

ONEIDA TOWNSHIP SCHOOL DISTRICT #3

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

AND

INDEPENDENT AUDITORS' REPORT

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To the Board of Education
Oneida Township School District #3
Grand Ledge, Michigan

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Oneida Township School District #3, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Oneida Township School District #3'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 State 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 and the major fund of Oneida Township School District #3, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2017, on our consideration of Oneida Township School District #3'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oneida Township School District #3's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Hayton & Richardson, P.C." The signature is fluid and cursive, with "Hayton" and "Richardson" connected by a horizontal stroke.

Certified Public Accountants

East Lansing, Michigan
September 20, 2017

Oneida Township School District #3

Management's Discussion and Analysis

June 30, 2017

This section of the Oneida Township School District #3 (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2017.

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 supporting services were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

District-Wide Financial 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 and liabilities. 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 it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position 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 nonfinancial 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 – All of the District's basic services are included here, such as instruction and support services. Property taxes and state formula aid finance most of these activities.

Oneida Township School District #3
Management's Discussion and Analysis – Continued
June 30, 2017

ONEIDA SCHOOL DISTRICT #3'S NET POSITION

	2017	2016
Assets		
Current and other assets	\$ 192,559	\$ 196,460
Capital assets	77,360	76,686
Deferred outflows of resources	<u>28,128</u>	<u>12,528</u>
 Total Assets	 <u>\$ 298,047</u>	 <u>\$ 285,674</u>
Liabilities		
Current and other liabilities	\$ 22,928	\$ 88,898
Deferred inflow of resources	48,251	
Non-current liabilities	<u>167,364</u>	<u>148,047</u>
 Total Liabilities	 <u>\$ 238,543</u>	 <u>\$ 236,945</u>
Net Position		
Invested in capital assets	77,360	76,686
Unrestricted	(17,856)	(27,957)
 Total Net Position	 <u>\$ 59,504</u>	 <u>\$ 48,729</u>

CHANGES IN ONEIDA SCHOOL DISTRICT #3'S NET POSITION

	2017	2016
Revenues		
Program revenues		
Operating grants	\$ 29,300	\$ 16,302
General revenues		
Property taxes	70,941	72,317
State aid – unrestricted	73,495	40,981
Investment earnings	212	299
Other	<u>483</u>	<u>10,989</u>
 Total Revenues	 <u>174,431</u>	 <u>140,888</u>
Expenses		
Instruction	126,453	103,787
Support services	51,713	57,831
Pension	(13,572)	(16,333)
Unallocated depreciation	(938)	(3,940)
 Total Expenses	 <u>163,656</u>	 <u>141,345</u>
 Change in net position	 <u>\$ 10,775</u>	 <u>\$(457)</u>

Oneida Township School District #3
Management's Discussion and Analysis – Continued
June 30, 2017

Financial Analysis of the District's Funds

The fund financial statements provide more detailed information about the District's funds, focusing on the General Fund, not the District as a whole. The General Fund is an accounting device the District uses to keep track of specific sources of funding and spending on particular programs. Fund balance in the General Fund stands at \$170,208, down from \$3,735 in the prior year. Of this amount \$54,330 has been assigned for future expenditures.

General Fund Budgetary Highlights

The District's expenditures from General Fund operations exceeded revenues by \$3,735 for the fiscal year ended June 30, 2017. The General Fund as of June 30, 2017, had a fund balance of \$170,208, of which \$54,330 was assigned for future expenditures, or 95.53% of expenditures for the 2016-2017 fiscal year.

While the largest expenditures of the district relate to employee salaries and benefits, the District continues to invest in current technology for instructional use. An audio visual smart board and new tablets were put into service during 2016-17 as part of these efforts. This was made possible through a grant from the US Department of Education REAP grant program, which allows for technology improvements in the delivery of curriculum to students.

CAPITAL ASSET AND DEBT ADMINISTRATION

	COST	2017 ACCUMULATED DEPRECIATION	NET BOOK VALUE	2016 NET BOOK VALUE
Land	\$ 20	\$	\$ 20	\$ 20
Land improvements	12,471	8,434	4,037	4,869
Building	71,254	24,798	46,456	48,960
Equipment, furniture, and other capital assets	<u>64,276</u>	<u>37,429</u>	<u>26,847</u>	<u>22,837</u>
TOTAL	\$ 148,021	\$ 70,661	\$ 77,360	\$ 76,686

Oneida Township School District #3
Management's Discussion and Analysis – Continued
June 30, 2017

Financial Issues

- The Oneida District School Board, the surrounding community, and parents have worked hard to ensure the focus has been on the education of the children and their success.

Our School District consists of a single, one room school with a small building known as the resource center where items necessary to education are stored, such as extra books and supplies, along with a small office and records from previous years. All students have access to ipads.

Our School serves many non-resident students enrolled under the schools of choice option. We serve as a unique niche in educational choice and often provide an alternative for parents that may otherwise elect to home school their children.

All this increases the passion that parents and the community feel for the School.

- Unfortunately, the same situation that makes the School such a great place for the students creates an increasing stress on the District itself. Resources and funds simply are not there to provide the administrative support that other school districts have. Direct administrative responsibilities are handled by the school board members and Eaton RESA (Regional Education Service Agency).

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- Enrollment and State funding continue to be uncertain.
- Local property tax values continue to decline and the gap between the anticipated local portion of the State "foundation allowance" and the actual amount collected continues to widen.
- The District's Hold-Harmless millage expires after the 2017-2018 school year. District voters will be asked to approve a renewal request in November 2017.

Summary

A large majority of our students go on to higher education, based on the solid start they receive from our School. Students have become journalists, dentists, high achievers in the military, and a number of teachers. The most surprising thing of all is the large number of students who visit the school as adults, often when coming home for the holidays because of their appreciation for the education they received here.

The District's focus will continue to be to provide a wonderful educational experience for children from Kindergarten to Fifth Grade who found their passion for learning at our school.

Oneida Township School District #3
Management's Discussion and Analysis – Concluded
June 30, 2017

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 Treasurer's office at 8981 Oneida Road, Grand Ledge, MI 48837 or by phone at (517) 627-7005.

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GENERAL PURPOSE FINANCIAL STATEMENTS

General purpose financial statements provide a summary overview of the financial position of all funds and account groups and of the operating results of all funds. They also serve as an introduction to the more detailed statements and schedules that follow.

ONEIDA TOWNSHIP SCHOOL DISTRICT #3
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

ASSETS

CURRENT ASSETS	
Cash	\$ 167,790
Accounts receivable	
Due from other governmental units	11,349
State aid receivable	<u>13,420</u>
TOTAL CURRENT ASSETS	<u>192,559</u>
NONCURRENT ASSETS	
Capital assets not being depreciated	20
Capital assets, net of accumulated depreciation	<u>77,340</u>
TOTAL NONCURRENT ASSETS	<u>77,360</u>
TOTAL ASSETS	<u>269,919</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pension asset	27,551
Prepaid expenses	<u>577</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>28,128</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 298,047</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES	
Accounts payable	\$ 1,080
Accrued salaries and related items	<u>21,848</u>
TOTAL CURRENT LIABILITIES	<u>22,928</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pension liability	<u>48,251</u>
NONCURRENT LIABILITIES	
Pension liability	<u>167,364</u>
TOTAL LIABILITIES	<u>238,543</u>
NET POSITION	
Invested in capital assets	77,360
Unrestricted	<u>(17,856)</u>
TOTAL NET POSITION	<u>59,504</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 298,047</u>

See accompanying notes to financial statements.

ONEIDA TOWNSHIP SCHOOL DISTRICT #3
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	OPERATING GRANTS	GOVERNMENTAL ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
Governmental Activities				
Instruction	\$ 126,453	\$ 29,300		\$ (97,153)
Support services	51,713			(51,713)
GASB 68 pension	(13,572)			13,572
Unallocated depreciation	<u>(938)</u>			938
Total Governmental Activities	<u>\$ 163,656</u>	<u>\$ 29,300</u>		<u>(134,356)</u>
General Revenues				
State of Michigan school aid - unrestricted				73,495
Property tax revenue				70,941
Investment revenue				212
Box tops revenue				8
Miscellaneous				<u>475</u>
Total General Revenues				<u>145,131</u>
CHANGE IN NET POSITION				10,775
NET POSITION, JULY 1				<u>48,729</u>
NET POSITION, JUNE 30				<u>\$ 59,504</u>

See accompanying notes to financial statements.

ONEIDA TOWNSHIP SCHOOL DISTRICT #3

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2017

ASSETS

**GENERAL
FUND**

ASSETS

Cash	\$ 167,790
Accounts receivable	
State aid receivable	<u>13,420</u>

TOTAL ASSETS

181,210

DEFERRED OUTFLOWS

OF RESOURCES

Due from other governmental units	11,349
Prepaid expenses	<u>577</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>11,926</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 193,136</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Current liabilities	
Accounts payable	\$ 1,080
Accrued salaries and related items	<u>21,848</u>
TOTAL LIABILITIES	<u>22,928</u>

FUND BALANCE

Non - spendable	577
Assigned	54,330
Unassigned	<u>115,301</u>
TOTAL FUND BALANCE	<u>170,208</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 193,136</u>

See accompanying notes to financial statements.

ONEIDA TOWNSHIP SCHOOL DISTRICT #3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balance - governmental funds	\$ 170,208
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$148,021 and the accumulated depreciation is \$70,661.	77,360
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of: Net pension liability (from pension schedule)	(167,364)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources related to pensions of \$27,551 equals deferred outflows of \$7,485 and pension payments of \$20,066 from the pension schedule.	27,551
Deferred inflows of resources related to pensions	<u>(48,251)</u>
Total net position - governmental activities	<u>\$ 59,504</u>

See accompanying notes to financial statements.

ONEIDA TOWNSHIP SCHOOL DISTRICT #3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	GENERAL FUND
REVENUES	
Local sources	\$ 71,636
State sources	73,495
Federal sources	<u>29,300</u>
TOTAL REVENUES	<u>174,431</u>
EXPENDITURES	
Instruction	
Basic programs	126,453
Support services	
Instructional staff	616
General administration	19,907
Business	15,681
Operations and maintenance	12,759
Central support services	<u>2,750</u>
TOTAL EXPENDITURES	<u>178,166</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(3,735)
FUND BALANCE, JULY 1	<u>173,943</u>
FUND BALANCE, JUNE 30	<u>\$ 170,208</u>

See accompanying notes to financial statements.

ONEIDA TOWNSHIP SCHOOL DISTRICT #3
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Net change in fund balance total governmental funds	\$ (3,735)
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.	10,100
Governmental funds report amounts received from disposal of capital assets as revenues in the statement of activities. These revenues are offset by the amount of remaining useful life and recorded as a gain or loss on disposal.	
Depreciation expense (including difference)	(9,426)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental fund. These activities consist of:	
Change in deferred inflow/outflow of pensions	13,278
Decrease in compensated absences	<u>558</u>
Change in net position of governmental activities	\$ <u>10,775</u>

See accompanying notes to financial statements.

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ONEIDA TOWNSHIP SCHOOL DISTRICT #3

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

District

The financial statements of Oneida Township School District #3 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 4*, these financial statements present the financial activities of Oneida Township School District #3. The District has no activities that would be classified as component units.

Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the district-wide statements) present information for the District as a whole. All activities of the District are included.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses a fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts.

The fund financial statements present the District's only fund. The General Fund is the general operating fund of the District and is considered a major fund. It is used to account for all financial resources provided to the District to support the educational programs and general operations of the District.

ONEIDA TOWNSHIP SCHOOL DISTRICT #3

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2017

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – Continued

Measurement Focus

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property tax revenue is recognized in the fiscal year for which it is levied. Unearned revenue is recorded when resources are received by the District, before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

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 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, expenditures related to compensated absences are recorded only when payment is due.

Basis of Accounting and Financial Statement Presentation

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measureable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

ONEIDA TOWNSHIP SCHOOL DISTRICT #3

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2017

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – Continued

Basis of Accounting and Financial Statement Presentation – Concluded

The District reports deferred revenue on its governmental funds balance sheet, when applicable. Deferred revenues arise when potential revenue does not meet both the “measureable” and “available” criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities – defined as expected to be received within sixty days of year-end. Deferred revenues also arise when the District receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

If/when both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts and public school academies prior to the expenditures of monies in a fiscal year.

Oneida Township School District #3 follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The District Accountants submits to the School Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the School Board throughout the year. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end and therefore cancels all encumbrances. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the School Board) for the General Fund is presented as Required Supplemental Information.

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.

ONEIDA TOWNSHIP SCHOOL DISTRICT #3

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Cash

Cash held in MSUFCU, Dart Bank, and PNC Bank is insured under FDIC insurance.

Capital Assets

Capital assets include land, land improvements, buildings, computer and outdoor equipment, and furniture and fixtures and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost greater than \$1,000 and an estimated useful life of more than one year. Capital assets are not recorded in the governmental fund. Instead, capital acquisition and construction are reflected as expenditures in the governmental fund, and the related assets are reported in the district-wide financial statements. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

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. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

ASSET	DEPRECIABLE LIFE
Buildings	50 years
Furniture and fixtures	20 years
Land improvements	15 years
Computer and outdoor equipment	5 years

The District's capitalization policy is individual amounts exceeding \$1,000.

ONEIDA TOWNSHIP SCHOOL DISTRICT #3

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2017

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – Continued

Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1, and are due upon receipt of the billing by the taxpayer. The actual due date is February 15, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current revenue (collected as of year-end). Amounts received subsequent to June 30 are recognized as revenue when collected.

The District levies taxes of \$18 per \$1,000 of taxable valuation on most non-primary residence exempt property; \$6.1474 on primary residence exempt, and qualified agricultural and forest property; and \$12.1474 per \$1,000 of taxable valuation on commercial personal property for general governmental services. The District is also permitted to levy additional amounts for enhancement and/or debt service if voter approval is obtained. The total final taxable value for the District was \$5,671,172. Current property tax revenue generated from this levy for the General Fund was \$70,941.

Due From Other Governmental Units

Due from other governmental units consists of amounts owed to the District for state and federal aid payments. The amount due from the federal government for the REAP grant is \$11,349.

Prepaid

Prepaid amounts consist of payments for which the District will have a future benefit and will be used up at a date beyond the current year end.

Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Accumulated sick leave amounts expected to be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a liability in the district-wide statements, when applicable.

ONEIDA TOWNSHIP SCHOOL DISTRICT #3

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Concluded

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additional to/deductions for MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995, the State utilized a district power equalizing approach. 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 year ended June 30, 2017, the foundation allowance was based on the average of pupil membership counts taken in September, 2016, and February 2016. The average calculation was weighted 90% for the September, 2016 count and 10% for the February, 2016 count.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue was recognized during the foundation period (currently the fiscal year) and was funded through five (5) payments made during the year and two (2) payments made in July and August subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

Comparative Data

Comparative data for the prior year has not been presented in the financial statements since their inclusion would make the statements unduly complex and difficult to read.

Date of Management's Review

Subsequent events have been evaluated through September 20, 2017, which is the date the financial statements were available to be issued.

ONEIDA TOWNSHIP SCHOOL DISTRICT #3
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2017

NOTE 2: CAPITAL ASSETS

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

	BALANCE JULY 1, 2016	ADDITIONS	DELETIONS/ ADJUSTMENTS	BALANCE JUNE 30, 2017
Assets not being depreciated				
Land	\$ 20	\$	\$	\$ 20
Other capital assets				
Building and additions	71,254			71,254
Equipment and furniture	54,176	10,100		64,276
Land improvements	<u>12,471</u>			<u>12,471</u>
Total Assets	<u>137,921</u>	<u>10,100</u>		<u>148,021</u>
Accumulated depreciation				
Buildings and additions	22,294	2,396	108	24,798
Equipment and furniture	31,339	5,934	156	37,429
Land improvements	<u>7,602</u>	<u>832</u>		<u>8,434</u>
Total Accumulated Depreciation	<u>61,235</u>	<u>9,162</u>	<u>264</u>	<u>70,661</u>
NET CAPITAL ASSETS	\$ 76,686	\$ 938	\$ 264	\$ 77,360

Depreciation for fiscal year ended June 30, 2017 amounted to \$9,162. Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated."

ONEIDA TOWNSHIP SCHOOL DISTRICT #3

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2017

NOTE 3: COMPENSATED ABSENCES

The following is a summary of changes in compensated absences (including current portion) of the District for the year ended June 30, 2017:

	BALANCE JULY 1, 2016	ADDITIONS	DELETIONS	AMOUNTS	
				BALANCE JUNE 30, 2017	DUE WITHIN ONE YEAR
Compensated absences	\$ 558	\$ _____	\$ 558	\$ _____	\$ _____

In recognition of services to the District, accumulated sick leave payments will be paid up to a maximum of twenty (20) days upon retirement or voluntary termination of employment to eligible employees according to their respective employment contracts.

NOTE 4: CASH

	BOOK BALANCE	BANK BALANCE	FDIC INSURED
Checking	\$ 111,390	\$ 112,516	\$ 112,516
Savings	<u>56,400</u>	<u>56,349</u>	<u>56,349</u>
	<u>\$ 167,790</u>	<u>\$ 168,865</u>	<u>\$ 168,865</u>

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

1. Bonds, bill, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
2. Certificates of deposit issued by a state or nationally-chartered bank or a state or federally-chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office in Michigan under Michigan and federal laws.
3. Commercial paper rated prime 1 or prime 2 at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
5. United States government or federal agency obligation repurchase agreements.
6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.
7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
8. Investment pools, as authorized by the surplus funds investment pool act, Act. No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

ONEIDA TOWNSHIP SCHOOL DISTRICT #3

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2017

NOTE 4: CASH - Continued

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured institutions such as banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured institutions in the State of Michigan in the name of the School District.

FDIC regulations provide that deposits of governmental units are to be separately insured for the amount of \$250,000 for deposits in an insured bank for savings deposits and \$250,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$250,000. For the purpose of these rules, the term "savings deposits" includes NOW accounts, money market deposit accounts, and other interest-bearing checking accounts.

Deposits

There is a custodial credit risk as it relates to 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, 2017, the carrying amount of the District's deposits was \$167,799 and the bank balance was \$168,865. The entire balance was covered by federal depository insurance.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating Districts (NRSRO's). As of June 30, 2017, the District did not have any investment that would be subject to rating.

Interest Rate Risk

The District adopted a policy that indicates how the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Concentration of Credit Risk

The District has adopted a policy that indicates how the District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

ONEIDA TOWNSHIP SCHOOL DISTRICT #3

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2017

NOTE 4: CASH - Concluded

Custodial Credit Risk

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 listed in the District's investment policy.
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the District will do business in accordance with the District's investment policy.

NOTE 5: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

DEFERRED OUTFLOWS

In addition to assets, the statement of financial 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 School District only has one item that qualifies for reporting in this category. It is the pension contributions reported in the government-wide statement of net position. A deferred outflow is recognized for pension contributions made after the plans measurement date, but before the fiscal year end. The amount is amortized in the plan year in which it applies.

DEFERRED INFLOWS

In addition to liabilities, the statement of financial 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 School District has one item that qualifies for reporting in this category. It is the future resources yet to be recognized in relation to the pension actuarial calculation. The future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual result. The amounts are amortized over a period determined by the actuary.

ONEIDA TOWNSHIP SCHOOL DISTRICT #3

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2017

NOTE 6:

DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

In February, 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved have been replaced with five new classifications: non-spendable, restricted, committed, assigned and unassigned.

<i>Non-spendable</i>	Assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.
<i>Restricted</i>	Amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.
<i>Committed</i>	Amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.)
<i>Assigned</i>	Amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee, or a delegated municipality official.
<i>Unassigned</i>	All other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classifications and Procedures

For committed fund balance, Oneida Township School District #3's highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution.

For assigned fund balance, the Board of Education is authorized to assign amounts to a specific purpose.

The District has not formally adopted a policy that determines when both restricted and unrestricted fund balances are available which should be used first, therefore restricted resources will be used first, then unrestricted resources if they are needed.

ONEIDA TOWNSHIP SCHOOL DISTRICT #3

NOTES TO FINANCIAL STATEMENTS – Continued

JUNE 30, 2017

NOTE 6: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS - Concluded

Fund Balance Classifications and Procedures - Concluded

For the classification of fund balance, the District considers restricted amounts to have been spent first when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balance, the District considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

FUND BALANCE	GENERAL
Non-spendable	\$ 577
Assigned	54,330
Unassigned	<u>115,301</u>
Total	<u>\$ 170,208</u>

NOTE 7: RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for property, fleet, liability, in-land marine, employee dishonesty, crime, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended, as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said year, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insurer Workers' Disability Compensation Fund with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said year, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

NOTE 8: RETIREMENT

PLAN DESCRIPTION

The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members – eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

ONEIDA TOWNSHIP SCHOOL DISTRICT #3

NOTES TO FINANCIAL STATEMENTS – Continued JUNE 30, 2017

NOTE 8: **RETIREMENT** - Continued

PLAN DESCRIPTION – Concluded

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 for the System.

The System's financial statements are available at www.mighigan.gov/mpsers-cafr.

BENEFITS PROVIDED

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the Plan option selected retirement benefits are determined by final average compensation and years of service and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Employers are required by Public Act 300 of 1980, to contribute amounts necessary to finance the coverage of active and retired members. 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 services of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20 year period for the 2016 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year 2016.

Benefit Structure	Member	Employer
Basic	0.0 – 4.0%	18.95 – 22.60%
Member Investment Plan	3.0 – 7.0	18.95 – 22.60
Pension Plus	3.0 – 6.4	17.73
Defined Contribution	0.0	14.56 – 17.73

ONEIDA TOWNSHIP SCHOOL DISTRICT #3

NOTES TO FINANCIAL STATEMENTS – Continued JUNE 30, 2017

NOTE 8: **RETIREMENT** - Continued

PENSION LIABILITIES, PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

Pension Liabilities

At June 30, 2017, the School District reported a liability of \$167,364 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2015. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2016, The School District's proportion was .00067082 percent, which was a decrease of .0006469 percent from its proportion measured as of September 30, 2015.

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended June 30, 2017, the Reporting Unit recognized total pension expense of \$16,768, of which \$12,059 was current year contributions. At June 30, 2017, 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
Differences between expected and actual experience	2,086	397
Changes of assumptions	2,617	
Net difference between projected and actual earnings on pension plan investment	2,782	
Changes in proportion and differences between Reporting unit contributions and proportionate share of contributions	12,059	47,854
Reporting Unit contributions subsequent to the measurement date	<u>8,007</u>	<u>_____</u>
Total	<u>\$ 27,551</u>	<u>\$ 48,251</u>

\$8,007, reported as deferred outflows of resources related to pensions resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

ONEIDA TOWNSHIP SCHOOL DISTRICT #3

NOTES TO FINANCIAL STATEMENTS – Continued JUNE 30, 2017

NOTE 8: **RETIREMENT** – Continued

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS – Concluded

\$27,551 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ended
September 30

2018	\$(12,969)
2019	(13,188)
2020	(5,266)
2021	<u>2,716</u>
Total	\$(28,707)

ACTUARIAL ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	
MIP and Basic Plan (Non-Hybrid)	8.0%
Pension Plus Plan (Hybrid)	7.0%
Projected Salary Increases:	3.5 – 12.3%, including wage inflation at 3.5%
Cost-of-living Pension Adjustments:	3% Annual Non-Compounded for MIP Members

Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

ONEIDA TOWNSHIP SCHOOL DISTRICT #3

NOTES TO FINANCIAL STATEMENTS – Continued JUNE 30, 2017

NOTE 8: **RETIREMENT** – Continued

ACTUARIAL ASSUMPTIONS – Continued

Notes:

- Assumptions changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.6273 for non-university employers 1.2456 for university employers]
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report (www.michigan.gov/mpsers-cafr).

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016, are summarized in the follow table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity Pools	28.0%	5.9%
% Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	.9
Real Estate and Infrastructure Pools	10.0	4.3
Absolute Return Pools	15.5	6.0
Short Term Investment Pools	<u>2.0</u>	0
Total	<u><u>100.0%</u></u>	

*Long term rate of return does not include 2.1% inflation.

ONEIDA TOWNSHIP SCHOOL DISTRICT #3

NOTES TO FINANCIAL STATEMENTS – Continued JUNE 30, 2017

NOTE 8: **RETIREMENT** – Continued

ACTUARIAL ASSUMPTIONS – Concluded

Discount rate – A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). 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 employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these 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.

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)	1% Increase (Non-Hybrid/Hybrid) *9.0%/8.0%
1% Decrease (Non-Hybrid/Hybrid) *7.0%/6.0%	<u>\$ 215,523</u>	<u>\$ 167,364</u>
		<u>\$ 126,762</u>

MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) FIDUCIARY NET POSITION

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2014 Comprehensive Annual Financial Report, available here:

http://michigan.gov/orsschools/documents/crsschools/MPSERS_CAFR_2015_final_510211_7.pdf

ONEIDA TOWNSHIP SCHOOL DISTRICT #3

NOTES TO FINANCIAL STATEMENTS – Continued JUNE 30, 2017

NOTE 8: **RETIREMENT** – Concluded

BENEFIT PROVISIONS – OTHER POSTEMPLOYMENT

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. Beginning the fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, 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, (Basis, 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 subside 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.

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

Retiree Healthcare Reform of 2012

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

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

Employer Contributions

The School District postemployment healthcare contributions to MPSERS for the year ended June 30, 2017 was approximately \$0.

ONEIDA TOWNSHIP SCHOOL DISTRICT #3

NOTES TO FINANCIAL STATEMENTS – Concluded JUNE 30, 2017

NOTE 9: UPCOMING GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) issued a new pronouncements in June, 2015, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which will enhance the note disclosures and schedules of required supplementary information for Other Postemployment Benefit Plans (OPEB). GASB Statement No. 75 establishes standards for governmental employer recognition, measurement, and presentation of information about OPEB plans. GASB Statement No. 75 will be effective for fiscal years beginning after June 15, 2017.

In January 2017, GASB statement No. 84, Fiduciary Activities, was issued which will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities.

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REQUIRED SUPPLEMENTARY INFORMATION

ONEIDA TOWNSHIP SCHOOL DISTRICT #3
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Local sources	\$ 72,610	\$ 72,110	\$ 71,636	\$ (474)
State sources	39,586	70,970	73,495	2,525
Federal sources	19,000	22,951	29,300	6,349
TOTAL REVENUES	<u>131,196</u>	<u>166,031</u>	<u>174,431</u>	<u>8,400</u>
EXPENDITURES				
Instruction				
Basic programs	107,202	119,565	126,453	(6,888)
Support Services				
Instructional staff	1,750	615	616	(1)
General administration	19,039	19,636	19,907	(271)
Business	14,784	14,726	15,681	(955)
Operations and maintenance	21,907	22,081	12,759	9,322
Central support services	4,500	2,750	2,750	
Total Support Services	61,980	59,808	51,713	8,095
TOTAL EXPENDITURES	<u>169,182</u>	<u>179,373</u>	<u>178,166</u>	<u>1,207</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(37,986)</u>	<u>(13,342)</u>	<u>(3,735)</u>	<u>9,607</u>
FUND BALANCE, JULY 1	<u>167,800</u>	<u>167,800</u>	<u>173,943</u>	<u>6,143</u>
FUND BALANCE, JUNE 30	<u>\$ 129,814</u>	<u>\$ 154,458</u>	<u>\$ 170,208</u>	<u>\$ 15,750</u>

ONEIDA TOWNSHIP SCHOOL DISTRICT #3
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOLS EMPLOYEES RETIREMENT PLAN
FOR THE LAST FISCAL YEAR (AMOUNTS DETERMINED AS OF SEPTEMBER 30 EACH FISCAL YEAR)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	2016	2015	2014
Reporting unit's proportion of net pension liability (%)	0.067082 %	0.060613%	0.00096%
Reporting unit's proportionate share of net pension liability	\$ 167,364	\$ 148,047	\$ 210,736
Reporting unit's covered- employee payroll	\$ 59,055	\$ 58,447	\$ 54,364
Reporting unit's proportionate share of net pension liability as a percentage of covered - employee payroll (%)	283.40%	253.30%	387.64%
Plan fiduciary net position as a percentage of total pension liability (%)	63.27%	63.17%	66.20%

With the implementation of GASB Statement No. 68 in 2015, the 10-year history will be provided prospectively until a full 10-year history is shown.

ONEIDA TOWNSHIP SCHOOL DISTRICT #3
SCHEDULE OF REPORTING UNIT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOLS EMPLOYEES RETIREMENT PLAN
FOR THE LAST FISCAL YEAR (AMOUNTS DETERMINED AS OF JUNE 30 EACH FISCAL YEAR)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	2017	2016	2015
Statutorily required contributions	\$ 15,064	\$ 11,693	\$ 14,859
Contributions in relation to statutorily required contributions	<u>10,656</u>	<u>10,734</u>	<u>11,557</u>
Contribution deficiency (excess)	<u>\$ 4,408</u>	<u>\$ 959</u>	<u>\$ 3,302</u>
Reporting unit's covered - employee payroll	\$ 59,054	\$ 58,447	\$ 54,364
Contributions as a percentage of covered - employee payroll (%)	18.04%	18.37%	21.26%

Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

With the implementation of GASB Statement No. 68 in 2015, the 10-year history will be provided prospectively until a full 10-year history is shown.

ONEIDA TOWNSHIP SCHOOL DISTRICT #3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

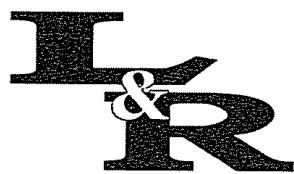
CHANGES OF BENEFIT TERMS

There were no changes of benefit terms in the fiscal year ended June 30, 2017.

CHANGES OF ASSUMPTIONS

There were no changes of benefit assumptions in the fiscal year ended June 30, 2017.

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Layton & Richardson, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' 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*

Board of Education
Oneida Township School District #3
Grand Ledge, Michigan

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

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 and the major fund of Oneida Township School District #3, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Oneida Township School District #3's basic financial statements, and have issued our report thereon dated September 20, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oneida Township School District #3'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 Oneida Township School District #3's internal control. Accordingly, we do not express an opinion on the effectiveness of Oneida Township School District #3'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.

Vickie L. Crouch, CPA, CGFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.COM

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oneida Township School District #3'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

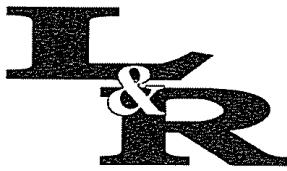
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in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

A handwritten signature in black ink that reads "Hayton & Richardson, P.C." The signature is fluid and cursive, with "Hayton" and "Richardson" connected by a horizontal stroke, and "P.C." in a smaller, separate area.

Certified Public Accountants

East Lansing, Michigan

September 20, 2017



Layton & Richardson, P.C.

Certified Public Accountants

LETTER OF COMMENTS AND RECOMMENDATIONS

Board of Education
Oneida Township School District #3
Grand Ledge, Michigan

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
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In planning and performing our audit of the financial statements of Oneida Township School District #3, as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Oneida Township School District #3's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances 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.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously communicated to you about the District's internal control in our letter dated September 20, 2017. This letter does not affect our report dated September 20, 2017, on the financial statements of Oneida Township School District #3.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Oneida Township School District #3 personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Vickie L. Crouch, CPA, CGFM
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Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.COM

This communication is intended solely for the information and use of management, Oneida Township School District #3, and others within the District, and is not intended to be, and should not be, used by anyone other than those specified parties.

East Lansing, Michigan
September 20, 2017

A handwritten signature in black ink that reads "Layton & Richardson, P.C." in a cursive, flowing script.

Certified Public Accountants

MEMORANDUM

CURRENT YEAR RECOMMENDATION

Segregation of Duties

The small size of the District precludes some segregation of duties that would be desirable if the District was larger. Due to this, we recommend that the Board take an active role in operations of the District.

Payroll

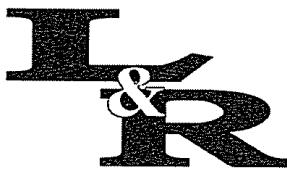
During the course of the audit, we noted that there is not a board approval process in place for payroll. We recommend that an approval system be put in place to ensure proper pay and paid time off are being calculated and enforced correctly for each payroll. We also recommend that the Board review employee contract language to ensure that it meets Department of Labor guidelines for salaried employees, as penalties for employee contract violations can be very expensive.

Debit Card

We noted that a debit card is used for purchases. Debit cards allow access to the School cash accounts and don't provide the protection against theft that is provided by credit cards. We recommend the District look into the possibility of obtaining a credit card and discontinue the use of the debit cards for purchases.

Policies and Procedures

As recipients of the REAP grant, the School is required to have written policies and procedures in place regarding the use of federal funds. The District has chosen to delay implementation until June of 2018. We recommend that the policies and procedures be put in place during the 2017-18 school year.



Layton & Richardson, P.C.

Certified Public Accountants

September 20, 2017

To the Board of Education
Oneida Township School District #3
Grand Ledge, Michigan

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
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Info@LNRCPA.com

We have audited the financial statements of the governmental activities and the major fund of Oneida Township School District #3 for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 10, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Oneida Township School District #3 are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the receivables from State Aid. The estimate is based on continued support from the State and no major changes in staff. We evaluated the key factors and assumptions used to develop the receivables in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of accrued salaries and related expenses for July and August. The estimate is based on the continued employment of current staff. We evaluated the key factors and assumptions used to develop the accruals in determining that it is reasonable in relation to the financial statements taken as a whole.

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- Management's estimate of depreciation of capital assets. The estimates are based on the value, useful life of the capital asset, and depreciation methods. We evaluated the key factors and assumptions used to develop the depreciation of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of budgets and budgetary accounting in Note 1 to the financial statements. Violations of P.A. 621 of 1978 may be considered significant or material to the financial statements.

Difficulties Encountered During the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely 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 each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 20, 2017.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the statement of revenues, expenditures, and changes in fund balance – budget and actual for the general fund, which is required supplementary information (RSI) that supplements 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.

Restrictions on Use

This information is intended solely for the use of Board of Education and management of Oneida Township School District #3 and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Layton & Richardson, P.C." The signature is fluid and cursive, with "Layton" and "& Richardson" stacked vertically, and "P.C." at the end.

Certified Public Accountants

East Lansing, Michigan

September 20, 2017