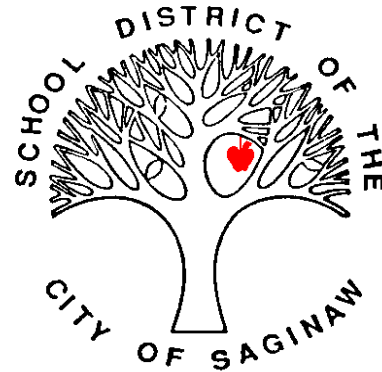


**School District of the City of Saginaw
Saginaw, Michigan**



**Management Discussion and Analysis
and
Basic Financial Statements
and
Supplementary Information**

For the Fiscal Year Ended June 30, 2016

**Members of the Board of Education and Administration
of the
School District of the City of Saginaw
Saginaw, Michigan
For the Fiscal Year Ended June 30, 2016**

Board of Education

Alexis Thomas
President

Tamara McRae
Secretary

Mattie Thompson
Vice President

Ruth Ann Knapp
Treasurer

Rudy Patterson
Trustee

Barbara Kopka
Trustee

Herbert Herd
Trustee

Administration

Nathaniel B. McClain
Superintendent

Tamara M. Johnson
Executive Director of Financial Services

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Independent Auditors' Report

To Management and the Board of Education
School District of the City of Saginaw
Saginaw, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of the City of Saginaw, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 Saginaw, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2016, the School District adopted GASB Statements No. 72, 76, 79, and 82, *Fair Value Measurement and Application*, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, *Certain External Investment Pools and Pool Participants*, and *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*, respectively. Our opinions are 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, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, and schedule of the school district's contributions, 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 Saginaw's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

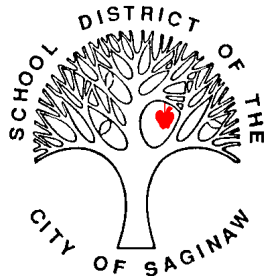
statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2016 on our consideration of the School District of the City of Saginaw'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 School District of the City of Saginaw's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Saginaw, Michigan
October 21, 2016



MANAGEMENT DISCUSSION and ANALYSIS

**School District of the City of Saginaw
Management Discussion and Analysis
Year Ended June 30, 2016**

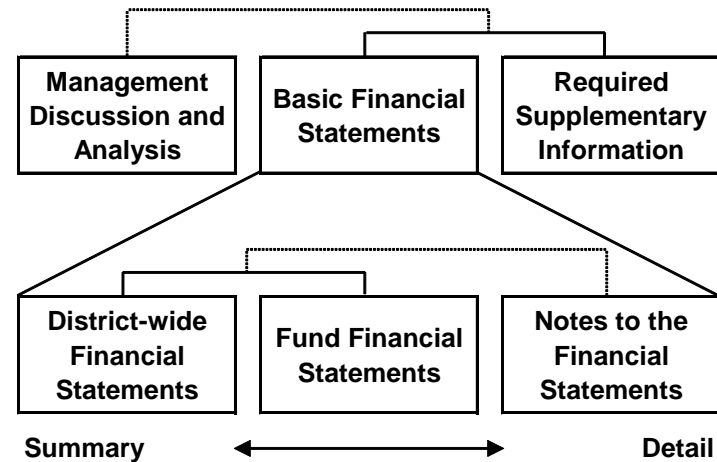
The discussion and analysis of the School District of the City of Saginaw’s financial performance provides an overall review of the School District’s financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to provide, in layman’s terms, a look at the district’s performance and past and current position. Readers should also review the notes to the financial statements, and financial statements to enhance their understanding of the district’s financial performance.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management Discussion and Analysis (MD&A) – for State and Local Governments issued in June of 2000.

Overview of the Financial Statements

This annual report consists of three parts: management discussion and analysis (this section), the basic financial statements, and required supplementary information. 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.

**Figure A-1
School District of the City of Saginaw
Organization of Annual Financial Report**



The basic financial statements include two kinds of statements that present different views of the district.

District-wide Financial Statements

The district-wide financial statements are full accrual basis statements and provide information about the district’s *overall* financial status. They are used to help determine whether or not the District is better off or worse off as the result of the year’s activities. The *Statement of Net position* reports all of the district’s assets and liabilities, both short-term and long-term, regardless if they are “currently available” or not. Capital assets and long-term obligations of the district are reported in this statement. All of the current year’s revenues and expenditures are accounted for in the *Statement of Activities* regardless of when cash is received or paid.

School District of the City of Saginaw

Management Discussion and Analysis

Year Ended June 30, 2016

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 and liabilities – is one way to measure the district's financial health or position.

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

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

Fund Financial Statements

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

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the district's major instructional and instructional support activities are reported in the *General Fund*. Additional activities are reported in their relevant funds including: *Special Revenue Funds for Food Service*, *Debt Service Funds*, *Capital Project Funds*, and *Fiduciary Funds*.

In the fund financial statements, capital asset purchases are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

Financial Analysis of the District as a Whole

The net position of the district at June 30, 2016 amounted to a deficit of \$65.6 million. Figure A-2 shows a condensed breakdown of the net position.

The largest portions of the District's net position reflect investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment), less any related debt used to acquire those assets that is still outstanding, and the net position relative to the bond issues. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves would not be used to liquidate these liabilities. The remaining net position (deficit) represent resources that are subject to external restrictions on how they may be used.

School District of the City of Saginaw
Management Discussion and Analysis
Year Ended June 30, 2016

Figure A-2
Condensed Statement of Net Position
(in millions)

	June 30, 2016	June 30, 2015	Change
Current assets	\$ 34.2	\$ 32.6	\$ 1.6
Noncurrent assets	63.9	65.3	(1.4)
Total assets	<u>98.1</u>	<u>97.9</u>	<u>0.2</u>
Deferred outflows	9.2	7.3	1.9
Current liabilities	24.7	29.1	(4.4)
Noncurrent liabilities	135.1	140.7	(5.6)
Total liabilities	<u>159.8</u>	<u>169.8</u>	<u>(10.0)</u>
Deferred inflows	13.1	9.5	3.6
Net position			
Net investment			
in capital assets	10.8	11.8	(1.0)
Restricted	0.2	0.2	-
Unrestricted	(76.6)	(86.1)	9.5
Total net position	<u>\$ (65.6)</u>	<u>\$ (74.1)</u>	<u>\$ 8.5</u>

The net position of the District increased by \$8.5 million in the current year due to an increase of \$4.0 million in revenue from operating grants and decrease of \$2.0 million in expenses relating to supporting services.

Figure A-3
Condensed Statement of Activities
(in millions)

	June 30, 2016	June 30, 2015	Difference
Revenues			
Program revenues			
Charges for services	\$ 0.5	\$ 0.3	\$ 0.2
Operating grants/contribs	34.0	26.2	7.8
General revenues			
Property taxes	10.3	10.3	-
State formula aid	39.0	42.8	(3.8)
Other	0.2	0.4	(0.2)
Total revenues	<u>84.0</u>	<u>80.0</u>	<u>4.0</u>
Expenses			
Instruction	43.7	43.4	0.3
Support services	24.6	26.1	(1.5)
Community services	0.4	0.4	-
Food services	4.8	5.0	(0.2)
Interest on long-term debt	2.0	2.6	(0.6)
Total expenses	<u>75.5</u>	<u>77.5</u>	<u>(2.0)</u>
Change in net position	8.5	2.5	6.0
Net position - July 1	(74.1)	(76.6)	2.5
Net position - June 30	<u>\$ (65.6)</u>	<u>\$ (74.1)</u>	<u>\$ 8.5</u>

School District of the City of Saginaw
Management Discussion and Analysis
Year Ended June 30, 2016

Figure A-3 shows the breakdown of this change. The Statement of Activities presented later in the district-wide financial statements, provides greater detail on the District's annual activity. The total cost of the District's governmental activities for the year was \$75.5 million. Those activities are primarily funded by grants and contributions which totaled \$34.0 million and \$39.0 million of state aid was also used to fund programs. Direct services charges to the users of activities totaled \$0.5 million. The remaining "public benefit" portion was paid for with other funding sources include property taxes of \$10.3 million and other sources of \$0.2 million.

A substantial portion (46%) of the District's revenues are received from state formula aid. This means that the financial stability of the District rests primarily with the economic health of the State of Michigan.

58% of the District's resources are spent on instruction and 33% are spent on pupil support services.

Financial Analysis of the District's Funds

The financial performance of the district as a whole is reflected in its governmental funds as well. The combined governmental funds equity increased by \$8.5 million during the 2015-16 fiscal year. The primary reasons for the increase in fund balance are:

Factors Increasing Fund Equity

- ◆ *Building Closing* – The School District has closed more than ten schools over the past seven years.
- ◆ *Staff Tightening* – All staff positions were evaluated and adjustment to staffing levels continues to be made accordingly.

- ◆ *Employee Benefit Plans* – Benefit plans for some employees were restructured to provide premium decreases while the district continues to evaluate benefit programs on a continuous basis.
- ◆ *Wage Concessions* – All of our employees took a two percent wage concession in the 2013-14 school year and further concessions in the subsequent year.
- ◆ *Lower Workers Compensation* – Our worker's compensation payment was less than anticipated. We received large refunds at fiscal year end.
- ◆ *Unemployment costs* – Lower than expected unemployment costs further added to the increase in fund equity.
- ◆ *Chargebacks* – The District experienced less than expected costs related to the county chargebacks for prior year uncollected taxes.

Factors Decreasing Fund Equity

- ◆ *State aid funding* - The State of Michigan continues to experience severe economic constraints. State funding for school districts has not kept pace with inflation.
- ◆ *Enrollment* – The district's blended count for state aid funding purposes decreased by 406 FTEs, continuing a downward trend over the past ten years.
- ◆ *Building renovation* – In 2002-03 the district invested over \$6,000,000 to renovate the Eddy K-8 educational facility. Bonds were issued to cover the cost of the renovation. The bonds are being paid with General Fund monies.
- ◆ *State aid loan* – In order to meet cash flow needs the district had to borrow \$7.0 million during the 2015-16 fiscal year.

School District of the City of Saginaw
Management Discussion and Analysis
Year Ended June 30, 2016

General Fund Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. As a matter of practice, the District amends its budget periodically during the school year. These revisions are made in order to deal with unexpected changes in revenues and expenditures. The following analysis describes the reasons for the difference in the budgeted expenditure and actual results during the year. Amounts are expressed to the nearest million.

Revenues – There was a \$12.7 million General Fund budget to actual variance during this fiscal year. Much of this was due to the method used to budget the federal revenues. Other factors include:

- ◆ The *local source* revenues came in \$0.4 million higher than budgeted due to local property taxes coming in higher than expected.
- ◆ The *state source* revenues were \$1.8 million less than budgeted primarily due to deferring At Risk funds.
- ◆ The *federal source* revenues were \$11.4 million less than budgeted. This was due to the budgeting of the entire grant which would not have been received by the end of the fiscal year for grants such as Title I and Title II part A.

Expenditures – Actual expenditures were under budget by \$14.7 million in the total General Fund. The significant changes by functional category are as follows:

- ◆ The *instruction* budget was under budget by \$7.5 million due to changes and reductions in the elementary staffing, grant funds not used as planned, payout for retirees less than anticipated and the method of budgeting used for the federal funds.

- ◆ The *supporting services* expenditures were under budget by \$6.7 million. This is primarily due to the budgeting of the Instructional Staff Category area which, again, ties to the budgeting method of the grant funds. There were some cost cutting measure and expenditure decreases that affected other areas such as supervision, business services, and staff services.
- ◆ The *community services* category is under budget by \$0.5 million due to the budgetary method for grant funds.

The other financing uses expenditures were close to the budgeted amounts and mainly consist of transfers to cover other funds including the transfers out to the debt service fund.

Major Fund Highlights

The Building Fund Series 3 is presented as a major fund in the financial statements. The District continues to spend the bond proceeds on projects deemed necessary to improve facilities. The proceeds are spent in accordance with the original bond issuance. There is approximately \$1.4 million remaining unspent as of June 30, 2016 for bond projects.

On March 24, 2016, the School District issued general obligation bonds of \$18,865,000 (par value) with an interest rate of 4.00% to 5.00% to refund \$20,975,000 of its \$21,625,000 2006 School Building and Site Bond, with an interest rate of 4.0% to 5.0%. The term bonds mature on May 1, 2036.

School District of the City of Saginaw
Management Discussion and Analysis
Year Ended June 30, 2016

Capital Asset and Debt Administration

Capital Assets – By the end of 2016, the district had invested \$108.4 million (before depreciation) in a broad range of capital assets, including land, buildings and improvements, and other vehicles, and furniture and equipment. This amount represents a decrease from last year. This decrease is primarily due to the impairment of buildings which are no long in use. More detailed information about capital assets can be found in the Notes to the financial statements.

The District's capital projects funds are used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring major equipment necessary for providing educational programs for all students within the District.

The District had no significant construction in progress related to school building renovations and new construction at the end of the 2015-16 fiscal year.

The District's capital assets at year end are outlined in statement of net position and described in the notes to basic financial statements.

Building Fund Series III - This fund is used to account for the proceeds of the third series of bonds issued as part of the \$70,000,000 in bonds approved by the District's voters. The proceeds were used to construct a new middle school and provide security enhancements at two high schools and other various projects within the scope of the bond.

Debt Administration – On August 3, 2004 the taxpayers of the District approved a \$70,000,000 bond for improvement of the District's facilities. The bonds were issued in three series.

- ◆ The first series was issued in October of 2004 for \$22,130,000.
 - ◆ In December 2014, the 2004 series was defeased by refunding bonds. This should result in an economic gain to the

taxpayers of \$1.6 million over the remaining life of the bond though 2034.

- ◆ The second series was issued in June of 2006 for \$28,160,000. The bonds mature in 2036.
- ◆ In June of 2008, the third series were issued for \$19,540,000. The bonds mature in 2038. All three series are paid for through an annual debt service tax levy.

More detailed information about the district's long-term debt is presented in the notes to the financial statements.

The district currently holds a Standard & Poor's "BBB" rating on its bonded debt.

Under State statute, the District is legally restricted from incurring long-term bonded debt in excess of 15% of the assessed value of taxable property within the school district. At June 30, 2015 the District's net bonded debt of \$54.3 million was well below the legal limit of approximately \$100 million.

Other Considerations

The District conforms to the pronouncements of GASB (Governmental Accounting Standards Board) which apply to all state and local governmental entities. The Governmental Accounting Standards Board ("The GASB") has issued Statement No. 72 *Fair Value Measurements and Applications*. Statement 72 provides guidance for accounting and financial reporting issues related to fair value measurement. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The guidance establishes a three level hierarchy of inputs for

School District of the City of Saginaw
Management Discussion and Analysis
Year Ended June 30, 2016

valuation of fair value. Statement 72 is effective for the year ending June 30, 2016.

Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*. The first objective of this Statement is provide the readers of the financial statements information about the effects of the pension-related transactions on the financial statements of state and local government employers. It will assist in assessing the relationship between a government's inflows of resources and its total cost (including pension expense) of providing government services each period in addition to providing information about the government's pension obligation. The second objective of this Statement is to improve the information about financial support provided by certain nonemployer entities for pensions that are provided to the employees of other entities that are not within the scope of Statement No. 68. These requirements are effective for the fiscal year ending June 30, 2017. The third objective is to improve the quality of information associated with governments that hold assets accumulated for purposes of providing defined benefit pensions that are not within the scope of Statement 68 and to clarify the application of certain provisions of Statement No. 67 and 68. These requirements are effective for the fiscal year ending June 30, 2016.

GASB No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally*

Accepted Accounting Principles for State and Local Governments. Statement 76 is effective for the year ending June 30, 2016.

GASB No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria that, if met, permit external investment pools to elect to measure all of their investments at amortized cost for financial reporting purposes. Also, it establishes additional disclosure requirements for qualifying external investment pools that make that election and for governments that participate in such external investment pools. Statement 79 is effective for the year ending June 30, 2016.

GASB No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73 addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement 82 is effective for the year ending June 30, 2016.

GASB Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*—an amendment of GASB Statement No. 14 amends the blending requirements for the financial statement

School District of the City of Saginaw
Management Discussion and Analysis
Year Ended June 30, 2016

presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses the other postemployment benefits plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending June 30, 2017.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

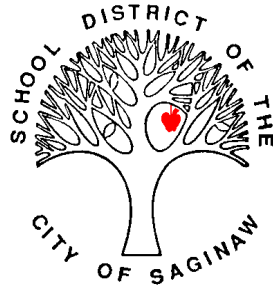
The School District is evaluating the impact that the above GASBs will have on its financial reporting.

Economic Factors and Next Year's Budget and Rates

One of the most important factors when setting the District's budget is the uncertainty of the State's financial outlook. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2016 fiscal year is 10 percent and 90 percent of the February 2016 and September 2015 student counts, respectively. The 2016-17 budget was adopted in June 2016, based on an estimate of students that will be enrolled in September 2016 and February 2017. Once the final student count and related per pupil funding is validated, state law requires the District to amend the budget if actual District resources are not sufficient to fund original appropriations. Any reduction could result in further budget cuts.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, parents, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Executive Director of Financial Services, School District of the City of Saginaw, 550 Millard Street, Saginaw, Michigan, 48607-1193, (989) 399-6521.



**BASIC
FINANCIAL STATEMENTS**

School District of the City of Saginaw
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets and Deferred Outflows of Resources	
Current Assets	
Cash	\$ 18,698,942
Accounts receivable	69,461
Due from other governmental units	15,393,883
Inventory	57,823
Total Current Assets	34,220,109
Non-current Assets	
Capital assets not being depreciated	
Land	5,607,492
Capital assets - net of accumulated depreciation	
Buildings and additions	97,085,304
Equipment and furniture	4,610,331
Buses and other vehicles	1,062,185
Less: accumulated depreciation	(44,471,244)
Total Non-current Assets	63,894,068
Total Assets	98,114,177
Deferred Outflows of Resources	
Deferred amount relating to net pension liability	8,752,607
Deferred amount on refunding	482,487
Total Deferred Outflows of Resources	9,235,094
Total Assets and Deferred Outflows of Resources	107,349,271

See Accompanying Notes to the Financial Statements

School District of the City of Saginaw
Statement of Net Position
June 30, 2016

	Governmental Activities
Liabilities and Deferred Inflows of Resources	
Current Liabilities	
Accounts payable	\$ 4,023,507
Due to other governmental units	2,171,506
State aid anticipation note	12,156,700
Accrued payroll and related liabilities	3,589,922
Unearned revenue	1,083,955
Current portion of debt	1,365,000
Accrued interest	344,000
Total Current Liabilities	24,734,590
Non-Current Liabilities	
Compensated absences	718,633
Debt due in more than one year	52,952,656
Net pension liability	81,388,351
Total Non-Current Liabilities	135,059,640
Total Liabilities	159,794,230
Deferred Inflows of Resources	
Deferred amount relating to net pension liability	13,106,991
Net Position	
Net investment in capital assets	10,826,270
Restricted for:	
Debt service	84,534
Food service	151,862
Unrestricted:	
Unrestricted (deficit)	(76,614,616)
Total Net Position	\$ (65,551,950)

School District of the City of Saginaw
Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Program Revenues			Governmental Activities	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities					
Instruction	\$ 43,698,431	\$ 231,362	\$ 21,067,120	\$ -	\$ (22,399,949)
Supporting services	24,583,085	35,199	7,950,076	-	(16,597,810)
Community services	391,597	187,262	196,291	-	(8,044)
Food services	4,773,967	67,065	4,798,634	-	91,732
Interest and other charges	2,048,347	-	-	-	(2,048,347)
Total Governmental activities	\$ 75,495,427	\$ 520,888	\$ 34,012,121	-	(40,962,418)
General Revenues					
Property taxes - levied for operations					6,652,409
Property taxes - levied for debt retirement					3,631,727
State aid - Unrestricted					38,992,500
Investment earnings					10,784
Other					215,816
Total general revenues					49,503,236
Change in net position					8,540,818
Net position - July 1					(74,092,768)
Net position - June 30					\$ (65,551,950)

See Accompanying Notes to the Financial Statements

School District of the City of Saginaw
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Major		Nonmajor	Total Governmental Funds
		Building Fund Series 3	2016 Refunding Bond Fund	Other Governmental Funds	
Assets					
Cash	\$ 15,657,085	\$ 1,402,238	\$ -	\$ 1,639,619	\$ 18,698,942
Accounts receivable	69,461	-	-	-	69,461
Due from other governmental units	15,200,386	-	-	193,497	15,393,883
Inventory	57,823	-	-	-	57,823
Total assets	<u>\$ 30,984,755</u>	<u>\$ 1,402,238</u>	<u>\$ -</u>	<u>\$ 1,833,116</u>	<u>\$ 34,220,109</u>
Liabilities					
Accounts payable	\$ 2,764,046	\$ 152,380	\$ -	\$ 1,067,081	\$ 3,983,507
State aid anticipation note	12,156,700	-	-	-	12,156,700
Due to other governmental units	2,171,506	-	-	-	2,171,506
Accrued payroll and related liabilities	3,589,922	-	-	-	3,589,922
Unearned revenue	1,083,955	-	-	-	1,083,955
Total liabilities	<u>21,766,129</u>	<u>152,380</u>	<u>-</u>	<u>1,067,081</u>	<u>22,985,590</u>

See Accompanying Notes to the Financial Statements

**School District of the City of Saginaw
Balance Sheet
Governmental Funds
June 30, 2016**

	General Fund	Major		Nonmajor	Total Governmental Funds
		Building Fund Series 3	2016 Refunding Bond Fund	Other Governmental Funds	
Fund Balance					
Non-spendable					
Inventory	\$ 57,823	\$ -	\$ -	\$ -	\$ 57,823
Restricted					
Food service	-	-	-	337,501	337,501
Debt service	-	-	-	428,534	428,534
Capital projects	-	1,249,858	-	-	1,249,858
Unassigned	9,160,803	-	-	-	9,160,803
Total fund balance	<u>9,218,626</u>	<u>1,249,858</u>	<u>-</u>	<u>766,035</u>	<u>11,234,519</u>
 Total fund balance	<u><u>\$ 30,984,755</u></u>	<u><u>\$ 1,402,238</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,833,116</u></u>	<u><u>\$ 34,220,109</u></u>

See Accompanying Notes to the Financial Statements

School District of the City of Saginaw
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2016

Total Fund Balances - Governmental Funds		\$ 11,234,519
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Land	\$ 5,607,492	
Buildings and improvements	97,085,304	
Furniture and other equipment	4,610,331	
Buses and other vehicles	1,062,185	
Less: accumulated depreciation	<u>(44,471,244)</u>	63,894,068
Deferred outflows (inflows) of resources		
Deferred outflows of resources resulting from debt refunding	482,487	
Deferred outflows of resources resulting from net pension liability	8,752,607	
Deferred inflows of resources resulting from net pension liability	<u>(13,106,991)</u>	(3,871,897)
Certain liabilities are not due and payable in the current period and are not reported in the funds		
Unemployment		(40,000)
Interest on long-term debt		(344,000)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities		
Bonds payable	(50,470,000)	
Bond premium	(3,957,856)	
Bond discount	110,200	
Compensated absences	(718,633)	
Net pension liability	<u>(81,388,351)</u>	<u>(136,424,640)</u>
Total Net Position - Governmental Activities		\$ <u>(65,551,950)</u>

School District of the City of Saginaw
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

	General Fund	Major		Nonmajor	Total Governmental Funds
		Building Fund Series 3	2016 Refunding Bond Fund	Other Governmental Funds	
Revenues					
Local sources	\$ 7,467,817	\$ 1,479	\$ 1,191,248	\$ 2,580,394	\$ 11,240,938
Intermediate sources	393,768	-	-	-	393,768
State sources	52,767,418	-	-	125,846	52,893,264
Federal sources	14,956,298	-	-	4,672,788	19,629,086
Total revenues	<u>75,585,301</u>	<u>1,479</u>	<u>1,191,248</u>	<u>7,379,028</u>	<u>84,157,056</u>
Expenditures					
Current:					
Instruction	43,710,623	-	-	-	43,710,623
Supporting services	25,313,940	-	-	-	25,313,940
Community services	405,415	-	-	-	405,415
Food services	-	-	-	4,764,108	4,764,108
Capital outlay	-	551,498	-	-	551,498
Debt services					
Principal	-	-	650,000	820,000	1,470,000
Payments to escrow agent	-	-	21,460,847	-	21,460,847
Interest	-	-	518,098	1,503,600	2,021,698
Bond issuance cost	-	-	163,860	-	163,860
Bank fees	-	-	2,150	600	2,750
Total expenditures	<u>69,429,978</u>	<u>551,498</u>	<u>22,794,955</u>	<u>7,088,308</u>	<u>99,864,739</u>
Excess (deficiency) of revenues over expenditures	<u>6,155,323</u>	<u>(550,019)</u>	<u>(21,603,707)</u>	<u>290,720</u>	<u>(15,707,683)</u>
Other financing sources (uses)					
Proceeds from issuance of bonds	-	-	18,865,000	-	18,865,000
Premium on issuance of bonds	-	-	2,738,707	-	2,738,707
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>21,603,707</u>	<u>-</u>	<u>21,603,707</u>
Net change in fund balance	6,155,323	(550,019)	-	290,720	5,896,024
Fund balance - July 1	<u>3,063,303</u>	<u>1,799,877</u>	<u>-</u>	<u>475,315</u>	<u>5,338,495</u>
Fund balance - June 30	<u>\$ 9,218,626</u>	<u>\$ 1,249,858</u>	<u>\$ -</u>	<u>\$ 766,035</u>	<u>\$ 11,234,519</u>

See Accompanying Notes to the Financial Statements

School District of the City of Saginaw
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2016

Net change in fund balances - total governmental funds	\$ 5,896,024
Total change in net position reported for governmental activities in the statement of activities differs because:	
Revenues in the statement of activities that do not provide current financial resources:	
Property taxes	(120,811)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capitalized capital outlay	402,349
Depreciation	(1,806,382)
Expenses are recorded when incurred in the statement of activities.	
Compensated absences	41,398
Interest	24,000
Unemployment	4,000
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change between actual pension contributions and the cost of benefits earned net of employee contributions	1,496,991
Net change in the deferrals of resources related to the net pension liability	(3,584,908)
Net change in net pension liability	4,745,056
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Proceeds from issuance of debt	(18,865,000)
Premium on issuance of debt	(2,738,707)
Repayments of long-term debt	22,445,000
Change in deferred amount on debt refunding	482,487
Amortization of premium	130,845
Amortization of discount	(11,524)
Change in net position of governmental activities	\$ 8,540,818

See Accompanying Notes to the Financial Statements

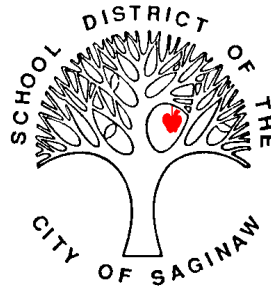
School District of the City of Saginaw
Statement of Fiduciary Net Position
June 30, 2016

	Private Purpose Trust Funds	Agency Fund
Assets		
Cash	\$ 555,013	\$ 425,619
Investments	1,473,679	-
Loans receivable	22,415	-
	2,051,107	\$ 425,619
Total assets		
Liabilities		
Accounts payable	-	\$ 17,279
Due to student and other groups	-	408,340
	-	\$ 425,619
Total liabilities		
Net position		
Assets held for scholarships and loans	\$ 2,051,107	

See Accompanying Notes to the Financial Statements

School District of the City of Saginaw
Statement of Changes in Fiduciary Net Position - Private Purpose Trust Funds
Year Ended June 30, 2016

	<u>Private Purpose Trust Funds</u>
Additions	
Local sources	<u>\$ 37,868</u>
Deductions	
Scholarships and awards	<u>26,905</u>
Change in net position	10,963
Net position - July 1	<u>2,040,144</u>
Net position - June 30	<u><u>\$ 2,051,107</u></u>



NOTES TO THE FINANCIAL STATEMENTS

School District of the City of Saginaw
Notes to the Financial Statements
June 30, 2016

NOTE 1 - Summary of Significant Accounting Policies

The accounting policies of the School District of the City of Saginaw (School District) conform to accounting principles generally accepted in the United States of America as applicable to Governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various Governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the Governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either Governmental or business type. All of the School District's activities are classified as Governmental activities.

The statement of net position presents Governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The School District first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general District revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function and include charges for those programs and operating grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

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

School District of the City of Saginaw
Notes to the Financial Statements
June 30, 2016

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 120 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.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

General fund expenditures are classified in accordance with the latest edition of the Accounting Manual for Michigan School Districts, issued by the Michigan Department of Education, as follows:

Instruction includes the activities dealing directly with the teaching of pupils or the interaction between pupils and teachers. Teaching may be provided through some other approved medium, such as television, telephone, radio, and correspondence. Included here are the activities of aides, assistants of any type, and supplies and materials which assist directly in the instructional process.

Supporting services are those services which provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction and, to a lesser degree, community services. Supporting services exist as adjuncts for the fulfillment of the objectives of instruction, rather than as entities within themselves.

Community services consist of those activities that are not directly relatable to providing education for pupils in a school system. These include services provided by the school system for the community as a whole or some segment of the community, such as community recreation programs, programs of custody and care of children, civic activities, and community welfare activities.

Other transactions consist of conduit-type (outgoing transfers) payments to other school districts or administrative units in the state or in another state not identified in the above classifications. Interfund transfers consist of transfers from one fund to another fund within the School District.

Capital Project Funds are used to account for the acquisition of capital assets of major capital projects not being financed by propriety or nonexpendable trust funds.

Building Fund Series 3 consists of those activities that are directly relatable to expenditures of the Series 3 Bonds and the related capital costs for construction.

School District of the City of Saginaw
Notes to the Financial Statements
June 30, 2016

Debt Service Funds – The 2016 Refunding Bond Debt Service Fund is used to record tax and interest revenue and the payment of interest, principal, and other expenditures on long-term debt by bond and note issues.

The school district reports the following funds as non-major governmental funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. They are used to segregate the transaction of particular activities from regular revenue and expenditure accounts. The School District maintains full control of these Funds. The special revenue fund maintained by the School District, as mandated by the State of Michigan, is the Food Service fund.

Debt Service Funds are used to record tax and interest revenue and the payment of interest, principal, and other expenditures on long-term debt by bond and note issues.

The following debt service funds were used during the year:

2014 Refunding Bond Fund
2008 Bond Fund

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The fiduciary fund types used by the School District are the Private Purpose Trust Funds, and Agency Funds.

Private Purpose Trust Funds are used to account for funds entrusted to the School District and the funds may only be used for specific purposes. They are accounted for in essentially the same manner as the governmental fund types, using similar measurement focus and basis of accounting. The School District maintains the Scholarship Fund. The Scholarship Fund is used to account for funds entrusted to the School District for scholarship loans and awards when the principal and interest of the trust may be spent, and for the receipt of investment earnings transferred from the Scholarship Endowment Fund for payment of scholarship loans and awards. The Scholarship Fund contains three separate private purpose trust funds which include the General Scholarship Fund, the Saginaw High School Alumni Memorial Scholarship Fund, and the Treanor Trust.

Agency Funds are used to account for assets held by the School District as an agent, are custodial in nature (assets equal liabilities), and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. The School District maintains pooled accounts, but maintains agency funds which are used to account for the transactions of student clubs and organizations, and other groups.

Assets, Liabilities and Net Position or Equity

Outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

School District of the City of Saginaw
Notes to the Financial Statements
June 30, 2016

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2016, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.0000
Commercial personal property	6.0000
Debt Service Fund	5.3000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. Approximately 69% of the School District's tax roll lies within the City of Saginaw.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Saginaw and remitted to the School District by May 15.

Due From/To Other Governmental Units – Consists of amounts due to and from federal, state and local governmental units.

Investments – Investments are stated at fair value. Certificates of deposit are stated at cost which approximates fair value.

Inventories – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. General Fund inventory consists of various instructional and custodial supplies, furniture, and gasoline.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	15-50 years
Equipment and furniture	5-20 years
Buses and other vehicles	7-15 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce the net pension liability in the following year. The School District also reports deferred amounts on refunding on the district-wide statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt.

School District of the City of Saginaw
Notes to the Financial Statements
June 30, 2016

Compensated Absences – Sick days are earned by most employees at the rate of one day per month. Unlimited unused sick days may be accumulated by an employee. Retiring employees who meet certain age and years of service requirements are paid for accumulated sick days to a maximum number of days and at a rate determined by their job category. There is no contractual provision for payment of unused vacation.

The liability for compensated absences reported in the District-wide financial statements consists of unpaid, accumulated sick leave balances. The liability has been calculated using the termination method, in which leave amounts for employees who currently are eligible to receive termination payments are included. The amount reported is salary related and includes no fringe benefits, since the amount of said benefits would be immaterial.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported

by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Balance - Restrictions of fund balance are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures. Specific restrictions of the fund balance accounts are summarized below.

Non-spendable – amounts that are not available in a spendable form.

Inventory - Created to indicate the portion of fund balance represented by inventories is not available for appropriation and expenditure.

School District of the City of Saginaw
Notes to the Financial Statements
June 30, 2016

Restrictions – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Restricted for food service - Created to restrict the use of all resources received for the payment on the school district's food service program.

Restricted for debt service - Created to restrict the use of all resources received for the payment on the school district's long-term debt.

Restricted for capital projects - Created to restrict the use of all resources received by the Capital Projects Funds. This money is earmarked for major capital purchases.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Other

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Economic Dependency - The school district received approximately 70% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source, the school district is considered to be economically dependent of the Michigan Department of Education.

Concentrations - Substantially all of the school district's employees work under collective bargaining agreements. Substantially all of the contracts agreements expired prior to yearend. Currently, the school district is preparing to negotiate those contracts.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

The Governmental Accounting Standards Board ("The GASB") has issued Statement No. 72 *Fair Value Measurements and Applications*. Statement 72 provides guidance for accounting and financial reporting issues related to fair value measurement. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for

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applying fair value to certain investments and disclosures related to all fair value measurements. The guidance establishes a three level hierarchy of inputs for valuation of fair value. Statement 72 is effective for the year ending June 30, 2016.

Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*. The first objective of this Statement is provide the readers of the financial statements information about the effects of the pension-related transactions on the financial statements of state and local government employers. It will assist in assessing the relationship between a government's inflows of resources and its total cost (including pension expense) of providing government services each period in addition to providing information about the government's pension obligation. The second objective of this Statement is to improve the information about financial support provided by certain nonemployer entities for pensions that are provided to the employees of other entities that are not within the scope of Statement No. 68. These requirements are effective for the fiscal year ending June 30, 2017. The third objective is to improve the quality of information associated with governments that hold assets accumulated for purposes of providing defined benefit pensions that are not within the scope of Statement 68 and to clarify the application of certain provisions of Statement No. 67 and 68. These requirements are effective for the fiscal year ending June 30, 2016.

GASB No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is

not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement 76 is effective for the year ending June 30, 2016.

GASB No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria that, if met, permit external investment pools to elect to measure all of their investments at amortized cost for financial reporting purposes. Also, it establishes additional disclosure requirements for qualifying external investment pools that make that election and for governments that participate in such external investment pools. Statement 79 is effective for the year ending June 30, 2016.

GASB No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73 addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement 82 is effective for the year ending June 30, 2016.

Upcoming Accounting and Reporting Changes

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses the other postemployment benefits plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will

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enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending June 30, 2017.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

GASB Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*—an amendment of GASB Statement No. 14 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing

recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

The School District is evaluating the impact that the above GASBs will have on its financial reporting.

NOTE 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby cancel all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

District-Wide Deficits

The School District has an unrestricted net position deficit for District-Wide activities in the amount of \$76,614,616 as of June 30, 2016.

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Compliance – Bond Proceeds

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. The following is a summary of the revenue and expenditures in the Building Fund Series I, Building Fund Series II, and Building Fund Series III from the inception of the funds through the current fiscal year:

	Building Fund Series III
Revenues	\$ 25,412,624
Expenditures	24,162,766
	\$ 1,249,858

NOTE 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 18,698,942	\$ 980,632	\$ 19,679,574
Investment	-	1,473,679	1,473,679
	\$ 18,698,942	\$ 2,454,311	\$ 21,153,253

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$21,043,412
Investments	106,203
Petty cash and cash on hand	3,638
Total	\$21,153,253

As of yearend, the School District had the following investments:

Investment	Fair Value
Equity Mutual Funds	\$ 67,717
Fixed Income Mutual Funds	38,486
	\$ 106,203

Interest rate risk – The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. District repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District has no investment policy that would further limit its investment choices.

Concentration of credit risk – The School District has no policy that would limit the amount that may be invested with any one issuer.

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Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of yearend, \$22,138,095 of the School District’s bank balance of \$22,642,897 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the district’s investments were exposed to custodial credit risk.

Certain investments were donated to the School District to be used to generate income to award scholarships to worthy students. Individual scholarship provisions specify how the investments and related income may be used.

Certain endowments and funds raised for scholarships are directly deposited with the Saginaw Community Foundation and the school district has no rights to the principal investments.

NOTE 4 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2016:

- Equity and fixed income securities of \$106,203 are valued using quoted market prices (Level 1 inputs)

NOTE 5 - Due From Other Governmental Units

Due from other governmental units consists of the following:

Federal grants	\$	5,047,767
State aid		8,975,600
Other		<u>1,370,516</u>
		<u>\$ 15,393,883</u>

All balances are deemed current and will be received in the following year.

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NOTE 6 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 5,607,492	\$ -	\$ -	\$ 5,607,492
Capital assets being depreciated				
Buildings and additions	96,758,131	327,173	-	97,085,304
Equipment and furniture	4,535,155	75,176	-	4,610,331
Buses and other vehicles	1,062,185	-	-	1,062,185
Total capital assets being depreciated	<u>102,355,471</u>	<u>402,349</u>	<u>-</u>	<u>102,757,820</u>
Less accumulated depreciation for				
Buildings and additions	38,192,724	1,704,573	-	39,897,297
Equipment and furniture	3,479,586	92,863	-	3,572,449
Buses and other vehicles	992,552	8,946	-	1,001,498
Total accumulated depreciation	<u>42,664,862</u>	<u>1,806,382</u>	<u>-</u>	<u>44,471,244</u>
Net capital assets being depreciated	<u>59,690,609</u>	<u>(1,404,033)</u>	<u>-</u>	<u>58,286,576</u>
Net capital assets	<u>\$ 65,298,101</u>	<u>\$ (1,404,033)</u>	<u>\$ -</u>	<u>\$ 63,894,068</u>

Depreciation expense was charged to activities of the School District as follows:

Governmental activities	
Depreciation expense	
Instruction	\$ 1,582,191
Support services	212,357
Community services	1,718
Food services	<u>10,116</u>
Total governmental activities	<u>\$ 1,806,382</u>

Construction Contracts

As of year end, the School District did not have any significant construction contracts in progress.

NOTE 7 - Unearned Revenue

Governmental funds also report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

	<u>Unearned</u>
Grant payments received prior to meeting all eligibility requirements	
At-Risk	\$ 762,697
Trig	195,849
Other	<u>125,409</u>
Total	<u>\$ 1,083,955</u>

NOTE 8 - State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	<u>\$ 15,473,387</u>	<u>\$ 12,156,700</u>	<u>\$ 15,473,387</u>	<u>\$ 12,156,700</u>

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NOTE 9 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, compensated absences and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
General obligation bonds	\$ 54,050,000	\$ 18,865,000	\$ 22,445,000	\$ 50,470,000	\$ 1,365,000
Bond premium	1,349,994	2,738,707	130,845	3,957,856	-
Bond discount	(12,1724)	-	(11,524)	(10,200)	-
Compensated absences	760,031	159,607	201,005	718,633	-
Total	\$ 56,038,301	\$ 21,763,314	\$ 22,765,326	\$ 55,036,289	\$ 1,365,000

General obligation bonds payable at year end, consist of the following:

\$18,865,000 Series 2016 refunding bond due in annual installments of \$515,000 to \$1,395,000 through May 1, 2036, interest at 4.00% to 5.00%	\$ 18,865,000
\$19,540,000 Series 2008 serial bond due in annual installments of \$300,000 to \$2,200,000 through May 1, 2038, interest at 3.50% to 5.00%	17,570,000
\$14,525,000 Series 2014 refunding bond due in annual installments of \$450,000 to \$1,200,000 through May 1, 2034, interest at 3.70% to 5.00%	<u>14,035,000</u>
Total general obligation bonded debt	\$ 50,470,000

Future principal and interest requirements for general obligation bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,365,000	\$ 2,494,446	\$ 3,859,446
2018	1,515,000	2,345,481	3,860,481
2019	1,575,000	2,284,880	3,859,880
2020	1,640,000	2,216,331	3,856,331
2021	1,715,000	2,144,456	3,859,456
2022 - 2026	9,920,000	9,386,244	19,306,244
2027 - 2031	12,550,000	6,757,728	19,307,728
2032 - 2036	15,840,000	3,466,752	19,306,752
2037 - 2041	4,350,000	327,500	4,677,500
Total	\$ 50,470,000	\$ 31,423,818	\$ 81,893,818

The general obligation bonds are liquidated from the Debt Service Funds. As of year end, these funds had \$428,534 of available fund balance remaining to pay this debt. Future debt and interest will be payable from future tax levies.

The total interest expenditure paid during the fiscal year was \$2,021,713.

Compensated Absences

Accrued compensated absences at year end consist of \$718,633 of accrued and earned sick time benefits. The entire amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

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Current Refunding

On March 24, 2016, the School District issued general obligation bonds of \$18,865,000 (par value) with an interest rate of 4.00% to 5.00% to refund \$20,975,000 of its \$21,625,000 2006 School Building and Site Bond, with an interest rate of 4.0% to 5.0%. The general obligation bonds were issued at a premium and after paying issuance costs of \$163,860, the net proceeds were \$21,460,847. The net proceeds from the issuance of the general obligation bonds were deposited with an escrow agent to provide debt service payments for the 2006 bonds on May 1, 2016

As a result of the current refunding, the School District reduced its total debt service requirements by \$3,105,882, which resulted in an economic gain of \$2,423,449. The School District also recognized a deferred amount as a result of the bond refunding of \$482,487, of which will be amortized over the life of the bond.

Deferred Amount on Refunding

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,738,707. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2036.

Defeased Debt

In prior years, the School District has defeased various bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

The final payment date is May 1, 2034. As of year end, the amount of defeased debt outstanding but removed from the School District's financial statements is as follows:

2004 Issue Refunded	\$ 14,777,000
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NOTE 10 - Risk Management

The School District participates in a Municipal Risk Retention Pool Program through the Middle Cities Risk Management Trust. This program provides substantially all the insurance needs of the School District, including property, general liability, automobile and umbrella. The contributions made by the School District fund the program at rates predicated on expected losses, excess insurance premium contribution and administration costs, including appropriate state assessment. The possibility of additional claims exists but the amount of liability to the School District would be immaterial by the time the aggregate stop-loss coverage is triggered. There also is a possibility of a refund due the School District. Therefore, neither contingent liabilities nor assets have been recognized on the School District's financial statements. For each of the past three years, there have been no changes to the coverage and there have been no insurance settlements which exceed insurance coverage.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The school district's General Fund reported \$31,400 of unemployment compensation expense for the year ended June 30, 2015. In addition, \$40,000 has been accrued in the district-wide financial statements for known claims incurred from January to June, 2016, and is payable in fiscal year 2015-16.

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Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal District. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the period ended June 30, 2016.

NOTE 11 - Pension Plans and Post-Employment Benefits

Organization

The Michigan Public School Employees' Retirement System (MPERS) 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.

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.michigan.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, member retirement benefits for DB plan members are determined by final average compensation and years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Contributions and Funding Status

Employers are required by Public Act 300 of 1980, as amended, 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 service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21 year period for the plan's 2015 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2015.

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Pension Contribution Rates

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

Required contributions to the pension plan from the School District were \$6,428,189 for the year ending September 30, 2015.

Net Pension Liability

June 30, 2016, the School District reported a liability of \$81,388,351 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2014. The School District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all employers' statutorily required contributions for the measurement period. At September 30, 2015, the School District's proportionate share percent was 0.3332 percent, which was a decrease of 0.3910 percent since the prior measurement date.

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

For the year ended June 30, 2016, the School District recognized total pension expense of \$4,059,408. The School District's actual contributions for the years ended June 30, 2016, 2015, and 2014 and were approximately \$5,600,000, \$5,300,000, and \$6,400,000, respectively.

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (269,582)
Changes in assumptions	2,003,954	-
Net difference between projected and actual earnings on pension plan investments	415,422	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	298,021	(10,775,554)
Employer contributions subsequent to the measurement date	6,035,210	(2,061,855)
	<u>\$ 8,752,607</u>	<u>\$ (13,106,991)</u>

\$6,035,210 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, 2017. \$2,061,855 reported as deferred inflows of resources relating to pensions resulting from employer contributions subsequent to the measurement date are 147c revenues received that will be recognized in the year ended June 30, 2017 when the related payments reduce the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Plan Year Ending September 30	Amount:
2016	\$ (2,591,267)
2017	(2,591,267)
2018	(2,699,972)
2019	(445,233)
Total	<u>\$ (8,327,739)</u>

- 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.

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, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (4.7158 for non-university employers). The recognition period for assets in years is 5.0000. Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report (CAFR) (www.michigan.gov/mpsers-cafr).

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 members 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, 2014
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of returns:
 - MIP and Basic Plans (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
- Healthcare Cost Trend Rate: 8.5% Year 1 graded to 3.5% Year 12

Long-Term Expected Return on Plan Assets

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, 2015, are summarized in the following table:

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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	0.9
Real Estate and Infrastructure Pools	10.0	4.3
Absolute Return Pools	15.5	6.0
Short Term Investment Pools	2.0	0.0
	<u>100.0%</u>	

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

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). 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 School District's Proportionate Share 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 a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what the School District's

proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%
<u>\$ 104,930,448</u>	<u>\$ 81,388,351</u>	<u>\$ 61,541,399</u>

*Non-university employers, the Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.

Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR. See the 2015 MPSERS CAFR (www.michigan.gov/mpsers-cafr).

Payables to the Pension Plan

There were no significant payables to the pension plan that are not ordinary accruals to the district.

Post-Employment Benefits

In addition to the pension benefits described above, state law requires the School District to provide post-employment healthcare benefits for eligible retirees and beneficiaries through the Michigan Public School Employees Retirement System (MPSERS).

The 2012 Retirement Reform included changes to retiree healthcare benefits. New employees hired after the effective date who elect this benefit are enrolled in the defined contribution Personal Healthcare Fund. This establishes a portable tax-deferred account in which the

School District of the City of Saginaw
Notes to the Financial Statements
June 30, 2016

participant contributes up to 2% of their salary, and receives up to a 2% employer match. These funds can be used to pay for healthcare expenses in retirement.

Employees working prior to the enactment of the 2012 Retirement Reform have two options: (a) the Personal Healthcare Fund, or (b) the defined benefit Premium Subsidy benefit.

Employees electing the defined benefit Premium Subsidy benefit contribute 3% of their compensation, and the employer contributes an actuarially determined percent of payroll for all participants. Upon retirement members receive a premium subsidy towards health, dental and vision insurance. The subsidy is a percent of the premium cost, with the percentage varying based on several factors.

For the periods July 1, 2015 through September 30, 2015, and October 1, 2015 through June 30, 2016, the employer contribution rate ranged from 2.20% to 2.71% and 6.40% to 6.83%, respectively.

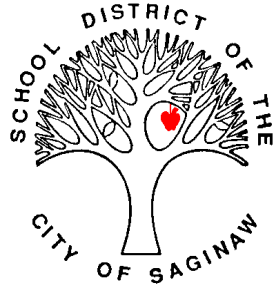
The School District's actual contributions match the required contributions for the years ended June 30, 2016, 2015, and 2014 and were approximately \$1,627,079, \$1,865,525, and \$2,265,000, respectively.

Unfunded Accrued Liability

During the year ending June 30, 2016, the School District had contributions in the amount of \$3,174,527 to the MPSERS. This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 10.53% for the year ending June 30, 2016.

NOTE 12 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment 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 costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year ended June 30, 2016.



**REQUIRED
SUPPLEMENTARY
INFORMATION**

School District of the City of Saginaw
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2016

	Budgeted Amounts		Actual	Over (Under)
	Original	Final		Final Budget
Revenue from local sources				
General property taxes	\$ 6,000,000	\$ 6,500,000	\$ 6,665,027	\$ 165,027
Penalties and interest on delinquent taxes	50,000	45,500	52,678	7,178
Transportation	35,000	35,000	35,199	199
Earnings on investments	2,500	9,000	10,784	1,784
Athletic event revenue	72,500	86,800	88,143	1,343
Community service fees	100,000	100,000	99,119	(881)
Rental income	150,000	160,000	231,362	71,362
Grants	115,175	115,175	88,503	(26,672)
Miscellaneous	24,825	45,900	197,002	151,102
Total local sources	<u>6,550,000</u>	<u>7,097,375</u>	<u>7,467,817</u>	<u>370,442</u>
Revenue from state sources				
Grants - unrestricted				
State school aid	39,836,563	38,958,074	38,992,500	34,426
Grants - restricted				
At Risk	4,321,554	5,101,544	4,328,595	(772,949)
Unfunded actuarial accrued liability	3,174,527	3,567,572	3,567,572	-
Special education headlee obligation	1,804,029	2,773,687	2,773,669	(18)
Great start readiness program	2,638,115	2,638,115	2,072,057	(566,058)
Vocational education	420,263	420,263	422,030	1,767
Adult education	164,769	164,769	150,747	(14,022)
Renaissance zones	114,098	114,098	114,645	547
Technology reediness	303,897	303,897	108,803	(195,094)
Other state revenue	336,536	483,285	236,800	(246,485)
Total state sources	<u>53,114,351</u>	<u>54,525,304</u>	<u>52,767,418</u>	<u>(1,757,886)</u>

**School District of the City of Saginaw
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Over (Under)
	Original	Final		Final Budget
Revenue from federal sources				
Grants restricted				
Title I cluster	\$ 13,389,538	\$ 18,255,985	\$ 10,735,198	\$ (7,520,787)
Title II part A cluster	4,904,781	4,904,781	1,795,714	(3,109,067)
Special education - IDEA cluster	1,781,668	1,781,668	1,646,859	(134,809)
Carl Perkins	445,791	445,791	391,954	(53,837)
Safe schools healthy students	801,541	801,541	329,971	(471,570)
Other federal revenues	91,567	117,476	56,602	(60,874)
Total federal sources	<u>21,414,886</u>	<u>26,307,242</u>	<u>14,956,298</u>	<u>(11,350,944)</u>
Revenue from intermediate sources				
Special education	<u>300,000</u>	<u>376,249</u>	<u>393,768</u>	<u>-</u>
Total revenues	<u>81,379,237</u>	<u>88,306,170</u>	<u>75,585,301</u>	<u>(12,738,388)</u>

**School District of the City of Saginaw
 Budgetary Comparison Schedule - General Fund
 Year Ended June 30, 2016**

	Budgeted Amounts		Actual	(Over) Under Final Budget
	Original	Final		
Instruction				
Basic programs				
Elementary	\$ 13,126,294	\$ 13,209,495	\$ 12,959,862	\$ 249,633
Middle school	3,284,393	3,237,511	3,199,257	38,254
Senior high school	7,230,854	7,067,989	6,794,856	273,133
Other basic programs	3,972,854	3,843,500	2,898,835	944,665
Summer school	2,343,681	1,761,600	818,011	943,589
Total basic programs	<u>29,958,076</u>	<u>29,120,095</u>	<u>26,670,821</u>	<u>2,449,274</u>
Added needs				
Special education	4,615,992	6,003,620	5,459,932	543,688
Compensatory education	12,355,127	14,037,139	9,617,925	4,419,214
Vocational education	1,558,596	1,983,897	1,933,811	50,086
Total added needs	<u>18,529,715</u>	<u>22,024,656</u>	<u>17,011,668</u>	<u>5,012,988</u>
Continuing education - basic				
Basic	328,258	45,922	25,123	20,799
Secondary	352,125	6,610	3,011	3,599
Total continuing education - basic	<u>680,383</u>	<u>52,532</u>	<u>28,134</u>	<u>24,398</u>
Total instruction	<u>49,168,174</u>	<u>51,197,283</u>	<u>43,710,623</u>	<u>7,486,660</u>

School District of the City of Saginaw
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2016

	Budgeted Amounts		Actual	(Over) Under
	Original	Final		Final Budget
Supporting services				
Pupil services				
Truancy	\$ 1,083,043	\$ 654,781	\$ 553,621	\$ 101,160
Guidance services	1,345,415	1,621,776	1,307,825	313,951
Health services	114,500	115,500	101,038	14,462
Psychological services	476,922	258,127	219,081	39,046
Speech pathology audiology	533,208	551,105	550,423	682
Social work services	601,601	814,307	630,263	184,044
Teacher consultant	94,567	137,139	134,388	2,751
Other pupil services	260,842	352,652	342,159	10,493
Total pupil services	<u>4,510,098</u>	<u>4,505,387</u>	<u>3,838,798</u>	<u>666,589</u>
Instructional staff				
Improvement of instruction	5,617,079	6,281,812	2,285,397	3,996,415
Library	132,090	145,630	124,026	21,604
Audio visual	45,430	45,430	31,715	13,715
Technology assisted instruction	465,775	428,310	211,544	216,766
Supervision direction	485,576	1,418,878	1,014,384	404,494
Academic student assessment	34,556	11,183	34,657	(23,474)
Other instructional staff	82,356	1,500	208	1,292
Total instructional staff	<u>6,862,862</u>	<u>8,332,743</u>	<u>3,701,931</u>	<u>4,630,812</u>
General administration				
Board of education	344,652	289,415	253,578	35,837
Executive administration	342,994	335,411	336,788	(1,377)
Total general administration	<u>687,646</u>	<u>624,826</u>	<u>590,366</u>	<u>34,460</u>
School administration				
Office of the principal	3,760,942	3,555,689	3,408,121	147,568
Other	-	3,929	3,029	900
Total school administration	<u>3,760,942</u>	<u>3,559,618</u>	<u>3,411,150</u>	<u>148,468</u>

School District of the City of Saginaw
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2016

	Budgeted Amounts		Actual	(Over) Under Final Budget
	Original	Final		
Supporting services (continued)				
Business services				
Fiscal services	\$ 733,978	\$ 715,406	\$ 670,157	\$ 45,249
Internal services	63,472	64,930	51,332	13,598
Other business services	1,075,090	807,590	691,639	115,951
Total business services	<u>1,872,540</u>	<u>1,587,926</u>	<u>1,413,128</u>	<u>174,798</u>
Building operations				
Operation and maintenance of plant	6,905,175	7,092,887	6,733,838	359,049
Security	1,719,268	1,087,294	968,596	118,698
Total building operations	<u>8,624,443</u>	<u>8,180,181</u>	<u>7,702,434</u>	<u>477,747</u>
Pupil transportation services	<u>2,570,156</u>	<u>2,883,935</u>	<u>2,724,846</u>	<u>159,089</u>
Central services				
Planning, research, development and evaluation	123,134	139,491	129,206	10,285
Informational services	198,500	176,161	147,236	28,925
Staff services	790,121	802,734	498,002	304,732
Data processing services	653,065	652,375	619,017	33,358
Technology services	92,416	93,211	92,617	594
Other central services	2,273	2,600	2,018	582
Total central services	<u>1,859,509</u>	<u>1,866,572</u>	<u>1,488,096</u>	<u>378,476</u>
Other supporting services	<u>478,500</u>	<u>517,200</u>	<u>443,191</u>	<u>74,009</u>
Total supporting services	<u>31,226,696</u>	<u>32,058,388</u>	<u>25,313,940</u>	<u>6,744,448</u>

**School District of the City of Saginaw
 Budgetary Comparison Schedule - General Fund
 Year Ended June 30, 2016**

	Budgeted Amounts		Actual	(Over) Under Final Budget
	Original	Final		
Community services				
Direction	\$ 134,217	\$ 157,347	\$ 113,893	\$ 43,454
Activities	465,963	496,447	233,486	262,961
Non-public school pupils	159,034	159,034	20,975	138,059
Site improvement services	-	60,818	37,061	23,757
Total community services	<u>759,214</u>	<u>873,646</u>	<u>405,415</u>	<u>468,231</u>
 Total expenditures	 <u>81,154,084</u>	 <u>84,129,317</u>	 <u>69,429,978</u>	 <u>14,699,339</u>
 Net change in fund balance	 225,153	 4,176,853	 6,155,323	 1,978,470
 Fund balance - July 1	 <u>3,063,303</u>	 <u>3,063,303</u>	 <u>3,063,303</u>	 <u>-</u>
 Fund balance - June 30	 <u>\$ 3,288,456</u>	 <u>\$ 7,240,156</u>	 <u>\$ 9,218,626</u>	 <u>\$ 1,978,470</u>

School District of the City of Saginaw
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th)

	June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
A. School District's proportion of net pension liability (%)	0.33320%	0.39104%								
B. School District's proportionate share of net pension liability	\$ 81,388,351	\$ 86,133,407								
C. School District's covered-employee payroll	\$ 28,692,229	\$ 33,112,983								
D. School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	283.66%	260.12%								
E. Plan fiduciary net position as a percentage of total pension liability	63.17%	66.20%								

School District of the City of Saginaw
Required Supplementary Information
Schedule of the School District's Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
A. Statutorily required contributions	\$ 5,633,322	\$ 6,073,153								
B. Contributions in relation to statutorily required contributions	<u>5,633,322</u>	<u>6,073,153</u>								
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
D. School District's covered-employee payroll	\$ 28,336,074	\$ 33,112,983								
E. Contributions as a percentage of covered-employee payroll	19.9%	18.3%								

Notes: Benefit Changes - There were no changes of benefit terms in 2016. Changes in Assumptions - There were no changes of benefit assumptions in 2016.



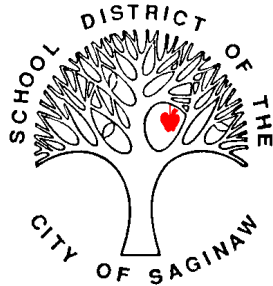
**OTHER
SUPPLEMENTARY
INFORMATION**

School District of the City of Saginaw
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2016

	Special Revenue Fund	Debt Service Funds		Total Nonmajor Governmental Funds
	Food Service Fund	2014 Refunding Bond Fund	2008 Bond Fund	
Assets				
Cash	\$ 1,211,085	\$ 428,534	\$ -	\$ 1,639,619
Due from other governments	193,497	-	-	193,497
Total assets	<u>\$ 1,404,582</u>	<u>\$ 428,534</u>	<u>\$ -</u>	<u>\$ 1,833,116</u>
Liabilities				
Accounts payable	\$ 1,067,081	\$ -	\$ -	\$ 1,067,081
Fund Balance				
Restricted				
Food service	337,501	-	-	337,501
Debt service	-	428,534	-	428,534
Total fund balance	<u>337,501</u>	<u>428,534</u>	<u>-</u>	<u>766,035</u>
Total liabilities, deferred inflows or resources and fund balance	<u>\$ 1,404,582</u>	<u>\$ 428,534</u>	<u>\$ -</u>	<u>\$ 1,833,116</u>

School District of the City of Saginaw
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2016

	Special Revenue Fund	Debt Service Funds		Total Nonmajor Governmental Funds
	Food Service Fund	2014 Refunding Bond Fund	2008 Bond Fund	
Revenues				
Local sources	\$ 67,065	\$ 1,328,198	\$ 1,185,131	\$ 2,580,394
State sources	125,846	-	-	125,846
Federal sources	4,672,788	-	-	4,672,788
Total revenues	<u>4,865,699</u>	<u>1,328,198</u>	<u>1,185,131</u>	<u>7,379,028</u>
Expenditures				
Education				
Food services	4,764,108	-	-	4,764,108
Debt retirement				
Principal	-	490,000	330,000	820,000
Interest	-	648,469	855,131	1,503,600
Bank fees	-	600	-	600
Total expenditures	<u>4,764,108</u>	<u>1,139,069</u>	<u>1,185,131</u>	<u>7,088,308</u>
Net change in fund balance	101,591	189,129	-	290,720
Fund balance - July 1	<u>235,910</u>	<u>239,405</u>	<u>-</u>	<u>475,315</u>
Fund balance - June 30	<u>\$ 337,501</u>	<u>\$ 428,534</u>	<u>\$ -</u>	<u>\$ 766,035</u>



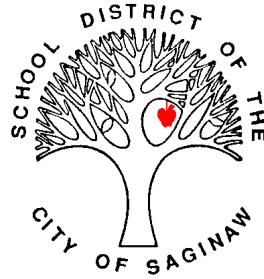
SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes.

Food Service Fund - This fund is used to account for activities related to operation of cafeterias in the district's school buildings, providing nourishing breakfasts, lunches, and snacks to students in all grades.

School District of the City of Saginaw
Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2016

	Food Service Fund		
	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues			
Local sources	\$ 370,665	\$ 67,065	\$ (303,600)
State sources	139,079	125,846	(13,233)
Federal sources	4,243,000	4,672,788	429,788
Total revenues	<u>4,752,744</u>	<u>4,865,699</u>	<u>112,955</u>
Expenditures			
Salaries	63,939	64,633	(694)
Employee benefits	34,705	31,104	3,601
Contracted services	1,732,100	1,782,342	(50,242)
Food cost	<u>2,837,000</u>	<u>2,886,029</u>	<u>(49,029)</u>
Total expenditures	<u>4,667,744</u>	<u>4,764,108</u>	<u>(96,364)</u>
Net change in fund balance	85,000	101,591	16,591
Fund balance - July 1	<u>235,910</u>	<u>235,910</u>	<u>-</u>
Fund balance - June 30	<u>\$ 320,910</u>	<u>\$ 337,501</u>	<u>\$ 16,591</u>



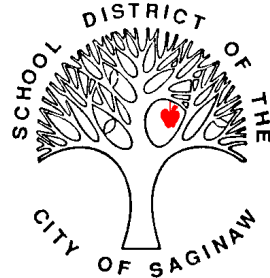
CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Building Fund - Series 3 - This fund is used to account for the proceeds of the third series of bonds issued as part of the \$70,000,000 in bonds approved by the District's voters. The proceeds will be used to construct a new middle school and provide security enhancements at two high schools.

**School District of the City of Saginaw
Capital Project Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2016**

	Major Fund		
	Building Fund - Series 3		
	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues			
Local sources			
Earnings on investments	\$ 5,000	\$ 1,479	\$ (3,521)
Expenditures			
Capital outlay			
Building renovations	1,065,000	551,498	513,502
Net change in fund balance	(1,060,000)	(550,019)	509,981
Fund balance - beginning of year	1,799,877	1,799,877	-
Fund balance - end of year	<u>\$ 739,877</u>	<u>\$ 1,249,858</u>	<u>\$ 509,981</u>



DEBT SERVICE FUNDS

Debt Service Funds are used to record tax and interest revenue and operating transfers in, and the payment of interest, principal and other expenditures on long-term bonded debt by bond issues.

2002 A Bond Fund - This fund is used to account for the payment of principal and interest on bonds issued to renovate the Arthur Eddy K-8 instructional building.

2014 Refunding Bond Fund - This fund is used to account for the payment of principal and interest on bonds issued to renovate elementary school buildings.

2016 Refunding Bond Fund - This fund is used to account for the payment of principal and interest on bonds issued to renovate school buildings and construct one new middle school.

2008 Bond Fund - This fund is used to account for the payment of principal and interest on bonds issued for construction of Saginaw Arts and Science Academy and Zilwaukee and improvements to Arthur Hill High School and Saginaw High School.

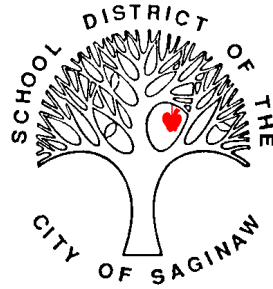
School District of the City of Saginaw
Debt Service Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2016

	Non-Major Fund			Major Fund		
	<u>2004 Bond Fund/2014 Refunding Bond Fund</u>			<u>2006 Bond Fund/2016 Refunding Bond Fund</u>		
	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues						
Local sources						
Property Tax	\$ 958,352	\$ 1,310,863	\$ 352,511	\$ 1,660,506	\$ 1,191,248	\$ (469,258)
Penalties and Interest	<u>20,000</u>	<u>17,335</u>	<u>(2,665)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>978,352</u>	<u>1,328,198</u>	<u>349,846</u>	<u>1,660,506</u>	<u>1,191,248</u>	<u>(469,258)</u>
Expenditures						
Debt retirement						
Principal	490,000	490,000	-	650,000	650,000	-
Payments to escrow agent	-	-	-	21,460,847	21,460,847	-
Interest	648,969	648,469	500	989,506	518,098	471,408
Issuance costs	-	-	-	163,860	163,860	-
Bank fees	<u>-</u>	<u>600</u>	<u>(600)</u>	<u>-</u>	<u>2,150</u>	<u>(2,150)</u>
Total expenditures	<u>1,138,969</u>	<u>1,139,069</u>	<u>(100)</u>	<u>23,264,213</u>	<u>22,794,955</u>	<u>469,258</u>
Other financing sources (uses)						
Proceeds from issuance of bonds	-	-	-	18,865,000	18,865,000	-
Premium on issuance of bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,738,707</u>	<u>2,738,707</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,603,707</u>	<u>21,603,707</u>	<u>-</u>
Net change in fund balance	(160,617)	189,129	349,746	-	-	-
Fund balance - July 1	<u>239,405</u>	<u>239,405</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - June 30	<u>\$ 78,788</u>	<u>\$ 428,534</u>	<u>\$ 349,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

School District of the City of Saginaw
Debt Service Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2016

	<u>Non-Major Fund</u>			<u>Total</u>		
	<u>2008 Bond Fund</u>					
	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues						
Local sources						
Property Tax	\$ 1,500,000	\$ 1,185,131	\$ (314,869)	\$ 4,118,858	\$ 3,687,242	\$ (431,616)
Penalties and Interest	-	-	-	20,000	17,335	(2,665)
Total revenues	<u>1,500,000</u>	<u>1,185,131</u>	<u>(314,869)</u>	<u>4,138,858</u>	<u>3,704,577</u>	<u>(434,281)</u>
Expenditures						
Debt retirement						
Principal	330,000	330,000	-	1,470,000	1,470,000	-
Payments to escrow agent	-	-	-	21,460,847	21,460,847	-
Interest	856,142	855,131	1,011	2,494,617	2,021,698	(472,919)
Bond issuance cost	-	-	-	163,860	163,860	-
Bank fees	-	-	-	-	2,750	2,750
Total expenditures	<u>1,186,142</u>	<u>1,185,131</u>	<u>(1,011)</u>	<u>25,589,324</u>	<u>25,119,155</u>	<u>(470,169)</u>
Other financing sources (uses)						
Proceeds from issuance of bonds	-	-	-	18,865,000	18,865,000	-
Premium on issuance of bonds	-	-	-	2,738,707	2,738,707	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,603,707</u>	<u>21,603,707</u>	<u>-</u>
Net change in fund balance	313,858	-	(313,858)	153,241	189,129	35,888
Fund balance - July 1	-	-	-	239,405	239,405	-
Fund balance - June 30	<u>\$ 313,858</u>	<u>\$ -</u>	<u>\$ (313,858)</u>	<u>\$ 392,646</u>	<u>\$ 428,534</u>	<u>\$ 35,888</u>



FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the School District in a trustee or agent capacity. The School District presently maintains the following Fiduciary Funds:

Private Purpose Trust Funds - Accounts for funds entrusted to the School District for scholarship loans and awards to worthy students when the principal and interest of the trust may be spent.

Agency Funds - Account for the amounts held by the District as fiscal agent.

School District of the City of Saginaw
Agency Funds
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
Assets				
Cash	\$ 447,401	\$ 470,881	\$ 492,663	\$ 425,619
Liabilities				
Accounts payable	\$ 53,481	\$ 492,663	\$ 528,865	\$ 17,279
Due to student and other groups	393,920	470,881	456,461	408,340
Total liabilities	\$ 447,401	\$ 963,544	\$ 985,326	\$ 425,619

School District of the City of Saginaw
Agency Funds
Schedule of Changes in Due to Student and Other Groups
Year Ended June 30, 2016

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
Student Groups				
Senior High Schools				
Arthur Hill	\$ 67,942	\$ 46,856	\$ 48,367	\$ 66,431
Saginaw	16,032	37,284	27,301	26,015
Middle Schools				
Thompson	4,061	5,427	3,983	5,505
Elementary Schools				
Arthur Eddy	3,651	991	1,906	2,736
Chester Miller	8,792	12,999	11,917	9,874
Handley	50,917	40,173	41,586	49,504
Heney Doerr	-	204	-	204
Herig	2,789	10,090	12,088	791
Jessie Loomis	8,791	5,835	10,068	4,558
Jessie Rouse	2,510	2,241	2,880	1,871
Kempton	2,651	9,988	11,032	1,607
Merrill Park	12,470	7,031	10,108	9,393
Stone	1,519	12,138	11,304	2,353
Zilwaukee	7,528	7,284	6,397	8,415
Subtotal carried forward	189,653	198,541	198,937	189,257

(Continued)

School District of the City of Saginaw
Agency Funds
Schedule of Changes in Due to Student and Other Groups
Year Ended June 30, 2016

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
Subtotal brought forward	\$ 189,653	\$ 198,541	\$ 198,937	\$ 189,257
Adult and Other Schools				
Alternative High School	9,927	-	32	9,895
Saginaw Career Complex	37,566	53,510	61,012	30,064
Saginaw Arts and Sciences Academy	58,039	136,772	123,455	71,356
Total due to student groups	<u>295,185</u>	<u>388,823</u>	<u>383,436</u>	<u>300,572</u>
Other Groups				
21st century	8,737	-	28	8,709
Bus garage	7,740	1,065	302	8,503
SCRIPTS	-	1,255	369	886
FEMA	18,800	-	60	18,740
Parent resource	306	-	1	305
Project SOAR	5	-	-	5
Saginaw AAU sports	77	-	-	77
Social work	448	-	2	446
Special education	1	-	-	1
Special events	881	228	390	719
Special needs - district-wide	44,305	73,112	67,812	49,605
Staff development center	17,435	6,398	4,061	19,772
Total due to other groups	<u>98,735</u>	<u>82,058</u>	<u>73,025</u>	<u>107,768</u>
Total due to student and other groups	<u>\$ 393,920</u>	<u>\$ 470,881</u>	<u>\$ 456,461</u>	<u>\$ 408,340</u>