

**Whitmore Lake Public Schools  
Whitmore Lake, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2006**

Whitmore Lake Public Schools

Whitmore Lake, Michigan

BOARD OF EDUCATION

June 30, 2006

|                    |                  |
|--------------------|------------------|
| James Vibbart      | President        |
| John Mayleben      | Vice-President   |
| Susan Booth        | Secretary        |
| Lynn Slagle        | Treasurer        |
| Anne Iaquinto      | Trustee          |
| Jane Usitalo       | Trustee          |
| Glen Ewald         | Trustee          |
| *****              |                  |
| Scott Menzel       | Superintendent   |
| Carmen Jaroslowski | Business Manager |

Whitmore Lake Public Schools

TABLE OF CONTENTS

June 30, 2006

|  | <u>PAGE</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT   | i-ii        |
| MANAGEMENT'S DISCUSSION AND ANALYSIS   | iii-xi      |
| BASIC FINANCIAL STATEMENTS   |             |
| District-wide Financial Statements:  |             |
| Statement of Net Assets  | 1           |
| Statement of Activities  | 2           |
| Fund Financial Statements:   |             |
| Governmental Funds Balance Sheet   | 3           |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  | 4           |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds   | 5           |
| Reconciliation of the Change in Fund Balances of Governmental Funds to the Statement of Activities   | 6           |
| Fiduciary Fund:  |             |
| Statement of Fiduciary Net Assets  | 7           |
| Notes to Basic Financial Statements  | 8-23        |
| REQUIRED SUPPLEMENTARY INFORMATION   |             |
| Budgetary Comparison Schedule - General Fund   | 24          |
| OTHER SUPPLEMENTARY INFORMATION  |             |
| Schedule of Revenues and Other Financing Sources - Budget and Actual - General Fund  | 25          |
| Schedule of Expenditures and Other Financing Uses - Budget and Actual - General Fund   | 26-27       |
| Combining Balance Sheet - Nonmajor Governmental Funds  | 28-29       |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds  | 30-31       |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - Community Education Fund  | 32          |
| Schedule of Bonded Debt Outstanding  | 33-35       |
| REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS | 36-37       |

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

745 Barclay Circle, Suite 335,  
PO Box 70067  
Rochester Hills, MI 48307  
(248) 844-2550  
FAX: (248) 844-2551

INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Whitmore Lake Public Schools  
Whitmore Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Whitmore Lake Public Schools as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Whitmore Lake Public Schools' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Whitmore Lake Public Schools as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2006 on our consideration of Whitmore Lake Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control and financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Whitmore Lake Public Schools' basic financial statements. The accompanying 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

August 22, 2006

This section of Whitmore Lake Public Schools' annual report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2006. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Whitmore Lake Public Schools, a K-12 school district located in Washtenaw County, Michigan, is in its fourth year of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Whitmore Lake Public Schools' Management's discussion and analysis of the financial results for the fiscal year ended June 30, 2006.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Whitmore Lake Public Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and longer-term view of the finances. The *Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund and Capital Projects Fund individually, and the Special Revenue Funds and Debt Service Funds collectively as other non-major governmental funds. The remaining statement, the Statement of Fiduciary Net Assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

### **District-wide Financial Statements**

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the basic financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the Statement of Net Assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the Statement of Activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, child care, recreation and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The District-wide financial statements are full accrual basis statements. They report all the District's assets and liabilities, both short and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Service Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets of the District-wide financial statements.



**Analysis of Financial Position:**

The \$1,407,379 in unrestricted net assets of governmental activities represents district funds that have not been committed contractually or for debt obligations and are available for future use. As detailed above, the District shows a negative total net asset value of \$380,162 for the fiscal year ended June 30, 2006. This statement can be explained by the following factors:

- Major construction projects became necessary to expand facilities to meet the needs of students. Construction of new facilities and major modifications to other facilities began in 2003 and continued through the 2005-2006 year. Some of the capital expenses do not meet the capitalization threshold which results in a reduction in total net assets.
- Significant debt, (\$47.75 million) was incurred by the district in 2003 to pay for the facility projects.

**Results of Operations:**

For the fiscal years ended June 30, 2006 and 2005, the District-wide results of operations were:

Condensed Statement of Activities  
Years Ended June 30, 2006 and 2005

|                                    | Governmental<br>Activities<br>2006 | Governmental<br>Activities<br>2005 |
|------------------------------------|------------------------------------|------------------------------------|
| <b>Revenues:</b>                   |                                    |                                    |
| Program Revenues                   |                                    |                                    |
| Charges for Service                | \$ 502,926                         | \$ 435,846                         |
| Operating Grants                   | 1,475,926                          | 1,525,759                          |
| General Revenues                   |                                    |                                    |
| Property Taxes                     | 4,812,642                          | 4,584,785                          |
| State School Aid-unrestricted      | 6,809,964                          | 6,506,297                          |
| Other                              | <u>1,617,584</u>                   | <u>1,724,567</u>                   |
| <b>Total Revenues</b>              | <b>15,219,042</b>                  | <b>14,777,254</b>                  |
| <b>Functions/Program Expenses:</b> |                                    |                                    |
| Instruction                        | 6,931,509                          | 6,659,971                          |
| Supporting services                | 4,635,743                          | 4,248,887                          |
| Community services                 | 318,947                            | 312,511                            |
| Food service                       | 450,438                            | 463,826                            |
| Athletics                          | 192,027                            | 198,686                            |
| Interest on long-term debt         | 2,515,255                          | 2,804,566                          |
| Unallocated depreciation           | 333,791                            | 332,928                            |
| Other                              | <u>50,229</u>                      | <u>79,018</u>                      |
| <b>Total Expenses</b>              | <b><u>15,427,939</u></b>           | <b><u>15,100,393</u></b>           |
| <b>(Decrease) in Net Assets</b>    | <b><u>\$ ( 208,897 )</u></b>       | <b><u>\$ ( 323,139 )</u></b>       |

**Analysis of Results of Operations:**

During fiscal year ended June 30, 2006, the District's net assets decreased by \$208,897. Several factors which helped cause the decrease are discussed in the following sections.

**A. Governmental Fund Operating Results**

The District's expenditures and other financing uses from governmental fund operations exceeded revenues and other financing sources by \$18,306,357 for the fiscal year ended June 30, 2006. Further discussion of the district's operating results is available in the section entitled "Results of 2005-2006 Operations" located on the following page.

**B. Capital Outlay in Excess of Depreciation Expense**

The cost of capital assets is allocated over the useful lives of the assets as depreciation expense. During 2005-2006, the District's investment in new or replacement assets exceeded the current year depreciation, causing an increase in net district assets. The District's overall net assets were increased by \$18,408,533, calculated as the difference between new capital investments \$18,791,112 and depreciation allocated against the useful lives of district assets (\$382,579).

**C. Long-Term Debt Activities**

The District increased its long-term debt obligations during 2005-2006 by making principal payments amounting to \$1,622,007; issuing new debt in principal amount of \$8,795,000 to advance refund the amount of \$8,125,000; borrowing \$1,987,994 from the Michigan School Bond Loan Fund (principal and interest); increase in deferred charges and amortization of deferred charges decreased liability by \$657,478; reduction in accrued interest cost of \$43,799 on outstanding debt was incurred by the District during the fiscal year; increase in bond discount and amortization of premium/discount/ costs reduced liability by \$118,053. Also, compensated absences decreased by \$49,585, and the early retirement incentive liability increased by \$144,000. As a result of these activities, net district long-term debt liabilities increased by \$311,072.

**Results of 2005-2006 Operations**

During fiscal year ended June 30, 2006, the District net assets decreased by \$208,897. A few additional significant factors affecting net assets during the year are discussed below:

**A. General Fund Operations**

The General Fund is the main fund for the District and includes all the costs related to educating the students of the Whitmore Lake Public Schools such as: Salaries and benefits for Teachers, Classroom Aides, Administrators, Secretaries, Custodians, Maintenance staff, Noon Aides, Librarians, Counselors, Bus Drivers and other miscellaneous positions; teaching supplies, employee training, utilities, building maintenance supplies and other.

The District's General Fund expenditures exceeded revenues by \$140,598 for the fiscal year ended June 30, 2006. The General Fund as of June 30, 2006, has a fund balance of \$1,417,910 or 12% of expenditures for the 2005-2006 fiscal year. The School District made budget reductions in certain areas for the 2005-2006 fiscal year and most likely will have to continue these reductions for 2006-07 unless funding from the State of Michigan improves.

**B. Debt Service Fund Operations**

The Debt Service Funds consist of six (6) separate debt funds as follows: 1996 Debt, 2002 Debt, 2003 Debt, 2004 Debt, 2005 Debt and Durant Debt. The Debt Service Funds are set up to collect taxes (or State Aid payments for Durant Debt) and pay annual debt payments. At June 30, 2006, the Debt Service Funds had \$594,831 in fund equity available for future bond payments.

The School District levies taxes to make debt payment obligations. If taxes levied are not sufficient the School District will borrow funds from the Michigan School Bond Loan Fund. Any funds borrowed from the Michigan School Bond Loan Fund will be paid back toward the end of the bond obligations. During this year the District borrowed \$1,987,994 (principal and accrued interest) from the Michigan School Bond Loan Fund. The District also issued \$8,795,000 in Refunding Bonds during this past year to advance refund \$8,125,000 of the 2003 bonds. The District also had compensated absences and early retirement incentives outstanding at June 30, 2006 which totaled \$143,718 and \$228,000, respectively.

The District made principal payments on bonded, long-term debt obligations that reduced the amount of the District's long-term liabilities as follows:

|                                     | Principal<br>Balance<br><u>June 30, 2005</u> | Principal<br>Payments | Principal<br>Balance<br><u>June 30, 2006</u> |
|-------------------------------------|--|-----------------------|--|
| 1996 Bonds                          | \$ 200,000                                   | \$ 200,000            | \$ -   |
| Durant Bonds                        | 158,481                                      | 12,007                | 146,474                                      |
| 2002 Bonds                          | 3,990,000                                    | 500,000               | 3,490,000                                    |
| 2003 Bonds                          | 46,975,000                                   | 9,000,000             | 37,975,000                                   |
| 2004 Bonds                          | 4,920,000                                    | 35,000                | 4,885,000                                    |
| 2005 Bonds                          | <u>-</u>                                     | <u>-</u>              | <u>8,795,000</u>                             |
| Total long-term<br>bond obligations | <u>\$ 56,243,481</u>                         | <u>\$ 9,747,007</u>   | <u>\$ 55,291,474</u>                         |

**C. School Service Funds**

The Whitmore Lake Public Schools also has school service funds that include the following: Food Service Fund, Athletic Fund, and the Community Recreation Fund.

The Food Service Fund is a fund that reports the food service program. In 2005-2006 the Food Service Fund had revenues of \$478,651 and expenditures of \$450,438. The Food Service Fund is self-supporting and reimburses the General Fund for all identified overhead costs associated with its operation. The Food Service Fund had a fund balance of \$42,182.

The Athletics Fund includes all costs for High School athletic programs including the cost for coaches, officials, supplies, tournaments, transportation and other. In 2005-2006 the Athletics Fund had revenues and expenditures of \$192,027. The Athletics Fund must be a balanced budget and the District contributed \$147,548 from the General Fund to balance the fund. The Athletics Fund generated \$44,479 in revenue from gate receipts, passes, fees, donations, and other items. The Athletics Fund had no fund balance.

The Community Recreation Fund includes enrichment programs and also community recreation activities funded by a special tax millage. In 2005-2006 the Community Recreation Fund had revenues of \$321,420 and expenditures of \$318,947. The Community Recreation Fund is self-supporting as a whole; however the enrichment programs component is currently not self-supporting and is supported by the community recreation component excess revenues. The Community Recreation Fund has a fund balance of \$132,239.

**D. Net Investment in Capital Assets**

The District's net investment in capital assets increased by \$18,408,533 during the fiscal year. This can be summarized as follows:

|                                  | <u>Balance<br/>June 30, 2005</u> | <u>Additions</u>     | <u>Balance<br/>June 30, 2006</u> |
|----------------------------------|----------------------------------|----------------------|----------------------------------|
| Capital assets                   | \$ 35,597,985                    | \$ 18,791,112        | \$ 54,389,097                    |
| Less: accumulated depreciation   | <u>( 5,675,273 )</u>             | <u>( 382,579 )</u>   | <u>( 6,057,852 )</u>             |
| Net investment in capital outlay | <u>\$ 29,922,712</u>             | <u>\$ 18,408,533</u> | <u>\$ 48,331,245</u>             |

In 1996, Whitmore Lake Public Schools voters approved a \$7,500,000 general obligation bond issue. In 2003, another general obligation bond issue totaling \$47,750,000 was approved. The proceeds from these bond issues were and/or are being used for constructing new facilities and additions and partial remodeling of existing school facilities, and equipping and re-equipping facilities. The 1996 capital project is completed, and the 2003 capital project is in process. Prior to 1996, the District's most recent bond issue had been in 1992.

**IMPORTANT ECONOMIC FACTORS**

**1. State of Michigan Unrestricted Aid (Net State Foundation Grant)**

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead property valuation

**Per Student, Foundation Allowance:**

Annually, the State of Michigan establishes the per student foundation allowance. The Whitmore Lake Public Schools foundation allowance was \$6,875 per student for the 2005-2006 school year.

**Student Enrollment:**

The District's student enrollment for the fall count of 2005-2006 was 1,306 students. The District's enrollment increased from the prior school year's student count. The following summarizes fall student enrollments in the past five years:

|           | <u>Student FTE</u> | <u>FTE Change<br/>from Prior Year</u> |
|-----------|--------------------|---------------------------------------|
| 2005-2006 | 1,306              | 13                                    |
| 2004-2005 | 1,293              | 27                                    |
| 2003-2005 | 1,266              | 13                                    |
| 2002-2003 | 1,253              | 3                                     |
| 2001-2002 | 1,250              | (11)                                  |

Subsequent to year end June 30, 2006, preliminary student enrollments for 2006-2007 indicate that enrollments may decrease by about 16 students from 2005-2006.

**2. Property Taxes levied for General Operations (General Fund Non-Homestead Taxes)**

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year’s CPI increase or five (5) percent, whichever is less. At the time of sale, a property’s taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value. The District’s non-homestead property tax revenue for 2005-2006 fiscal year was \$2,122,075. The non-homestead tax levy increased by 1.04% over the prior year.

**3. Debt Fund Property Taxes**

The District’s debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2005-2006 the District’s debt millage levy was 7.25 mills that generated revenue of \$2,483,045.

**4. Community Recreation Fund Property Taxes**

The voters of Whitmore Lake Public Schools approved a recreation millage to fund the operations of the new pool facility and also other community recreation activities. The District’s recreation levy, which is used to pay the operating costs related to community recreation activities, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2005-2006 the District recreation millage levy was .6099 mills that generated revenue of \$207,522.

**GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES**

Listed below is an analysis of the original budget and final budget to the final actual.

**General Fund Expenditures and Other Uses Budget vs. Actual**

| <u>Fiscal Year</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variances</u>                    |                                  |
|--------------------|------------------------|---------------------|---------------|-------------------------------------|----------------------------------|
|                    |                        |                     |               | <u>Actual &amp; Original Budget</u> | <u>Actual &amp; Final Budget</u> |
| 2005-2006          | 11,334,658             | 11,392,739          | 11,395,435    | .51%                                | .01%                             |

**General Fund Revenues and Other Sources, Budget vs. Actual**

| <u>Fiscal Year</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variances</u>                    |                                  |
|--------------------|------------------------|---------------------|---------------|-------------------------------------|----------------------------------|
|                    |                        |                     |               | <u>Actual &amp; Original Budget</u> | <u>Actual &amp; Final Budget</u> |
| 2005-2006          | 10,966,998             | 11,354,347          | 11,254,837    | 3.53%                               | (.88%)                           |

**Original vs. Final Budget:**

The Uniform Budget Act of the State of Michigan requires that the Board of Education approve the original budget for the upcoming year prior to July 1, the start of the fiscal year.

As a matter of practice, Whitmore Lake Public Schools amends its budget periodically during the school year. The June 2006 budget amendment was the final budget for the fiscal year.

**Revenue Change from Original to Final Budget:**

|                                |                   | <u>Percent</u> |
|--------------------------------|-------------------|----------------|
| Total Revenues Original Budget | \$ 10,966,998     | 100.00         |
| Total Revenues Final Budget    | <u>11,354,347</u> | <u>103.53</u>  |
| Increase in Budget Revenues    | <u>\$ 387,349</u> | <u>3.53</u>    |

The District's final actual General Fund revenues differed from the final budget by \$99,510, a negative variance of 0.88% from the final budget.

The final revenue budget reflects the following changes from the Original Budget.

- Restricted state sources was decreased by approximately \$79,000.
- Decrease of approximately \$42,000 in Special Education funding from Washtenaw Intermediate School District, due to changes in staffing after budget projections.

**General Fund Expenditures:**

The District's budget for expenditures changed as follows during the year:

|                                    |                   | <u>Percent</u> |
|------------------------------------|-------------------|----------------|
| Total Expenditures Original Budget | \$ 11,334,658     | 100.00         |
| Total Expenditures Final Budget    | <u>11,392,739</u> | <u>100.51</u>  |
| Increase in Budget Expenditures    | <u>\$ 58,081</u>  | <u>.51</u>     |

The District's actual expenditures were more than final budget by \$2,696; a negative variance of .51% from the final budget.

Some of the significant changes in expenditure budgets for the year include:

- Early Retirement Incentive accepted by eight teachers, resultant correction of long term liabilities associated with ERI for the 2005-2006 year, \$123,777.

**Additional Economic Factors and Next Year's Budgets and Rates**

Our elected officials and administration considered many factors when setting the School District's 2007 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2007 fiscal year is 25 percent and 75 percent of the February 2006 and September 2006 student counts, respectively. The 2006 fiscal year budget was adopted in June 2006, based on an estimate of students that will be enrolled in September 2006. Approximately 80 percent to 85 percent of total General Fund revenues are from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2006-2007 school year, we anticipate that the fall student count will be relatively flat with the estimates used in creating the 2007 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State Funding and the status of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts.

In fiscal year 2006, the health and pension charge to employers in the District's retirement plan had been 16.34 percent of payroll, which was comprised of 6.55 percent for health and 9.79 percent for pension. The contribution rate for fiscal year 2007 is set at 17.74 percent of payroll, which is comprised of 6.55 percent for health and 11.19 percent for pension. In both years the rate charged reflects the use of reserves in the retirement plan to hold the rate below the calculated level.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, it can be obtained by contacting the following person:

Carmen M. Jaroslowski  
Business Manager  
Whitmore Lake Public Schools  
8845 Main Street  
Whitmore Lake, MI 48189  
Phone: (734) 449-4464, Fax: (734) 449-5336  
Or E-Mail: [Carmen.jaroslowski@wps.net](mailto:Carmen.jaroslowski@wps.net)

## **BASIC FINANCIAL STATEMENTS**

## Whitmore Lake Public Schools

## STATEMENT OF NET ASSETS

June 30, 2006

|   | Governmental<br>Activities |
|---|----------------------------|
| <b>ASSETS</b>   |                            |
| Current assets  |                            |
| Cash and cash equivalents   | \$ 1,687,233               |
| Accounts receivable   | 3,464                      |
| Accrued interest receivable                                       | 91,197                     |
| Due from other governmental units                                 | 1,763,433                  |
| Inventories and prepaids  | 9,344                      |
|   | <hr/>                      |
| Total current assets  | 3,554,671                  |
| Noncurrent assets   |                            |
| Investments   | 9,646,314                  |
| Deferred charges  | 928,476                    |
| Capital assets, net of<br>accumulated depreciation                | 48,331,245                 |
|   | <hr/>                      |
| Total noncurrent assets   | 58,906,035                 |
|   | <hr/>                      |
| TOTAL ASSETS  | 62,460,706                 |
| <b>LIABILITIES</b>  |                            |
| Current liabilities   |                            |
| Accounts payable  | 1,124,772                  |
| Salaries payable  | 663,102                    |
| Note payable  | 160,026                    |
| Accrued interest payable  | 408,065                    |
| Other accrued expenditures  | 444,754                    |
| Bonds and other obligations, due within one year                  | 1,692,576                  |
| Deferred revenue  | 27,521                     |
|   | <hr/>                      |
| Total current liabilities   | 4,520,816                  |
| Noncurrent liabilities  |                            |
| Bonds payable, due in more than one year, net of premium/discount | 57,948,334                 |
| Early retirement incentive, due in more than one year             | 228,000                    |
| Compensated absences, due in more than one year                   | 143,718                    |
|   | <hr/>                      |
| Total noncurrent liabilities                                      | 58,320,052                 |
|   | <hr/>                      |
| TOTAL LIABILITIES   | 62,840,868                 |
| <b>NET ASSETS</b>   |                            |
| Invested in capital assets, net of related debt                   | (1,787,541)                |
| Unrestricted  | 1,407,379                  |
|   | <hr/>                      |
| TOTAL NET ASSETS  | <u>\$ (380,162)</u>        |

See accompanying notes to financial statements.

Whitmore Lake Public Schools

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006

| Functions/Programs                          | Expenses             | Program Revenues     |                     | Net (Expense)                      |
|---|----------------------|----------------------|---------------------|------------------------------------|
|   |                      | Charges for Services | Operating Grants    | Revenues and Changes in Net Assets |
|   |                      |                      |                     | Governmental Activities            |
| Governmental activities                     |                      |                      |                     |                                    |
| Instruction                                 | \$ 6,931,509         | \$ 51,520            | \$ 1,295,477        | \$ (5,584,512)                     |
| Supporting services                         | 4,635,743            | -                    | -                   | (4,635,743)                        |
| Food Service                                | 450,438              | 298,202              | 180,449             | 28,213                             |
| Athletics                                   | 192,027              | 44,479               | -                   | (147,548)                          |
| Community services                          | 318,947              | 108,725              | -                   | (210,222)                          |
| Other                                       | 50,229               | -                    | -                   | (50,229)                           |
| Interest on long-term debt                  | 2,515,255            | -                    | -                   | (2,515,255)                        |
| Unallocated depreciation                    | 333,791              | -                    | -                   | (333,791)                          |
| <b>TOTAL GOVERNMENTAL ACTIVITIES</b>        | <b>\$ 15,427,939</b> | <b>\$ 502,926</b>    | <b>\$ 1,475,926</b> | <b>(13,449,087)</b>                |
| General revenues                            |                      |                      |                     |                                    |
| Property taxes, levied for general purposes |                      |                      |                     | 2,122,075                          |
| Property taxes, levied for debt services    |                      |                      |                     | 2,483,045                          |
| Property taxes, levied for special purposes |                      |                      |                     | 207,522                            |
| State school aid - unrestricted             |                      |                      |                     | 6,809,964                          |
| Special Education county allocation         |                      |                      |                     | 831,815                            |
| Interest and investment earnings            |                      |                      |                     | 666,616                            |
| Other                                       |                      |                      |                     | 119,153                            |
| <b>TOTAL GENERAL REVENUES</b>               |                      |                      |                     | <b>13,240,190</b>                  |
| <b>CHANGE IN NET ASSETS</b>                 |                      |                      |                     | <b>(208,897)</b>                   |
| Net assets, beginning of year               |                      |                      |                     | (171,265)                          |
| Net assets, end of year                     |                      |                      |                     | <b>\$ (380,162)</b>                |

See accompanying notes to financial statements.

## Whitmore Lake Public Schools

## GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2006

|   | General             | Capital<br>Projects | Other<br>Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|---------------------|--|--------------------------------|
| <b>ASSETS</b>                                 |                     |                     |  |                                |
| Cash and cash equivalents                     | \$ 979,066          | \$ 37,039           | \$ 671,128                                 | \$ 1,687,233                   |
| Investments                                   | 67,863              | 9,578,451           | -  | 9,646,314                      |
| Accounts receivable                           | 3,464               | -                   | -  | 3,464                          |
| Accrued interest receivable                   | -                   | 91,197              | -  | 91,197                         |
| Due from other governmental units             | 1,611,328           | -                   | 152,105                                    | 1,763,433                      |
| Due from other funds                          | 49,790              | -                   | 26,370                                     | 76,160                         |
| Prepaid expenditures                          | 1,785               | -                   | -  | 1,785                          |
| Inventories                                   | -                   | -                   | 7,559                                      | 7,559                          |
| <b>TOTAL ASSETS</b>                           | <b>\$ 2,713,296</b> | <b>\$ 9,706,687</b> | <b>\$ 857,162</b>                          | <b>\$ 13,277,145</b>           |
| <b>LIABILITIES AND FUND BALANCE</b>           |                     |                     |  |                                |
| <b>LIABILITIES</b>                            |                     |                     |  |                                |
| Accounts payable                              | \$ 12,095           | \$ 1,112,677        | \$ -                                       | \$ 1,124,772                   |
| Due to other funds                            | -                   | 362                 | 75,798                                     | 76,160                         |
| Notes payable                                 | 160,026             | -                   | -  | 160,026                        |
| Salaries payable                              | 659,014             | -                   | 4,088                                      | 663,102                        |
| Other accrued expenditures                    | 444,754             | -                   | -  | 444,754                        |
| Deferred revenue                              | 19,497              | -                   | 8,024                                      | 27,521                         |
| <b>TOTAL LIABILITIES</b>                      | <b>1,295,386</b>    | <b>1,113,039</b>    | <b>87,910</b>                              | <b>2,496,335</b>               |
| <b>FUND BALANCE</b>                           |                     |                     |  |                                |
| Reserved for                                  |                     |                     |  |                                |
| Debt service                                  | -                   | -                   | 594,831                                    | 594,831                        |
| Inventory and prepaids                        | 1,785               | -                   | 7,559                                      | 9,344                          |
| Compensated absences                          | 67,863              | -                   | -  | 67,863                         |
| Unreserved                                    |                     |                     |  |                                |
| Designated for special purposes               | 540,208             | -                   | -  | 540,208                        |
| Undesignated, reported in                     |                     |                     |  |                                |
| General fund                                  | 808,054             | -                   | -  | 808,054                        |
| Special revenue funds                         | -                   | -                   | 166,862                                    | 166,862                        |
| Capital projects fund                         | -                   | 8,593,648           | -  | 8,593,648                      |
| <b>TOTAL FUND BALANCE</b>                     | <b>1,417,910</b>    | <b>8,593,648</b>    | <b>769,252</b>                             | <b>10,780,810</b>              |
| <b>TOTAL LIABILITIES<br/>AND FUND BALANCE</b> | <b>\$ 2,713,296</b> | <b>\$ 9,706,687</b> | <b>\$ 857,162</b>                          | <b>\$ 13,277,145</b>           |

See accompanying notes to financial statements.

Whitmore Lake Public Schools

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET WITH  
THE STATEMENT OF NET ASSETS

June 30, 2006

**Total fund balance - governmental funds** \$ 10,780,810

Amounts reported for the governmental activities in the statement of net assets are different because:

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

|                               |                    |            |
|-------------------------------|--------------------|------------|
| The cost of capital assets is | \$ 54,389,097      |            |
| Accumulated depreciation is   | <u>(6,057,852)</u> | 48,331,245 |

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.

Long-term liabilities at year-end consist of:

|                          |                  |              |
|--------------------------|------------------|--------------|
| Bonds payable            | (58,751,212)     |              |
| Compensated absences     | (143,718)        |              |
| Early retirement         | (228,000)        |              |
| Accrued interest payable | <u>(408,065)</u> | (59,530,995) |

Unamortized premium (net of discount) received on sale of bonds, bond issuance costs, and payment to escrow agent representing future interest on defeased bonds are not fully amortized in the current period and therefore are not reported as an unamortized liability in the governmental funds.

|   |                  |        |
|---|------------------|--------|
| Unamortized payment to escrow agent for future interest | 621,670          |        |
| Unamortized bond issuance costs                         | 306,806          |        |
| Unamortized bond premium/discount                       | <u>(889,698)</u> | 38,778 |

**Net assets of governmental activities** \$ (380,162)

## Whitmore Lake Public Schools

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS

Year Ended June 30, 2006

|  | General             | Capital<br>Projects | Other<br>Nonmajor<br>Governmental<br>Funds | Totals<br>Governmental<br>Funds |
|--|---------------------|---------------------|--|---------------------------------|
| <b>REVENUES</b>  |                     |                     |  |                                 |
| Local sources  | \$ 2,287,844        | \$ 619,090          | \$ 3,147,147                               | \$ 6,054,081                    |
| State sources  | 7,515,273           | -                   | 29,621                                     | 7,544,894                       |
| Federal sources  | 531,338             | -                   | 168,248                                    | 699,586                         |
| <b>OTHER FINANCING SOURCES</b>   |                     |                     |  |                                 |
| County special education taxes   | 831,815             | -                   | -  | 831,815                         |
| Payments from other governments  | 86,009              | -                   | -  | 86,009                          |
| Other transactions   | 2,558               | -                   | -  | 2,558                           |
| Proceeds from bonds  | -                   | -                   | 10,683,979                                 | 10,683,979                      |
| Operating transfers in   | -                   | -                   | 147,548                                    | 147,548                         |
| <b>TOTAL REVENUES AND<br/>OTHER FINANCING SOURCES</b>  | <b>11,254,837</b>   | <b>619,090</b>      | <b>14,176,543</b>                          | <b>26,050,470</b>               |
| <b>EXPENDITURES</b>  |                     |                     |  |                                 |
| Current  |                     |                     |  |                                 |
| Instruction  | 6,656,287           | -                   | -  | 6,656,287                       |
| Supporting services  | 4,480,679           | -                   | -  | 4,480,679                       |
| Athletics  | -                   | -                   | 192,027                                    | 192,027                         |
| Food service   | -                   | -                   | 450,438                                    | 450,438                         |
| Community service  | -                   | -                   | 318,947                                    | 318,947                         |
| Capital outlay   | -                   | 18,967,274          | -  | 18,967,274                      |
| Debt service   | -                   | -                   | 4,095,978                                  | 4,095,978                       |
| Other  | -                   | 16,728              | 87,776                                     | 104,504                         |
| <b>OTHER FINANCING USES</b>  |                     |                     |  |                                 |
| Operating transfers out  | 147,548             | -                   | -  | 147,548                         |
| Discount/premium on bond issuance  | -                   | -                   | 85,554                                     | 85,554                          |
| Payment to refunding bond escrow agent   | -                   | -                   | 8,746,670                                  | 8,746,670                       |
| Other transactions   | 110,921             | -                   | -  | 110,921                         |
| <b>TOTAL EXPENDITURES AND<br/>OTHER FINANCING USES</b>   | <b>11,395,435</b>   | <b>18,984,002</b>   | <b>13,977,390</b>                          | <b>44,356,827</b>               |
| <b>EXCESS OF REVENUES AND<br/>OTHER FINANCING SOURCES<br/>OVER (UNDER) EXPENDITURES<br/>AND OTHER FINANCING USES</b> | <b>(140,598)</b>    | <b>(18,364,912)</b> | <b>199,153</b>                             | <b>(18,306,357)</b>             |
| Fund balances, beginning of year   | 1,558,508           | 26,958,560          | 570,099                                    | 29,087,167                      |
| Fund balances, end of year   | <u>\$ 1,417,910</u> | <u>\$ 8,593,648</u> | <u>\$ 769,252</u>                          | <u>\$ 10,780,810</u>            |

See accompanying notes to financial statements.

Whitmore Lake Public Schools

RECONCILIATION OF THE CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

June 30, 2006

**Net change in fund balances - total governmental funds** \$(18,306,357)

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

|  |                   |            |
|--|-------------------|------------|
| Depreciation expense                               | \$ (382,579)      |            |
| Capital outlay                                     | <u>18,791,112</u> |            |
| Excess of capital outlay over depreciation expense |                   | 18,408,533 |

Repayment and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayments reduce long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

|   |                     |           |
|---|---------------------|-----------|
| Bond principal retirement                         | 9,747,007           |           |
| Bond proceeds                                     | <u>(10,683,979)</u> |           |
| Excess of bond proceeds over principal retirement |                     | (936,972) |

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

|  |               |                |
|--|---------------|----------------|
| Increase in deferred charges                           | 667,888       |                |
| Increase in bond discount                              | 85,554        |                |
| Decrease in compensated absences                       | 49,585        |                |
| Increase in early retirement liability                 | (144,000)     |                |
| Amortization of bond issuance costs                    | (10,410)      |                |
| Amortization of bond premium/discount                  | 32,499        |                |
| Increase in interest accrued on school bond loan funds | (99,016)      |                |
| Decrease in accrued interest payable on long-term debt | <u>43,799</u> | <u>625,899</u> |

**Change in net assets of governmental activities** \$ (208,897)

See accompanying notes to financial statements.

Whitmore Lake Public Schools

Fiduciary Fund

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2006

|                       | <u>Agency<br/>Fund</u> |
|-----------------------|------------------------|
| ASSETS                |                        |
| Cash                  | <u>\$ 116,541</u>      |
| <br>                  |                        |
| LIABILITIES           |                        |
| Due to student groups | <u>\$ 116,541</u>      |

See accompanying notes to financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Whitmore Lake Public Schools (primary government). The District has no activities that would be classified as component units.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the district-wide statements) present information for the district as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the district-wide statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The district-wide and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations are provided that explain the differences in detail.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The governmental fund financial statements present the District's individual major fund and aggregated nonmajor funds. A separate column is shown for the major fund on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

2. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The major funds of the District are:

- a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District.
- b. Capital Projects Fund - The Capital Projects Fund is used to account for money or other resources provided to the District through a 2003 bond issuance for the purpose of developing, constructing, furnishing and equipping a new high school building and also making improvements to other school facilities.

Additionally, the government reports the following fund types:

- c. Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. Special Revenue Funds maintained by the District are the Athletic Fund, Food Services Fund and Community Recreation Fund.
- d. Debt Funds - Debt Funds are used to record tax, interest, and other revenue for payment of principal and other expenditures and the disbursements thereof on a particular bond issue. The District maintains the 1996, 2002, 2003, 2004 and 2005 Debt Funds and the Durant Debt Fund.
- e. Fiduciary Funds - Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the district-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school-related purposes. The funds are segregated and held in trust for the student and parents.

3. Basis of Accounting

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Basis of Accounting - continued

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

4. Budgets and Budgetary Accounting

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

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

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means for financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.
- d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level must be approved by the School Board.
- e. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
- f. The budget, as presented, has been amended in a legally permissible manner. Two (2) Supplementary appropriations were made during the year with the final amendments being approved June 27, 2006.

5. Cash and Cash Equivalents

Cash and cash equivalents consist of checking and savings accounts, pooled investment accounts, and short-term investments with an original maturity of 90 days or less. Cash equivalents are recorded at cost, which approximates market value.

Investments consist of U.S. government securities with an original maturity of greater than 90 days. Investments are recorded at market value.

6. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the governmental funds balance sheet.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

7. Inventories

Inventories are stated at cost on a first in/first out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. The Food Services Fund inventory consists of food and paper goods.

8. Due from Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs, State Aid payments and other purposes. The State of Michigan's funding stream of State Aid payments results in the final two (2) payments for the fiscal year ended June 30, 2006 to be paid in July and August 2006. Of the total amount of \$1,746,016 due from other governmental units, \$1,351,670 consists of State Aid and the remaining \$394,346 from other governmental grants and County delinquent tax payments.

9. Capital Assets

Capital assets include land, buildings and improvements, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost greater than \$5,000 and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

|                               |               |
|-------------------------------|---------------|
| Buildings and improvements    | 20 - 50 years |
| Buses and other vehicles      | 5 - 10 years  |
| Furniture and other equipment | 5 - 20 years  |

The District has no assets that would be classified as infrastructure assets.

10. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Accumulated vested severance amounts and nonvested severance amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a long-term liability in the district-wide financial statements.

11. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the district-wide statements related to interest payable on general obligation bonds.

12. Long-term Obligations

Long-term debt is recognized as a liability in the district-wide statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

12. Long-term Obligations - continued

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums and discounts on debt issuances are netted and are reported as either other financing sources or other financing uses. Issuance costs are reported as debt service expenditures.

13. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on the lien date of December 1 and are due by February 28 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls. School District property tax revenues are recognized when levied to the extent that they result in current revenue (collected as of year-end). Amounts received subsequent to June 30 are recognized as revenue when collected.

The District levies taxes of \$18 per \$1000 of taxable valuation on nonhomestead property for general governmental services, \$7.25 per \$1000 of taxable valuation on the total applicable taxable valuation of all property within the District for debt service, and \$.6099 per \$1000 of taxable valuation on the total applicable taxable valuation of all property within the District for recreation.

14. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state wide formula. Prior to the fiscal year ended June 30, 1995 the State utilized a district power equalizing approach. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on the average of pupil membership counts taken in February 2005 and September 2005. The average calculation was weighted 25% for the February 2005 count and 75% for the September 2005 count.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by nonhomestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine (9) payments made during the fiscal year and two (2) payments made subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

15. State Categorical Revenue

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

16. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Transfers of resources to other funds are recorded as operating transfers. Transfers are netted as part of the reconciliation to the district-wide financial statements.

17. Federal Programs

Federal programs are accounted for in the General Fund and specific Special Revenue Funds. The District has not integrated its Single Audit reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

18. Comparative Data

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

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
2. Certificates of deposit issued by a State or national bank, savings accounts of a State or Federal savings and loan association, or certificates of deposit or share certificates of a State or Federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
5. United States government or federal agency obligation repurchase agreements.
6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.
7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

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

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), and the National Credit Union Administration regulations provide that deposits of governmental units are to be separately insured for savings deposits and demand deposits up to \$100,000 each. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan School Code Section 1223 allows that security in the form of collateral, surety bond, or another form may be taken for the deposits or investments of a school district in a bank, savings and loan association, or credit union.

Deposits

There is custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, the carrying amount of the District's deposits was \$1,032,516 and the bank balance was \$1,118,357, of which \$172,700 was covered by federal depository insurance. The balance of \$945,659 was uninsured and uncollateralized. The District also had \$62 of imprest cash on hand.

Investments

As of June 30, 2006, the carrying amounts and market values for each type of investment as reported in the cash and cash equivalents captions on the governmental funds balance sheet are as follows:

| <u>Investment Type</u>   | <u>Carrying Amount/<br/>Market Value</u> | <u>Weighted Average<br/>Maturity</u> |
|--|--|--------------------------------------|
| Insured or registered for which the securities are held<br>by the District's agent in the District's name -<br>U.S. Government Agency Securities | \$ 4,726,396                             | 57 months                            |
| Uncategorized - Pooled investment funds  |  |                                      |
| Dreyfus – Cash Management Fund   | 4,852,055                                | < 12 months                          |
| National City - Cash Management Fund   | 135,000                                  | < 12 months                          |
| Comerica - School Cash Investment Fund   | 636,196                                  | < 12 months                          |
| Mid America – Employee Benefit Trust Fund  | <u>67,863</u>                            | < 12 months                          |
|  | <u>\$ 10,417,510</u>                     |                                      |

The U.S. Government Agency Securities are not insured but are backed by the full faith and credit of the Federal Government and/or its Agencies. The pooled investment funds are not categorized at a risk level because they are not evidenced by securities that exist in physical or book entry form.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2006, the District's investments in the uncategorized pooled investments were rated AAA by Standard and Poor's.

Interest rate risk

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

## Whitmore Lake Public Schools

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**Concentration of credit risk

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

Custodial credit risk

The District has adopted a policy that indicates how the District will minimize custodial risk, which is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments of collateral securities that are in possession of an outside party. The District's policy limits the types of investments and depositories to those complying with State statute, and also requires prequalification of financial institutions, brokers/dealers, intermediaries and advisors.

As of June 30, 2006, the cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements in the following categories:

|                           | <u>Governmental<br/>Activities</u> | <u>Fiduciary<br/>Funds</u> | <u>Total Primary<br/>Government</u> |
|---------------------------|------------------------------------|----------------------------|-------------------------------------|
| Cash and cash equivalents | \$ 1,687,233                       | \$ 116,541                 | \$ 1,803,774                        |
| Investments               | <u>9,646,314</u>                   | <u>-</u>                   | <u>9,646,314</u>                    |
|                           | <u>\$ 11,333,547</u>               | <u>\$ 116,541</u>          | <u>\$ 11,450,088</u>                |

**NOTE C: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006 was as follows:

|                                    | <u>Balance<br/>July 1, 2005</u> | <u>Additions</u>     | <u>Deletions</u> | <u>Balance<br/>June 30, 2006</u> |
|------------------------------------|---------------------------------|----------------------|------------------|----------------------------------|
| Governmental activities            |                                 |                      |                  |                                  |
| Land                               | \$ 1,218,065                    | \$ -                 | \$ -             | \$ 1,218,065                     |
| Buildings and improvements         | 11,629,140                      | 29,994               | -                | 11,659,134                       |
| Buses and other vehicles           | 979,745                         | 63,308               | -                | 1,043,053                        |
| Furniture and equipment            | 632,822                         | 95,448               | -                | 728,270                          |
| Construction in progress           | <u>21,138,213</u>               | <u>18,602,362</u>    | <u>-</u>         | <u>39,740,575</u>                |
| Totals at historical cost          | 35,597,985                      | 18,791,112           | -0-              | 54,389,097                       |
| Less accumulated depreciation for: |                                 |                      |                  |                                  |
| Buildings and improvements         | ( 4,769,679 )                   | ( 333,791 )          | -                | ( 5,103,470 )                    |
| Buses and other vehicles           | ( 619,661 )                     | ( 33,512 )           | -                | ( 653,173 )                      |
| Furniture and equipment            | <u>( 285,933 )</u>              | <u>( 15,276 )</u>    | <u>-</u>         | <u>( 301,209 )</u>               |
| Total accumulated depreciation     | <u>( 5,675,273 )</u>            | <u>( 382,579 )</u>   | <u>-0-</u>       | <u>( 6,057,852 )</u>             |
| Capital assets, net                | <u>\$ 29,922,712</u>            | <u>\$ 18,408,533</u> | <u>\$ -0-</u>    | <u>\$ 48,331,245</u>             |

Whitmore Lake Public Schools

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

**NOTE C: CAPITAL ASSETS - CONTINUED**

Depreciation expense was allocated to governmental functions (except for building depreciation). The following details the allocation of depreciation expense.

|                     |                   |
|---------------------|-------------------|
| Instruction         | \$ 15,276         |
| Supporting services | 33,512            |
| Unallocated         | <u>333,791</u>    |
|                     | <u>\$ 382,579</u> |

**NOTE D: SHORT-TERM NOTES**

On August 2, 2005, the District issued a short-term State School Aid Anticipation Note in the amount of \$1,200,000 for the purpose of funding operating expenditures until the 2006 State Aid payments resumed. This short-term note, which has a net outstanding balance of \$160,026 at June 30, 2006, is reported in the fund-level and district-wide financial statements under the caption short-term notes payable. The June 30, 2006 outstanding balance will be paid off on August 18, 2006.

**NOTE E: LONG-TERM DEBT**

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2006.

|  | <u>Balance</u><br><u>July 1, 2005</u> | <u>Additions</u>    | <u>Deletions</u>    | <u>Balance</u><br><u>June 30, 2006</u> | <u>Amounts</u><br><u>Due within</u><br><u>One Year</u> |
|--|---------------------------------------|---------------------|---------------------|--|--|
| 1996 Bonds   | \$ 200,000                            | \$ -                | \$ 200,000          | \$ -                                   | \$ -   |
| 2002 Bonds   | 3,990,000                             | -                   | 500,000             | 3,490,000                              | 470,000  |
| 2003 Bonds   | 46,975,000                            | -                   | 9,000,000           | 37,975,000                             | 975,000  |
| 2004 Bonds   | 4,920,000                             | -                   | 35,000              | 4,885,000                              | 235,000  |
| 2005 Bonds   | -                                     | 8,795,000           | -                   | 8,795,000                              | -  |
| Durant Non-Plaintiff Bonds                             | 158,481                               | -                   | 12,007              | 146,474                                | 12,576   |
| Michigan School Bond Loans –<br>Principal and Interest | 1,471,743                             | 1,987,994           | -                   | 3,459,738                              | -  |
| Early Retirement Incentive                             | 84,000                                | 288,000             | 144,000             | 228,000                                | -  |
| Compensated Absences                                   | <u>193,303</u>                        | <u>-</u>            | <u>49,585</u>       | <u>143,718</u>                         | <u>-</u>   |
|  | <u>\$57,992,527</u>                   | <u>\$11,070,994</u> | <u>\$ 9,940,592</u> | <u>\$59,122,930</u>                    | <u>\$ 1,692,576</u>                                    |

Significant details regarding outstanding long-term debt (including current portions) are presented below:

General Obligation

\$5,550,000 Refunding Bonds dated March 27, 2002, due in annual installments of \$415,000 to \$500,000 through May 1, 2014; interest at 3.5% to 4.50%, payable semi-annually. \$ 3,490,000

\$47,750,000 School Building and Site Bonds dated August 7, 2003, due in annual installments of \$875,000 to \$1,525,000 through May 1, 2033; interest at 2.0% to 5.25%, payable semi-annually. 37,975,000

Whitmore Lake Public Schools

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

**NOTE E: LONG-TERM DEBT - CONTINUED**

General Obligation - Continued

|  |                     |
|--|---------------------|
| \$4,955,000 Refunding Bonds dated December 14, 2004, due in annual installments of \$35,000 to \$270,000 through May 1, 2026; interest at 2.25% to 4.60%, payable semi-annually. | 4,885,000           |
| \$8,795,000 Refunding Bonds dated December 29, 2005, due in annual installments of \$0 to \$1,970,000 through May 1, 2024; interest at 4.0% to 4.10%, payable semi-annually.     | <u>8,795,000</u>    |
| Subtotal   | <u>\$55,145,000</u> |

Resolution Bonds

|  |                     |
|--|---------------------|
| \$248,067 1998 Durant Non-Plaintiff serial bonds, due in annual installments of \$12,576 to \$57,979 through May 15, 2013; interest at 4.762%. The annual debt service payments related to these bonds is paid through an annual appropriation from the State of Michigan. | <u>\$ 146,474</u>   |
| Total bonded debt  | <u>\$55,291,474</u> |

Michigan School Bond Loans

The District has borrowed on various occasions from the Michigan School Bond Loan Fund. Repayment is due when the District has funds available as determined by the State of Michigan. Interest accrues on the unpaid balance. During the year the interest ranged from 3.125 to 4.5 percent.

The District has borrowed \$1,888,979 in principal during this fiscal year. Cumulative balances at June 30, 2006, are as follows:

|                  |                     |
|------------------|---------------------|
| Loan balance     | \$ 3,342,156        |
| Interest balance | <u>117,582</u>      |
|                  | <u>\$ 3,459,738</u> |

Advance Refunding - Current

On December 29, 2005, the District defeased the portion of the 2003 Building and Site Bonds, which are due and payable May 1, 2021 through May 1, 2024. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government securities sufficient to meet the applicable principal and interest obligations. The funds maintained in the trust will be used to pay the bonds all outstanding bonds when they are callable on May 1, 2013. The District issued General Obligation 2005 Refunding Bonds in the amount of \$8,795,000 and also used \$125,000 from the debt service fund to fund escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. The economic gain resulting from this transaction, which is the present value of the annual savings in principal and interest payments, calculated to be \$383,650. At June 30, 2006, bonds due and payable May 1, 2021 through May 1, 2024 for the 1996 Building and Site Bonds in the amount of \$8,125,000 are considered defeased.

Whitmore Lake Public Schools

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

**NOTE E: LONG-TERM DEBT - CONTINUED**

Compensated Absences

In recognition of services to the District, payment for unused accumulated sick leave balances is made to eligible employees at termination of employment according to their respective employment contracts. Under GASB Statement No. 16 requirements, the District has elected to implement the "vesting" method of calculating the compensated absences liability. The amounts accumulated for all employees currently vested are calculated along with an amount for other employees who currently are not vested but are probable to vest in future years. The liability for compensated absences reported in the district-wide statements totaled \$143,718 as of June 30, 2006.

Early Retirement Incentive

As an incentive for certain eligible teaching staff to take early retirement, the District offered an early retirement incentive which consists of three (3) annual payments with the first payment due July 1 of the year following retirement. The liability for early retirement payments related to subsequent year's payments for teaching staff that have retired as of June 30, 2006 was \$228,000.

The annual requirements to pay the debt principal and interest outstanding for the long-term debt is as follows.

|                | <u>Durant<br/>Resolution<br/>Bonds</u> | <u>General<br/>Obligation<br/>Bonds</u> | <u>Totals</u>         |
|----------------|--|---|-----------------------|
| 2007           | \$ 17,417                              | \$ 4,124,806                            | \$ 4,142,223          |
| 2008           | 82,206                                 | 4,103,193                               | 4,185,399             |
| 2009           | 17,421                                 | 4,085,680                               | 4,103,101             |
| 2010           | 17,421                                 | 4,042,581                               | 4,060,002             |
| 2011           | 17,420                                 | 4,041,705                               | 4,059,125             |
| 2012-2016      | 34,838                                 | 19,181,012                              | 19,215,850            |
| 2017-2021      | -                                      | 17,595,303                              | 17,595,303            |
| 2022-2026      | -                                      | 16,831,193                              | 16,831,193            |
| 2027-2031      | -                                      | 14,270,060                              | 14,270,060            |
| 2032-2033      | <u>-</u>                               | <u>5,170,524</u>                        | <u>5,170,524</u>      |
|                | 186,723                                | 93,446,057                              | 93,632,780            |
| Less: interest | <u>( 40,249 )</u>                      | <u>( 38,301,057 )</u>                   | <u>( 38,341,306 )</u> |
|                | <u>\$ 146,474</u>                      | <u>\$ 55,145,000</u>                    | <u>\$ 55,291,474</u>  |

It is not possible to project a payment schedule for the Michigan School Bond Loans due to varying interest rates and timing of repayments. As a result, it is not included in the schedule above.

Whitmore Lake Public Schools

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

**NOTE F: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at June 30, 2006, are as follows:

|                       | <u>Due from<br/>other funds</u> | <u>Due to<br/>other funds</u> |
|-----------------------|---------------------------------|-------------------------------|
| General Fund          |                                 |                               |
| Community Recreation  | \$ 45,922                       | \$ -                          |
| Capital Projects      | 362                             | -                             |
| Debt Service Funds    |                                 |                               |
| 1996 Debt Fund        | 414                             | -                             |
| 2002 Debt Fund        | 1,013                           | -                             |
| 2003 Debt Fund        | 1,803                           | -                             |
| 2004 Debt Fund        | <u>276</u>                      | <u>-</u>                      |
|                       | 49,790                          | -0-                           |
| Special Revenue Funds |                                 |                               |
| Community Recreation  |                                 |                               |
| General Fund          | -                               | 45,922                        |
| Debt Service Funds    |                                 |                               |
| 1996 Debt Fund        |                                 |                               |
| 2003 Debt Fund        | -                               | 1,177                         |
| 2004 Debt Fund        | 7,504                           | -                             |
| General Fund          | -                               | 414                           |
| 2002 Debt Fund        |                                 |                               |
| 2003 Debt Fund        | -                               | 17,689                        |
| General Fund          | -                               | 1,013                         |
| 2003 Debt Fund        |                                 |                               |
| General Fund          | -                               | 1,803                         |
| 1996 Debt Fund        | 1,177                           | -                             |
| 2002 Debt Fund        | 17,689                          | -                             |
| 2004 Debt Fund        |                                 |                               |
| 1996 Debt Fund        | -                               | 7,504                         |
| General Fund          | <u>-</u>                        | <u>276</u>                    |
|                       | 26,370                          | 29,876                        |
| Capital Projects Fund |                                 |                               |
| General Fund          | <u>-</u>                        | <u>362</u>                    |
|                       | <u>\$ 76,160</u>                | <u>\$ 76,160</u>              |

**NOTE G: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to nonmajor governmental funds are as follows:

|                                   |            |
|-----------------------------------|------------|
| General fund                      |            |
| Transfer to Special Revenue Funds |            |
| Athletics Fund                    | \$ 147,548 |

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

**NOTE H: EMPLOYEE RETIREMENT SYSTEM**

All of the District's employees, except students, are eligible to participate in the State wide Michigan Public School Employees' Retirement System (MPSERS), a multiple-employer, cost-sharing, State wide public employee retirement system. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The report for the fiscal year-end September 30, 2005, the last year available, may be obtained by contacting the State of Michigan, Department of Management and Budget.

The payroll for employees covered by the MPSERS for the year ended June 30, 2006, was \$6,923,196; the District's total payroll was \$7,114,199.

Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. For a limited period ended January 1, 1993, an active Basic Plan member may have enrolled in MIP by repaying the contributions and interest that would have been made had MIP enrollment occurred initially prior to January 1, 1990. Employees first hired on or after January 1, 1990, will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of credited service, or at age sixty while still working with a minimum total of five (5) years of credited service, with credited service in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the member's final average compensation multiplied by the total number of years of credited service.

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten (10) years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working with at least fifteen (15) but fewer than thirty years of credited service in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five (5) years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPSERS also provides death and disability benefits and health and medical, dental, vision, and hearing insurance coverage. Benefits are established by State statute.

For the period of July 1, 2005 to September 30, 2005, the District was required by State statute to contribute 14.87% of covered compensation for all wages to the Plan. For the period October 1, 2005 to June 30, 2006, the District was required by State statute to contribute 16.34% of covered compensation for all wages to the Plan. The total amount contributed to the Plan for the year ended June 30, 2006, and the previous two (2) years is as follows:

| <u>June 30.</u> | <u>MIP</u><br><u>Contributions</u> | <u>District</u><br><u>Contributions</u> | <u>Total</u><br><u>Contributions</u> |
|-----------------|------------------------------------|---|--------------------------------------|
| 2006            | \$ 209,583                         | \$ 1,103,623                            | \$ 1,313,206                         |
| 2005            | 205,995                            | 989,598                                 | 1,195,593                            |
| 2004            | 197,191                            | 701,894                                 | 899,085                              |

Whitmore Lake Public Schools

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

**NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

The following represents contributions as a percentage of the applicable covered payroll for the current and preceding two (2) years:

| <u>June 30,</u> | <u>MIP<br/>Contributions</u> | <u>District<br/>Contributions</u> |
|-----------------|------------------------------|-----------------------------------|
| 2006            | 3.0-4.3 %                    | 15.94 %                           |
| 2005            | 3.0-4.3                      | 14.40                             |
| 2004            | 3.0-4.3                      | 13.00                             |

**NOTE I: FUND BALANCE RESERVES AND DESIGNATIONS**

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance that the District has set aside for specific purposes.

The following are the fund balance reserves as of June 30, 2006:

|                                   |                   |
|-----------------------------------|-------------------|
| General Fund                      |                   |
| Reserved for compensated absences | \$ 67,863         |
| Reserved for prepaid expenditures | <u>1,785</u>      |
|                                   | 69,648            |
| Special Revenue Fund              |                   |
| Food Service                      |                   |
| Reserved for inventories          | 7,559             |
| Debt Service Funds                |                   |
| Reserved for debt service         | <u>561,447</u>    |
|                                   | <u>\$ 638,654</u> |

The following are the fund balance designations as of June 30, 2006:

|                                 |                   |
|---------------------------------|-------------------|
| General Fund                    |                   |
| Designated for special purposes | <u>\$ 540,208</u> |

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

**NOTE J: RISK MANAGEMENT**

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for boiler, property, fleet, liability, in-land marine, crime, data processing, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. The District has no liability for additional assessments based on the claims filed against the pool nor do they have rights to dividends.

The District also participates in a pool, the SEG Self-Insured Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The District has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

**NOTE K: SPECIAL EDUCATION UNDERFUNDING SETTLEMENT**

Prior to the current year the Durant vs. State of Michigan case was settled and the State was required to reimburse each plaintiff and nonplaintiff District an agreed upon amount for past underfunding of special education. Whitmore Lake Public Schools, a nonplaintiff District, was awarded \$496,134 in the settlement. The funds are being paid as follows:

- a. One-half is being paid over ten (10) years, which began November 15, 1998. The restrictions on use of these funds are detailed within State School Aid Act, Section 11F(6). These funds are recorded within the General Fund as categorical State Aid. At the end of the current year all of these funds had been expended.
- b. One-half is being paid over the next fifteen (15) years, which began May 15, 1999. The District borrowed this portion of the settlement amount through the Michigan Municipal Bond Authority on November 15, 1998. These funds were recorded as bond proceeds in the Capital Projects Fund. The bond proceeds may be used for any purpose specified in Section 1351 (a) of the Revised School Code. The debt service payments for these bonds are to be made through an annual legislative appropriation. If the State of Michigan legislature fails to make the annual appropriation the District is under no obligation for the debt payments for that year. The District has pledged the annual State payments to the Michigan Municipal Bond Authority for payment of debt service.

**NOTE L: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

In the body of the required supplementary financial statements, the District's budgeted expenditures in the General Fund have been adopted and reported at the functional classification level.

During the year ended June 30, 2006, the District incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

|                            | <u>Amounts<br/>Appropriated</u> | <u>Amounts<br/>Expended</u> | <u>Variance</u> |
|----------------------------|---------------------------------|-----------------------------|-----------------|
| Basic programs             | \$ 5,520,718                    | \$ 5,551,409                | \$( 30,691 )    |
| Added needs                | 1,092,380                       | 1,104,878                   | ( 12,498 )      |
| Student services           | 1,063,068                       | 1,071,931                   | ( 8,863 )       |
| Instructional staff        | 386,774                         | 389,069                     | ( 2,295 )       |
| Operations and maintenance | 1,068,039                       | 1,070,681                   | ( 2,642 )       |

Whitmore Lake Public Schools

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

**NOTE M: BONDED CONSTRUCTION FUNDS**

The Capital Project Fund of the District includes the capital projects activities funded by the 2003 School Building and Site General Obligation Bonds. For this project recorded in the Capital Project Fund, the District has complied with the applicable provisions of Section 1351 (1) of the Revised School Code for current year expenditures.

**NOTE N: CONTRACT COMMITMENTS**

The District has entered into various contracts related to the construction and remodeling of various school building projects that were not completed at June 30, 2006. The total contractual commitment outstanding at June 30, 2006 was \$4,770,277. The District's remaining bond proceeds (i.e., fund balance) along with future anticipated investment earnings are expected to be sufficient to cover these commitments.

**NOTE O: SUBSEQUENT EVENTS**

After the year ended June 30, 2006, the following significant event occurred:

In August 2006, the District received funds from the Michigan Municipal Bond Authority short-term cash flow borrowing program. The loan totaled \$1,265,000 and future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

**REQUIRED SUPPLEMENTARY INFORMATION**

## Whitmore Lake Public Schools

## General Fund

## BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

|  | <u>Budgeted Amounts</u> |                     |                     | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------------|---------------------|---------------------|---|
|  | <u>Original</u>         | <u>Final</u>        | <u>Actual</u>       |   |
| <b>REVENUES</b>  |                         |                     |                     |   |
| Local sources  | \$ 2,136,377            | \$ 2,270,501        | \$ 2,287,844        | \$ 17,343   |
| State sources  | 7,398,046               | 7,603,717           | 7,515,273           | (88,444)  |
| Federal sources  | 512,904                 | 525,598             | 531,338             | 5,740   |
| <b>OTHER FINANCING SOURCES</b>   |                         |                     |                     |   |
| County special education taxes   | 836,574                 | 874,444             | 831,815             | (42,629)  |
| Payments from other governments  | 79,634                  | 77,529              | 86,009              | 8,480   |
| Other transactions   | 3,463                   | 2,558               | 2,558               | -0-   |
| <b>TOTAL REVENUES AND OTHER<br/>FINANCING SOURCES</b>  | <b>10,966,998</b>       | <b>11,354,347</b>   | <b>11,254,837</b>   | <b>(99,510)</b>   |
| <b>EXPENDITURES</b>  |                         |                     |                     |   |
| <b>INSTRUCTION</b>   |                         |                     |                     |   |
| Basic programs   | 5,399,576               | 5,520,718           | 5,551,409           | (30,691)  |
| Added needs  | 1,053,122               | 1,092,380           | 1,104,878           | (12,498)  |
| <b>SUPPORTING SERVICES</b>   |                         |                     |                     |   |
| Student services   | 1,078,341               | 1,063,068           | 1,071,931           | (8,863)   |
| Instructional staff  | 482,606                 | 386,774             | 389,069             | (2,295)   |
| General administration   | 336,189                 | 326,595             | 325,819             | 776   |
| School administration  | 609,034                 | 614,384             | 613,658             | 726   |
| Business   | 304,787                 | 285,956             | 270,846             | 15,110  |
| Operations and maintenance   | 976,765                 | 1,068,039           | 1,070,681           | (2,642)   |
| Transportation   | 598,372                 | 595,859             | 592,802             | 3,057   |
| Central services   | 202,880                 | 171,727             | 140,558             | 31,169  |
| Other  | 3,900                   | 5,315               | 5,315               | -0-   |
| <b>Total expenditures</b>  | <b>11,045,572</b>       | <b>11,130,815</b>   | <b>11,136,966</b>   | <b>(6,151)</b>  |
| <b>OTHER FINANCING USES</b>  |                         |                     |                     |   |
| Other transactions   | 129,064                 | 110,921             | 110,921             | -0-   |
| Operating transfers out  | 160,022                 | 151,003             | 147,548             | 3,455   |
| <b>TOTAL EXPENDITURES AND<br/>OTHER FINANCING USES</b>   | <b>11,334,658</b>       | <b>11,392,739</b>   | <b>11,395,435</b>   | <b>(2,696)</b>  |
| <b>EXCESS OF REVENUES AND<br/>OTHER FINANCING SOURCES<br/>OVER (UNDER) EXPENDITURES<br/>AND OTHER FINANCING USES</b> | <b>(367,660)</b>        | <b>(38,392)</b>     | <b>(140,598)</b>    | <b>(102,206)</b>  |
| Fund balance, beginning of year  | 1,094,698               | 1,456,782           | 1,558,508           | 101,726   |
| Fund balance, end of year  | <u>\$ 727,038</u>       | <u>\$ 1,418,390</u> | <u>\$ 1,417,910</u> | <u>\$ (480)</u>   |

**OTHER SUPPLEMENTARY INFORMATION**

## Whitmore Lake Public Schools

## General Fund

## SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL

Year Ended June 30, 2006

|   | Final<br>Budget      | Actual               | Variance<br>Favorable<br>(Unfavorable) |
|---|----------------------|----------------------|--|
| LOCAL SOURCES                                 |                      |                      |  |
| Taxes   | \$ 2,121,094         | \$ 2,122,075         | \$ 981                                 |
| Earnings on investments and deposits          | 43,518               | 43,768               | 250                                    |
| Tuition                                       | 30,057               | 30,057               | -0-                                    |
| Other   | 75,832               | 91,944               | 16,112                                 |
| TOTAL LOCAL SOURCES                           | 2,270,501            | 2,287,844            | 17,343                                 |
| STATE SOURCES                                 |                      |                      |  |
| Unrestricted                                  | 6,766,895            | 6,766,895            | -0-                                    |
| Restricted                                    | 836,822              | 748,378              | (88,444)                               |
| TOTAL STATE SOURCES                           | 7,603,717            | 7,515,273            | (88,444)                               |
| FEDERAL SOURCES                               |                      |                      |  |
| Restricted - received through State           | 99,181               | 99,234               | 53                                     |
| Restricted - received through I.S.D.          | 426,417              | 432,104              | 5,687                                  |
| TOTAL FEDERAL SOURCES                         | 525,598              | 531,338              | 5,740                                  |
| OTHER FINANCING SOURCES                       |                      |                      |  |
| County special education taxes                | 874,444              | 831,815              | (42,629)                               |
| Payments from other governments               | 77,529               | 86,009               | 8,480                                  |
| Other   | 2,558                | 2,558                | -0-                                    |
| TOTAL OTHER FINANCING<br>SOURCES              | 954,531              | 920,382              | (34,149)                               |
| TOTAL REVENUES AND<br>OTHER FINANCING SOURCES | <u>\$ 11,354,347</u> | <u>\$ 11,254,837</u> | <u>\$ (99,510)</u>                     |

## Whitmore Lake Public Schools

## General Fund

## SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL

Year Ended June 30, 2006

|                              | Final<br>Budget  | Actual           | Variance<br>Favorable<br>(Unfavorable) |
|------------------------------|------------------|------------------|--|
| <b>INSTRUCTION</b>           |                  |                  |  |
| Basic programs               |                  |                  |  |
| Preschool                    | \$ 226,548       | \$ 238,380       | \$ (11,832)                            |
| Elementary                   | 2,142,076        | 2,145,000        | (2,924)                                |
| Middle school                | 1,685,765        | 1,686,101        | (336)                                  |
| High school                  | 1,466,329        | 1,481,928        | (15,599)                               |
| Total basic programs         | 5,520,718        | 5,551,409        | (30,691)                               |
| Added needs                  |                  |                  |  |
| Special education            | 834,663          | 837,393          | (2,730)                                |
| Compensatory education       | 154,980          | 165,848          | (10,868)                               |
| Vocational education         | 102,737          | 101,637          | 1,100                                  |
| Total added needs            | 1,092,380        | 1,104,878        | (12,498)                               |
| <b>TOTAL INSTRUCTION</b>     | <b>6,613,098</b> | <b>6,656,287</b> | <b>(43,189)</b>                        |
| <b>SUPPORTING SERVICES</b>   |                  |                  |  |
| Student services             |                  |                  |  |
| Guidance Services            | 206,387          | 205,714          | 673                                    |
| Health Services              | 76,835           | 77,623           | (788)                                  |
| Psychological Services       | 103,691          | 101,870          | 1,821                                  |
| Speech                       | 170,806          | 178,727          | (7,921)                                |
| Social Worker                | 218,139          | 219,480          | (1,341)                                |
| Teacher Consultant           | 280,158          | 280,237          | (79)                                   |
| Homebound                    | 7,052            | 8,280            | (1,228)                                |
| Total student services       | 1,063,068        | 1,071,931        | (8,863)                                |
| Instructional Staff          |                  |                  |  |
| Improvement of instruction   | 109,947          | 107,792          | 2,155                                  |
| Special education            | 69,609           | 74,596           | (4,987)                                |
| Library                      | 207,218          | 206,681          | 537                                    |
| Total instructional staff    | 386,774          | 389,069          | (2,295)                                |
| General Administration       |                  |                  |  |
| Board of education           | 64,936           | 66,445           | (1,509)                                |
| Executive administration     | 261,659          | 259,374          | 2,285                                  |
| Total general administration | 326,595          | 325,819          | 776                                    |
| School Administration        |                  |                  |  |
| Office of the principal      | 614,384          | 613,658          | 726                                    |

## Whitmore Lake Public Schools

## General Fund

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2006

|  | Final<br>Budget      | Actual               | Variance<br>Favorable<br>(Unfavorable) |
|--|----------------------|----------------------|--|
| SUPPORTING SERVICES - CONTINUED                |                      |                      |  |
| Business services                              |                      |                      |  |
| Fiscal services                                | \$ 210,631           | \$ 212,534           | \$ (1,903)                             |
| Other business services                        | 75,325               | 58,312               | 17,013                                 |
| Total business services                        | 285,956              | 270,846              | 15,110                                 |
| Operation and maintenance                      | 1,068,039            | 1,070,681            | (2,642)                                |
| Central Services                               |                      |                      |  |
| Staff/personnel services                       | 32,545               | 33,602               | (1,057)                                |
| Information management services                | 139,182              | 106,956              | 32,226                                 |
| Total central services                         | 171,727              | 140,558              | 31,169                                 |
| Transportation services                        | 595,859              | 592,802              | 3,057                                  |
| Other  | 5,315                | 5,315                | -                                      |
| TOTAL SUPPORTING SERVICES                      | <u>4,517,717</u>     | <u>4,480,679</u>     | <u>37,038</u>                          |
| OTHER FINANCING USES                           |                      |                      |  |
| Other transactions                             | 110,921              | 110,921              | -0-                                    |
| Transfers to other funds                       | 151,003              | 147,548              | 3,455                                  |
| TOTAL OTHER<br>FINANCING USES                  | <u>261,924</u>       | <u>258,469</u>       | <u>3,455</u>                           |
| TOTAL EXPENDITURES AND<br>OTHER FINANCING USES | <u>\$ 11,392,739</u> | <u>\$ 11,395,435</u> | <u>\$ (2,696)</u>                      |

Whitmore Lake Public Schools  
 Nonmajor Governmental Funds  
 COMBINING BALANCE SHEET

June 30, 2006

|  | Special Revenue Funds |                  |                      | Debt Service Fund |
|--|-----------------------|------------------|----------------------|-------------------|
|  | Athletics             | Food Service     | Community Recreation | 1996 Debt Fund    |
| <b>ASSETS</b>                              |                       |                  |                      |                   |
| Cash and cash equivalents                  | \$ -                  | \$ 34,623        | \$ 178,473           | \$ 18,182         |
| Due from other funds                       | -                     | -                | -                    | 7,504             |
| Due from other governmental units          | -                     | -                | 11,800               | 9,289             |
| Inventory                                  | -                     | 7,559            | -                    | -                 |
| <b>TOTAL ASSETS</b>                        | <b>\$ -0-</b>         | <b>\$ 42,182</b> | <b>\$ 190,273</b>    | <b>\$ 34,975</b>  |
| <b>LIABILITIES AND FUND BALANCES</b>       |                       |                  |                      |                   |
| <b>LIABILITIES</b>                         |                       |                  |                      |                   |
| Salaries payable                           | \$ -                  | \$ -             | \$ 4,088             | \$ -              |
| Deferred revenue                           | -                     | -                | 8,024                | -                 |
| Due to other funds                         | -                     | -                | 45,922               | 1,591             |
| <b>TOTAL LIABILITIES</b>                   | <b>-0-</b>            | <b>-0-</b>       | <b>58,034</b>        | <b>1,591</b>      |
| <b>FUND BALANCES</b>                       |                       |                  |                      |                   |
| Reserved for                               |                       |                  |                      |                   |
| Inventory                                  | -                     | 7,559            | -                    | -                 |
| Debt service                               | -                     | -                | -                    | 33,384            |
| Unreserved                                 |                       |                  |                      |                   |
| Undesignated, reported in                  |                       |                  |                      |                   |
| Food service fund                          | -                     | 34,623           | -                    | -                 |
| Community education fund                   | -                     | -                | 132,239              | -                 |
| <b>TOTAL FUND BALANCES</b>                 | <b>-0-</b>            | <b>42,182</b>    | <b>132,239</b>       | <b>33,384</b>     |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ -0-</b>         | <b>\$ 42,182</b> | <b>\$ 190,273</b>    | <b>\$ 34,975</b>  |

Debt Service Funds

| Durant<br>Debt Fund | 2002<br>Debt Fund | 2003<br>Debt Fund | 2004<br>Debt Fund | 2005<br>Debt Fund | Total             |
|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ -                | \$ 124,577        | \$ 26,424         | \$ 119,039        | \$ 169,810        | \$ 671,128        |
| -                   | -                 | 18,866            | -                 | -                 | 26,370            |
| -                   | 38,705            | 59,993            | 14,901            | 17,417            | 152,105           |
| -                   | -                 | -                 | -                 | -                 | 7,559             |
| <u>\$ -</u>         | <u>\$ 163,282</u> | <u>\$ 105,283</u> | <u>\$ 133,940</u> | <u>\$ 187,227</u> | <u>\$ 857,162</u> |
| \$ -                | \$ -              | \$ -              | \$ -              | \$ -              | \$ 4,088          |
| -                   | -                 | -                 | -                 | -                 | 8,024             |
| -                   | 18,702            | 1,803             | 7,780             | -                 | 75,798            |
| -0-                 | 18,702            | 1,803             | 7,780             | -                 | 87,910            |
| -                   | -                 | -                 | -                 | -                 | 7,559             |
| -                   | 144,580           | 103,480           | 126,160           | 187,227           | 594,831           |
| -                   | -                 | -                 | -                 | -                 | 34,623            |
| -                   | -                 | -                 | -                 | -                 | 132,239           |
| <u>-</u>            | <u>144,580</u>    | <u>103,480</u>    | <u>126,160</u>    | <u>187,227</u>    | <u>769,252</u>    |
| <u>\$ -</u>         | <u>\$ 163,282</u> | <u>\$ 105,283</u> | <u>\$ 133,940</u> | <u>\$ 187,227</u> | <u>\$ 857,162</u> |

## Whitmore Lake Public Schools

## Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES

For the year ended June 30, 2006

|  | Special Revenue Funds |              |                      | Debt Service Fund |
|--|-----------------------|--------------|----------------------|-------------------|
|  | Athletics             | Food Service | Community Recreation | 1996 Debt Fund    |
| REVENUES   |                       |              |                      |                   |
| Local sources  | \$ 44,479             | \$ 298,202   | \$ 321,420           | \$ 166,706        |
| State sources  | -                     | 12,201       | -                    | -                 |
| Federal sources  | -                     | 168,248      | -                    | -                 |
| OTHER FINANCING SOURCES  |                       |              |                      |                   |
| Proceeds of bonds  | -                     | -            | -                    | -                 |
| Operating transfers in   | 147,548               | -            | -                    | -                 |
| TOTAL REVENUES AND OTHER FINANCING SOURCES                               | 192,027               | 478,651      | 321,420              | 166,706           |
| EXPENDITURES   |                       |              |                      |                   |
| Current  |                       |              |                      |                   |
| Athletics  | 192,027               | -            | -                    | -                 |
| Food service   | -                     | 450,438      | -                    | -                 |
| Community education  | -                     | -            | 318,947              | -                 |
| Other  | -                     | -            | -                    | -                 |
| Debt service   | -                     | -            | -                    | 211,600           |
| OTHER FINANCING USES   |                       |              |                      |                   |
| Discount/premium on bond issuance  | -                     | -            | -                    | -                 |
| Payment to refunding bond escrow agent                                   | -                     | -            | -                    | -                 |
| TOTAL EXPENDITURES   | 192,027               | 450,438      | 318,947              | 211,600           |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES | -                     | 28,213       | 2,473                | (44,894)          |
| Fund balances, beginning of year   | -                     | 13,969       | 129,766              | 78,278            |
| Fund balances, end of year   | \$ -0-                | \$ 42,182    | \$ 132,239           | \$ 33,384         |

Debt Service Funds

| Durant Debt<br>Fund | 2002 Debt<br>Fund | 2003 Debt<br>Fund | 2004 Debt<br>Fund | 2005 Debt<br>Fund | Total        |
|---------------------|-------------------|-------------------|-------------------|-------------------|--------------|
| \$ -                | \$ 685,398        | \$1,058,439       | \$ 264,738        | \$ 307,765        | \$ 3,147,147 |
| 17,420              | -                 | -                 | -                 | -                 | 29,621       |
| -                   | -                 | -                 | -                 | -                 | 168,248      |
| -                   | -                 | 10,683,979        | -                 | -                 | 10,683,979   |
| -                   | -                 | -                 | -                 | -                 | 147,548      |
| 17,420              | 685,398           | 11,742,418        | 264,738           | 307,765           | 14,176,543   |
| -                   | -                 | -                 | -                 | -                 | 192,027      |
| -                   | -                 | -                 | -                 | -                 | 450,438      |
| -                   | -                 | -                 | -                 | -                 | 318,947      |
| -                   | -                 | 87,776            | -                 | -                 | 87,776       |
| 17,420              | 662,300           | 2,857,300         | 226,820           | 120,538           | 4,095,978    |
| -                   | -                 | 85,554            | -                 | -                 | 85,554       |
| -                   | -                 | 8,746,670         | -                 | -                 | 8,746,670    |
| 17,420              | 662,300           | 11,777,300        | 226,820           | 120,538           | 13,977,390   |
| -                   | 23,098            | (34,882)          | 37,918            | 187,227           | 199,153      |
| -                   | 121,482           | 138,362           | 88,242            | -                 | 570,099      |
| \$ -                | \$ 144,580        | \$ 103,480        | \$ 126,160        | \$ 187,227        | \$ 769,252   |

Whitmore Lake Public Schools

Community Recreation Fund

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the year ended June 30, 2006

REVENUES AND OTHER FINANCING SOURCES

REVENUES

Local sources

|                       |            |
|-----------------------|------------|
| Taxes                 | \$ 207,522 |
| Tuition               | 97,837     |
| Facility rental       | 10,887     |
| Interest - recreation | 4,174      |
| Other                 | 1,000      |

TOTAL REVENUES 321,420

EXPENDITURES

Community Education

|                        |        |
|------------------------|--------|
| Salaries               | 98,739 |
| Employee benefits      | 34,617 |
| Purchased services     | 13,807 |
| Supplies and materials | 10,701 |

Recreation

|                    |         |
|--------------------|---------|
| Purchased services | 1,757   |
| Capital outlay     | 159,326 |

TOTAL EXPENDITURES 318,947

EXCESS OF REVENUES  
OVER EXPENDITURES 2,473

Fund balance, beginning of year 129,766

Fund balance, end of year \$ 132,239

## Whitmore Lake Public Schools

## SCHEDULE OF BONDED DEBT OUTSTANDING

June 30, 2006

| <u>Maturity<br/>Date</u>            | <u>Interest<br/>Rate</u> | <u>Interest</u> | <u>Principal</u> | <u>Total</u> |
|-------------------------------------|--------------------------|-----------------|------------------|--------------|
| GENERAL OBLIGATION BONDS            |                          |                 |                  |              |
| 1998 Durant Resolution Bonds        |                          |                 |                  |              |
| Dated November 15, 1998             |                          |                 |                  |              |
| 5/15/2007                           | 4.762                    | 4,841           | 12,576           | 17,417       |
| 5/15/2008                           | 4.762                    | 24,227          | 57,979           | 82,206       |
| 5/15/2009                           | 4.762                    | 3,615           | 13,806           | 17,421       |
| 5/15/2010                           | 4.762                    | 2,958           | 14,463           | 17,421       |
| 5/15/2011                           | 4.762                    | 2,269           | 15,151           | 17,420       |
| 5/15/2012                           | 4.762                    | 1,547           | 15,872           | 17,419       |
| 5/15/2013                           | 4.762                    | 792             | 16,627           | 17,419       |
| TOTAL 1998 DURANT RESOLUTION BONDS  |                          | 40,249          | 146,474          | 186,723      |
| 2002 Refunding Bonds                |                          |                 |                  |              |
| Dated March 27, 2002                |                          |                 |                  |              |
| 5/1/2007                            | 4.000                    | 144,550         | 470,000          | 614,550      |
| 5/1/2008                            | 4.000                    | 125,750         | 450,000          | 575,750      |
| 5/1/2009                            | 4.000                    | 107,750         | 440,000          | 547,750      |
| 5/1/2010                            | 4.000                    | 90,150          | 425,000          | 515,150      |
| 5/1/2011                            | 4.100                    | 73,150          | 440,000          | 513,150      |
| 5/1/2012                            | 4.200                    | 55,110          | 430,000          | 485,110      |
| 5/1/2013                            | 4.375                    | 37,050          | 420,000          | 457,050      |
| 5/1/2014                            | 4.500                    | 18,675          | 415,000          | 433,675      |
| TOTAL 2002 REFUNDING BONDS          |                          | 652,185         | 3,490,000        | 4,142,185    |
| 2003 School Building and Site Bonds |                          |                 |                  |              |
| Dated August 7, 2003                |                          |                 |                  |              |
| 5/1/2007                            | 2.250                    | 1,753,763       | 975,000          | 2,728,763    |
| 5/1/2008                            | 2.750                    | 1,731,825       | 1,025,000        | 2,756,825    |
| 5/1/2009                            | 5.000                    | 1,703,637       | 1,075,000        | 2,778,637    |
| 5/1/2010                            | 3.250                    | 1,649,888       | 1,125,000        | 2,774,888    |
| 5/1/2011                            | 3.750                    | 1,613,325       | 1,175,000        | 2,788,325    |
| 5/1/2012                            | 4.000                    | 1,569,262       | 1,225,000        | 2,794,262    |
| 5/1/2013                            | 4.000                    | 1,520,262       | 1,275,000        | 2,795,262    |
| 5/1/2014                            | 4.000                    | 1,469,263       | 1,325,000        | 2,794,263    |
| 5/1/2015                            | 4.000                    | 1,416,263       | 1,375,000        | 2,791,263    |
| 5/1/2016                            | 4.000                    | 1,361,263       | 1,425,000        | 2,786,263    |
| 5/1/2017                            | 5.250                    | 1,304,262       | 1,475,000        | 2,779,262    |
| 5/1/2018                            | 5.250                    | 1,226,825       | 1,525,000        | 2,751,825    |

## Whitmore Lake Public Schools

## SCHEDULE OF BONDED DEBT OUTSTANDING - CONTINUED

June 30, 2006

| <u>Maturity Date</u>                            | <u>Interest Rate</u> | <u>Interest</u> | <u>Principal</u> | <u>Total</u> |
|---|----------------------|-----------------|------------------|--------------|
| GENERAL OBLIGATION BONDS - CONTINUED            |                      |                 |                  |              |
| 2003 School Building and Site Bonds - continued |                      |                 |                  |              |
| Dated August 7, 2003                            |                      |                 |                  |              |
| 5/1/2019  | 5.250                | \$ 1,146,763    | \$ 1,600,000     | \$ 2,746,763 |
| 5/1/2020  | 5.250                | 1,062,763       | 1,000,000        | 2,062,763    |
| 5/1/2021  | 5.250                | 1,010,263       | -                | 1,010,263    |
| 5/1/2022  | 5.250                | 1,010,263       | -                | 1,010,263    |
| 5/1/2023  | 5.250                | 1,010,263       | -                | 1,010,263    |
| 5/1/2024  | 5.000                | 1,010,263       | -                | 1,010,263    |
| 5/1/2025  | 5.000                | 1,010,263       | 2,050,000        | 3,060,263    |
| 5/1/2026  | 5.000                | 907,762         | 2,125,000        | 3,032,762    |
| 5/1/2027  | 5.000                | 801,512         | 2,175,000        | 2,976,512    |
| 5/1/2028  | 5.000                | 692,762         | 2,225,000        | 2,917,762    |
| 5/1/2029  | 5.000                | 581,512         | 2,275,000        | 2,856,512    |
| 5/1/2030  | 5.000                | 467,762         | 2,325,000        | 2,792,762    |
| 5/1/2031  | 5.000                | 351,512         | 2,375,000        | 2,726,512    |
| 5/1/2032  | 5.000                | 232,762         | 2,400,000        | 2,632,762    |
| 5/1/2033  | 4.650                | 112,762         | 2,425,000        | 2,537,762    |
| TOTAL 2003 SCHOOL BUILDING AND SITE BONDS       |                      | 29,729,025      | 37,975,000       | 67,704,025   |
| 2004 Refunding Bonds                            |                      |                 |                  |              |
| Dated December 14, 2004                         |                      |                 |                  |              |
| 5/1/2007  | 2.500                | 190,808         | 235,000          | 425,808      |
| 5/1/2008  | 2.750                | 184,933         | 230,000          | 414,933      |
| 5/1/2009  | 3.000                | 178,608         | 225,000          | 403,608      |
| 5/1/2010  | 3.250                | 171,858         | 225,000          | 396,858      |
| 5/1/2011  | 5.500                | 164,545         | 220,000          | 384,545      |
| 5/1/2012  | 3.750                | 156,845         | 220,000          | 376,845      |
| 5/1/2013  | 3.750                | 148,595         | 215,000          | 363,595      |
| 5/1/2014  | 4.000                | 140,533         | 215,000          | 355,533      |
| 5/1/2015  | 4.000                | 131,933         | 260,000          | 391,933      |
| 5/1/2016  | 4.000                | 121,533         | 260,000          | 381,533      |
| 5/1/2017  | 4.000                | 111,133         | 260,000          | 371,133      |
| 5/1/2018  | 4.000                | 100,733         | 255,000          | 355,733      |
| 5/1/2019  | 4.125                | 90,533          | 255,000          | 345,533      |
| 5/1/2020  | 4.250                | 80,014          | 250,000          | 330,014      |
| 5/1/2021  | 4.300                | 69,389          | 250,000          | 319,389      |
| 5/1/2022  | 4.375                | 58,639          | 245,000          | 303,639      |
| 5/1/2023  | 4.400                | 47,920          | 270,000          | 317,920      |
| 5/1/2024  | 4.500                | 36,040          | 265,000          | 301,040      |
| 5/1/2025  | 4.600                | 24,115          | 265,000          | 289,115      |
| 5/1/2026  | 4.500                | 11,925          | 265,000          | 276,925      |
| TOTAL 2004 REFUNDING BONDS                      |                      | 2,220,632       | 4,885,000        | 7,105,632    |

## Whitmore Lake Public Schools

## SCHEDULE OF BONDED DEBT OUTSTANDING - CONTINUED

June 30, 2006

| <u>Maturity<br/>Date</u>             | <u>Interest<br/>Rate</u> | <u>Interest</u>      | <u>Principal</u>     | <u>Total</u>         |
|--------------------------------------|--------------------------|----------------------|----------------------|----------------------|
| GENERAL OBLIGATION BONDS - CONTINUED |                          |                      |                      |                      |
| 2005 Refunding Bonds                 |                          |                      |                      |                      |
| Dated December 29, 2005              |                          |                      |                      |                      |
| 5/1/2007                             | n/a                      | 355,685              | -                    | 355,685              |
| 5/1/2008                             | n/a                      | 355,685              | -                    | 355,685              |
| 5/1/2009                             | n/a                      | 355,685              | -                    | 355,685              |
| 5/1/2010                             | n/a                      | 355,685              | -                    | 355,685              |
| 5/1/2011                             | n/a                      | 355,685              | -                    | 355,685              |
| 5/1/2012                             | n/a                      | 355,685              | -                    | 355,685              |
| 5/1/2013                             | n/a                      | 355,685              | -                    | 355,685              |
| 5/1/2014                             | n/a                      | 355,685              | -                    | 355,685              |
| 5/1/2015                             | 4.000                    | 355,685              | 100,000              | 455,685              |
| 5/1/2016                             | 4.000                    | 351,685              | 100,000              | 451,685              |
| 5/1/2017                             | 4.000                    | 347,685              | 100,000              | 447,685              |
| 5/1/2018                             | 4.000                    | 343,685              | 100,000              | 443,685              |
| 5/1/2019                             | 4.000                    | 339,685              | 100,000              | 439,685              |
| 5/1/2020                             | 4.000                    | 335,685              | 745,000              | 1,080,685            |
| 5/1/2021                             | 4.000                    | 305,885              | 1,805,000            | 2,110,885            |
| 5/1/2022                             | 4.000                    | 233,685              | 1,860,000            | 2,093,685            |
| 5/1/2023                             | 4.100                    | 159,285              | 1,915,000            | 2,074,285            |
| 5/1/2024                             | 4.100                    | 80,770               | 1,970,000            | 2,050,770            |
| TOTAL 2005 REFUNDING BONDS           |                          | <u>5,699,215</u>     | <u>8,795,000</u>     | <u>14,494,215</u>    |
| TOTAL BONDED DEBT OUTSTANDING        |                          | <u>\$ 38,341,306</u> | <u>\$ 55,291,474</u> | <u>\$ 93,632,780</u> |

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

745 Barclay Circle, Suite 335,  
PO Box 70067  
Rochester Hills, MI 48307  
(248) 844-2550  
FAX: (248) 844-2551

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

To the Board of Education  
Whitmore Lake Public Schools  
Whitmore Lake, Michigan

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Whitmore Lake Public Schools as of and for the year ended June 30, 2006, which collectively comprise Whitmore Lake Public Schools' basic financial statements, and have issued our report thereon dated August 22, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Whitmore Lake Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of the management and Board of Education of Whitmore Lake Public Schools, the pass-through grantors, and the U.S. Departments of Health and Human Services, Agriculture, Homeland Security and Education and is not intended to be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

August 22, 2006