1,962,607</u>	<u>1,453,317</u>	<u>509,290</u>
Total expenditures	<u>55,060,950</u>	<u>59,598,975</u>	<u>55,496,977</u>	<u>4,101,998</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<u>112,744</u>	<u>(429,045)</u>	<u>1,161,401</u>	<u>1,590,446</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	<u>\$ 112,744</u>	<u>\$ (429,045)</u>	<u>1,161,401</u>	<u>\$ 1,590,446</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>14,628,963</u>	
End of year			<u>\$ 15,790,364</u>	

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.22588%	0.21121%	0.20368%	0.20626%
Reporting Unit's proportionate share of net pension liability	\$ 58,535,022	\$ 52,694,386	\$ 49,749,845	\$ 45,432,235
Reporting Unit's covered-employee payroll	\$ 20,538,385	\$ 18,585,459	\$ 17,035,098	\$ 17,520,352
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	285.00%	283.52%	292.04%	259.31%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED JUNE 30)**

	2018	2017	2016	2015
Statutorily required contributions	\$ 6,080,103	\$ 5,225,568	\$ 4,752,989	\$ 3,593,910
Contributions in relation to statutorily required contributions	6,080,103	5,225,568	4,752,989	3,593,910
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Reporting Unit's covered-employee payroll	\$20,952,317	\$18,585,459	\$17,951,723	\$17,421,834
Contributions as a percentage of covered-employee payroll	29.02%	28.12%	26.48%	20.63%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE  
 OF THE NET OPEB LIABILITY  
 MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
 LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	2017
Reporting Unit's proportion of net OPEB liability (%)	0.22533%
Reporting Unit's proportionate share of net OPEB liability	\$ 19,953,998
Reporting Unit's covered-employee payroll	\$ 20,538,385
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	97.15%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	36.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED JUNE 30)**

	2018
Statutorily required contributions	\$ 1,717,944
Contributions in relation to statutorily required contributions	1,717,944
Contribution deficiency (excess)	\$ -
Reporting Unit's covered-employee payroll	\$ 20,952,317
Contributions as a percentage of covered-employee payroll	8.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2018**

**Changes of benefits terms:** There were no changes of benefits terms in the plan year ended September 30, 2017.

**Changes of assumptions:** There were no changes of benefit assumptions in the plan year ended September 30, 2017.

**ADDITIONAL SUPPLEMENTARY INFORMATION**

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2018**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Capital projects</u>	<u>Total</u>
<b>ASSETS</b>	<u>Food service</u>	<u>2016 Refunding</u>	<u>Sinking fund</u>	<u>nonmajor funds</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 1,220,818	\$ 360,316	\$ 1,894,409	\$ 3,475,543
Taxes receivable	-	18,734	9,367	28,101
Intergovernmental	109,779	-	-	109,779
Due from other funds	-	149,361	40,691	190,052
Inventories	36,435	-	-	36,435
<b>TOTAL ASSETS</b>	<u>\$ 1,367,032</u>	<u>\$ 528,411</u>	<u>\$ 1,944,467</u>	<u>\$ 3,839,910</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 114,067	\$ -	\$ -	\$ 114,067
Due to other funds	448,918	-	-	448,918
Unearned revenue	1,096	-	-	1,096
<b>TOTAL LIABILITIES</b>	<u>564,081</u>	<u>-</u>	<u>-</u>	<u>564,081</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenue	-	18,734	9,367	28,101
<b>FUND BALANCES:</b>				
Nonspendable:				
Inventories	36,435	-	-	36,435
Restricted for:				
Capital outlay	-	-	1,935,100	1,935,100
Debt service	-	509,677	-	509,677
Food service	766,516	-	-	766,516
<b>TOTAL FUND BALANCES</b>	<u>802,951</u>	<u>509,677</u>	<u>1,935,100</u>	<u>3,247,728</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 1,367,032</u>	<u>\$ 528,411</u>	<u>\$ 1,944,467</u>	<u>\$ 3,839,910</u>

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUND TYPES  
 YEAR ENDED JUNE 30, 2018**

	Special revenue	Debt service		Capital projects	Total nonmajor funds
	Food service	2016 Refunding	QZAB	Sinking fund	
<b>REVENUES:</b>					
Local sources:					
Property taxes	\$ -	\$ 2,249,482	\$ -	\$ 1,104,898	\$ 3,354,380
Investment income	-	3,783	158	4,214	8,155
Charges for services	296,263	-	-	-	296,263
Total local sources	296,263	2,253,265	158	1,109,112	3,658,798
State sources	112,680	-	-	-	112,680
Federal sources	2,183,942	-	-	-	2,183,942
Total revenues	2,592,885	2,253,265	158	1,109,112	5,955,420
<b>EXPENDITURES:</b>					
Current:					
Food service	2,413,714	-	-	-	2,413,714
Debt service:					
Principal repayment	-	1,800,000	809,071	-	2,609,071
Interest	-	445,806	21,909	-	467,715
Capital outlay	-	-	-	158,445	158,445
Total expenditures	2,413,714	2,245,806	830,980	158,445	5,648,945

	Special revenue	Debt service		Capital projects	Total nonmajor funds
	Food service	2016 Refunding	QZAB	Sinking fund	
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	\$ 179,171	\$ 7,459	\$ (830,822)	\$ 950,667	\$ 306,475
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	102,225	102,225
Transfers out	-	-	(102,225)	-	(102,225)
Total other financing sources (uses)	-	-	(102,225)	102,225	-
<b>NET CHANGE IN FUND BALANCES</b>	179,171	7,459	(933,047)	1,052,892	306,475
<b>FUND BALANCES:</b>					
Beginning of year	623,780	502,218	933,047	882,208	2,941,253
End of year	\$ 802,951	\$ 509,677	\$ -	\$ 1,935,100	\$ 3,247,728

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 2016 REFUNDING BONDS  
JUNE 30, 2018**

\$8,240,000 Bonds issued August 10, 2016 for refunding purposes. \$8,675,000 of the previous bond was refunded.

Fiscal year	Interest rate	Principal due May 1,	Interest due		Total due annually
			May 1	November 1	
2019	4.000%	\$ 1,715,000	\$ 163,000	\$ 179,000	\$ 2,057,000
2020	4.000%	1,635,000	128,700	144,700	1,908,400
2021	4.000-5.000%	1,635,000	96,000	112,000	1,843,000
2022	5.000%	1,635,000	55,125	75,125	1,765,250
2023	5.000%	1,370,000	14,250	34,250	1,418,500
		<u>\$ 7,990,000</u>	<u>\$ 457,075</u>	<u>\$ 545,075</u>	<u>\$ 8,992,150</u>

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2018**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through project number	Program or award amount	Accrued revenue July 1, 2017	(Memo only) prior year expenditures	Current year expenditures	Current year cash receipts	Accrued revenue June 30, 2018
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>								
Passed through Michigan Department of Education:								
Cash Assistance:								
Healthier US School Challenge Smarter Lunchrooms	10.543	2017-18	\$ 1,500	\$ -	\$ -	\$ 1,500	\$ 1,500	\$ -
Child Nutrition Cluster:								
Non-Cash Assistance (donated foods):								
Entitlement	10.555	2017-18	166,546	-	-	166,546	166,546	-
Cash Assistance:								
National School Lunch Program	10.555	171960	1,384,104	69,093	1,183,834	201,207	270,300	-
National School Lunch Program	10.555	181960	-	-	-	1,124,442	1,066,149	58,293
National School Lunch Program -Snack	10.555	181980	1,612	-	-	1,612	1,612	-
Total National School Lunch Program - cash assistance			1,385,716	69,093	1,183,834	1,327,261	1,338,061	58,293
Total CFDA #10.555			1,552,262	69,093	1,183,834	1,493,807	1,504,607	58,293
Cash Assistance:								
National School Lunch Program - Breakfast	10.553	171970	604,068	35,351	552,587	86,832	122,183	-
National School Lunch Program - Breakfast	10.553	181970	512,560	-	-	512,560	482,408	30,152
Total CFDA #10.553			1,116,628	35,351	552,587	599,392	604,591	30,152
Total Cash Assistance			2,502,344	104,444	1,736,421	1,926,653	1,942,652	88,445
Total Child Nutrition Cluster			2,668,890	104,444	1,736,421	2,093,199	2,109,198	88,445
National School Lunch Program - Child Care Cash in Lieu	10.558	172010	4,651	198	4,850	583	781	-
National School Lunch Program - Supper	10.558	171920	75,546	(900)	74,646	9,038	8,138	-
National School Lunch Program - Child Care Cash in Lieu	10.558	182010	4,750	-	-	4,750	4,526	224
National School Lunch Program - Supper	10.558	181920	74,871	-	-	74,871	71,570	3,301
Total CFDA #10.558			159,818	(702)	79,496	89,242	85,015	3,525
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>2,830,208</b>	<b>103,742</b>	<b>1,815,917</b>	<b>2,183,941</b>	<b>2,195,713</b>	<b>91,970</b>

The accompanying notes are an integral part of this schedule.

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2018**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through project number	Program or award amount	Accrued revenue July 1, 2017	(Memo only) prior year expenditures	Current year expenditures	Current year cash receipts	Accrued revenue June 30, 2018
<b>U.S. DEPARTMENT OF EDUCATION:</b>								
Passed Through Michigan Department of Education:								
Title I - Part A Improving Basic Programs (1617)	84.010	171530-1617	\$ 1,302,738	\$ 122,893	\$ 778,813	\$ 244,295	\$ 383,374	\$ (16,186)
Title I - Part A Improving Basic Programs (1718)	84.010	181530-1718	1,182,511	-	-	634,628	525,744	108,884
Total CFDA #84.010			2,485,249	122,893	778,813	878,923	909,118	92,698
Title III - Limited English Proficient Students (1617)	84.365	170580-1617	12,160	906	906	9,466	10,372	-
Title III - Limited English Proficient Students (1718)	84.365	180580-1718	11,511	2,574	4,954	-	2,574	-
Title III - Immigrant Student (1617)	84.365	170570-1617	14,560	-	-	712	-	712
Title III - Immigrant Student (1718)	84.365	180570-1718	8,224	-	-	6,300	3,665	2,635
Total CFDA #84.365			46,455	3,480	5,860	16,478	16,611	3,347
Title II - Part A Teacher/Principal Training and Recruiting (1617)	84.367	170520-1617	292,105	13,093	55,742	10,634	23,727	-
Title II - Part A Teacher/Principal Training and Recruiting (1718)	84.367	180520-1718	409,455	-	-	220,758	202,287	18,471
Total CFDA #84.367			701,560	13,093	55,742	231,392	226,014	18,471
Title IV - Part A Student Support and Academic Enrichment	84.424A	2017-18	16,394	-	-	938	-	938
Total Passed Through the Michigan Department of Education			3,249,658	139,466	840,415	1,127,731	1,151,743	115,454
Passed Through Oakland County Intermediate School District:								
Special Education Cluster:								
IDEA Flow Through (1617 yr 2)	84.027A	170450-1617	778,133	159,213	235,331	542,802	594,335	107,680
IDEA Flow Through (1718 yr 1)	84.027A	180450-1718	712,508	-	-	512,395	168,065	344,330
Total CFDA #84.027A			1,490,641	159,213	235,331	1,055,197	762,400	452,010
Preschool Incentive (1718 yr 1)	84.173A	180460-1718	22,073	-	-	22,073	16,579	5,494
Total Special Education Cluster			1,512,714	159,213	235,331	1,077,270	778,979	457,504

The accompanying notes are an integral part of this schedule.

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2018**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through project number	Program or award amount	Accrued revenue July 1, 2017	(Memo only) prior year expenditures	Current year expenditures	Current year cash receipts	Accrued revenue June 30, 2018
<b>U.S. DEPARTMENT OF LABOR - EMPLOYMENT AND TRAINING ADMINISTRATION:</b>								
Passed Through Oakland County:								
Workforce Investment Act Cluster:								
Workforce Investment Act - Adult (1617)	17.258		\$ 371,448	\$ 47,510	\$ 281,737	\$ -	\$ 47,510	\$ -
Workforce Investment Act - Adult (1718)	17.258		378,278	-	-	318,282	268,653	49,629
Total CFDA #17.258			749,726	47,510	281,737	318,282	316,163	49,629
Workforce Investment Act - Youth (1617)	17.259		181,526	10,670	105,218	-	10,670	-
Workforce Investment Act - Youth (1718)	17.259		216,107	-	-	133,836	100,195	33,641
Total CFDA #17.259			397,633	10,670	105,218	133,836	110,865	33,641
RESEA Program (1617)	17.278		8,817	2,210	8,817	-	2,210	-
RESEA Program (1718)	17.278		12,071	-	-	12,071	10,225	1,846
RESEA WBT (1718)	17.278		7,927	-	-	7,927	7,927	-
Administrative Cost Pool (1617)	17.278		24,045	8,156	22,045	-	8,156	-
Administrative Cost Pool (1718)	17.278		28,090	-	-	28,089	20,680	7,409
Workforce Investment Act - Dislocated Worker (1617)	17.278		258,868	28,730	101,409	-	28,730	-
Workforce Investment Act - Dislocated Worker (1718)	17.278		292,608	-	-	213,635	173,676	39,959
Service Center (1617)	17.278		55,775	38,486	55,775	-	38,486	-
Service Center (1718)	17.278		27,165	-	-	27,165	10,008	17,157
NEG-SL Displaced Worker	17.278		91,317	67,072	83,567	-	67,072	-
Total CFDA #17.278			806,683	144,654	271,613	288,887	367,170	66,371
Total Workforce Investment Act Cluster			1,954,042	202,834	658,568	741,005	794,198	149,641

The accompanying notes are an integral part of this schedule.

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2018**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through project number	Program or award amount	Accrued revenue July 1, 2017	(Memo only) prior year expenditures	Current year expenditures	Current year cash receipts	Accrued revenue June 30, 2018
<u>U.S. DEPARTMENT OF LABOR - EMPLOYMENT &amp; TRAINING ADMINISTRATION (Concluded):</u>								
Passed Through Oakland County:								
Wagner-Peyser:								
Employment Services (1617)	17.207		\$ 232,713	\$ 44,222	\$ 188,219	\$ -	\$ 44,222	\$ -
Employment Services (1718)	17.207		253,191	-	-	243,003	214,873	28,130
Total CFDA #17.207			<u>485,904</u>	<u>44,222</u>	<u>188,219</u>	<u>243,003</u>	<u>259,095</u>	<u>28,130</u>
America's Promise Grant (1718)	17.268		34,500	-	-	31,161	26,139	5,022
TGAA Case Management (1617)	17.245		16,186	3,056	16,187	-	3,056	-
TGAA Case Management (1718)	17.245		20,819	-	-	10,241	8,573	1,668
Total CFDA #17.245			<u>37,005</u>	<u>3,056</u>	<u>16,187</u>	<u>10,241</u>	<u>11,629</u>	<u>1,668</u>
TOTAL U.S. DEPARTMENT OF LABOR - EMPLOYMENT AND TRAINING ADMINISTRATION			<u>2,511,451</u>	<u>250,112</u>	<u>862,974</u>	<u>1,025,410</u>	<u>1,091,061</u>	<u>184,461</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>								
Passed through Oakland County:								
Temporary Assistance for Needy Families:								
PATH 1617	93.558		397,353	52,405	319,485	-	52,405	-
PATH 1718	93.558		351,819	-	-	351,844	320,847	30,997
ER Services (1617)	93.558		260	260	260	-	260	-
ER Services (1718)	93.558		1,373	-	-	1,373	1,174	199
Total CFDA #93.558			<u>750,805</u>	<u>52,665</u>	<u>319,745</u>	<u>353,217</u>	<u>374,686</u>	<u>31,196</u>
Medicare Outreach	93.778		3,179	-	-	3,179	3,179	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>753,984</u>	<u>52,665</u>	<u>319,745</u>	<u>356,396</u>	<u>377,865</u>	<u>31,196</u>
TOTAL FEDERAL AWARDS			<u>\$ 10,858,015</u>	<u>\$ 705,198</u>	<u>\$ 4,074,382</u>	<u>\$ 5,770,748</u>	<u>\$ 5,595,361</u>	<u>\$ 880,585</u>

The accompanying notes are an integral part of this schedule.

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2018**

1. Basis of Presentation - The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the School District of the City of Oak Park under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District of the City of Oak Park, it is not intended to and does not present the financial position or changes in net position of the School District of the City of Oak Park.
2. Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The School District of the City of Oak Park has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. Management has utilized the Cash Management System (CMS) and the Grant Auditor Report in preparing the schedule of expenditures of federal awards. The District does not pass-through federal awards.
4. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund - federal revenue			\$ 3,073,851
Other nonmajor funds - federal revenue			<u>2,183,942</u>
Total federal revenue per financial statements			5,257,793
Less prior year amounts not received within sixty days:			
NEG-SL DISPLACED WORKER	17.278	\$ (63,339)	
Subtotal prior year amounts not received within sixty days			(63,339)
Plus current year amounts not received within sixty days:			
TITLE I PART A	84.010	92,698	
TITLE IV	84.424A	938	
TITLE III	84.365	3,347	
TITLE IIA	84.367	18,471	
IDEA FLOWTHROUGH	84.027A	452,010	
PRESCHOOL INCENTIVE	84.173A	5,494	
WIOA ADMINISTRATIVE COSTS	17.278	2,947	
AMERICAN'S PROMISE	17.268	389	
Subtotal, amounts not received within sixty days			<u>576,294</u>
Total expenditures per schedule of expenditures of federal awards			<u>\$ 5,770,748</u>

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

To the Board of Education  
School District of the City of Oak Park

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of the City of Oak Park as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District of the City of Oak Park's basic financial statements and have issued our report thereon dated October 22, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District of the City of Oak Park's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District of the City of Oak Park's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District of the City of Oak Park's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District of the City of Oak Park's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Manes Costeiran PC*

October 22, 2018

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education  
School District of the City of Oak Park

**Report on Compliance for Each Major Federal Program**

We have audited the School District of the City of Oak Park's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District of the City of Oak Park's major federal programs for the year ended June 30, 2018. The School District of the City of Oak Park's federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School District of the City of Oak Park's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District of the City of Oak Park's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unmodified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of the School District of the City of Oak Park compliance.

***Opinion on Each Major Federal Program***

In our opinion, the School District of the City of Oak Park complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

**Report on Internal Control Over Compliance**

Management of the School District of the City of Oak Park is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District of the City of Oak Park’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District of the City of Oak Park’s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Manes Costeiran PC*

October 22, 2018

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Section I - Summary of Auditor's Results**

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***Financial Statements***

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

➤ Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

➤ Significant deficiency(ies) identified? \_\_\_\_\_ Yes  X  None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  X  No

***Federal Awards***

Internal control over major programs:

➤ Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

➤ Significant deficiency(ies) identified? \_\_\_\_\_ Yes  X  None reported

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027A and 84.173A 84.010	Special Education Cluster Title I Part A

Dollar threshold used to distinguish between Type A and Type B programs:  \$750,000

Auditee qualified as a low risk auditee?  X  Yes \_\_\_\_\_ No

**Section II - Financial Statement Findings**

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None

**Section III - Federal Award Findings and Questioned Costs**

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None

**SCHOOL DISTRICT OF THE CITY OF OAK PARK  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

There were no audit findings in the prior year.

October 22, 2018

To the Board of Education  
School District of the City of Oak Park

In planning and performing our audit of the financial statements of School District of the City of Oak Park as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered School District of the City of Oak Park' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted a certain matter involving the internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated October 22, 2018 on the financial statements of School District of the City of Oak Park. We will review the status of this comment during our next audit engagement. Our comment and recommendation, which has been discussed with appropriate members of management, is intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, perform any additional study of this matter, or assist you in implementing the recommendation. Our comment is summarized as follows.

**Title I - Parental Involvement**

The School District of the City of Oak Park is required to follow specific requirements related to Title I - Parental Involvement spending. We noted that the District did not spend 1% of its Title I allocation on parental involvement activities. The District's compliance staff budgeted for the appropriate level of parental involvement spending but funds were not spent. We recommend that the District strive to monitor Title I federal compliance requirements and ensure that the appropriate level of funds are spent on parental involvement.

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

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

Very truly yours,

*Maney Costeiran PC*

October 22, 2018

To the Board of Education  
School District of the City of Oak Park

We have audited the financial statements of School District of the City of Oak Park for the year ended June 30, 2018, and have issued our report thereon dated October 22, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered School District of the City of Oak Park's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether School District of the City of Oak Park's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with the Uniform Guidance, we examined, on a test basis, evidence about School District of the City of Oak Park's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on School District of the City of Oak Park's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on School District of the City of Oak Park's compliance with those requirements.

Our responsibility for the supplementary information accompanying the financial statement, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

#### Significant Audit Findings

##### *1. Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by School District of the City of Oak Park are described in Note 1 to the financial statements. During 2018 the District implemented Governmental Accounting Standard No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The application of existing policies was not changed during 2018. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability.

Management's estimate in calculating the liability for employee compensated absences:

The estimated liability is approximately \$1,121,491. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets:

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

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

2. *Difficulties Encountered in Performing the Audit*

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

3. *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. We did not detect any corrected or uncorrected misstatements.

4. *Disagreements with Management*

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

5. *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 22, 2018.

6. *Management Consultations with Other Independent Accountants*

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

7. *Other Audit Findings or Issues*

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

8. *Other Matters*

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

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

A separate management letter was not issued.

This information is intended solely for the use of the Board of Education and management of School District of the City of Oak Park and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Manes Costeiran PC*