

WHITMORE LAKE PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Whitmore Lake Public Schools

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, 2009, 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, 2009 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 October 14, 2009, of Whitmore Lake Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or 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 on pages vi through xvi and 31, 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 the Whitmore Lake Public Schools' basic financial statements. The additional information on pages 33 through 45 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Manes Costeiran PC

October 14, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

During the 2008-09 fiscal year, the District continued to present Governmental Accounting Standards Board (GASB) Statement #34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. This section of the Whitmore Lake Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2009.

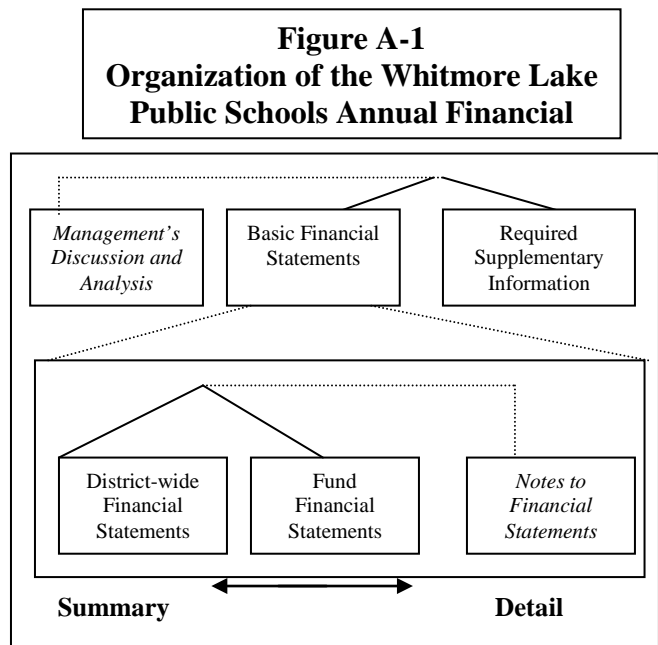
FINANCIAL HIGHLIGHTS

- Governmental funds revenues increased 0.8 percent to \$15.6 million. Expenditures increased 2.4 percent to \$17.4 million.
- General Fund revenues were \$11.8 million, \$102 thousand more than General Fund expenditures and transfers.
- State Aid Foundation Allowance increased by \$112 per student to \$7,316 per student.
- The District's fall student count decreased slightly to 1,221 pupils, a decrease of 27 students over last year.
- The District participates in the School Bond Loan Fund, which allows districts to maintain level debt millages throughout the life of a bond issue. This feature of the SBLF can, however, create a net deficit in the district-wide financial statements in the short term, with future debt millages restoring the net assets of the District once the bonded debt is reduced. The District reduced its outstanding long-term debt \$375 thousand or 0.6 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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



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

Figure A-2 Major Features of District-Wide and Fund Financial Statements			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Whitmore Lake Public Schools' funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

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

DISTRICT-WIDE STATEMENTS

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

The two district-wide statements report the District's *net assets* and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or *position*.

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

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

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

FUND FINANCIAL STATEMENTS

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

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

The District has two kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets (deficit) - The District's *combined* net deficit increased by \$1,385,546 during the year. The combined net deficit was more on June 30, 2009, than the year before, increasing from \$12.1 million to \$13.5 million.

The District's net deficit results from participating for many years in the School Bond Loan Fund (SBLF) program. This program allows districts to levy the same debt service property tax millage rate over the life of a bond issue. During the early years of participation in the SBLF, the property tax levy is less than is required for debt service and districts in the program borrow from the SBLF to make up the difference. During the later years of participation, the property tax levy remains level and is greater than is required for debt service. Districts use the excess to pay back the SBLF. It is projected that the District will begin repaying the SBLF in 2017-18 and over the subsequent years will eliminate the District's deficit. It is important to note that the Board of Education has full authority to levy the necessary taxes to meet bond issue debt service requirements.

Debt Levy

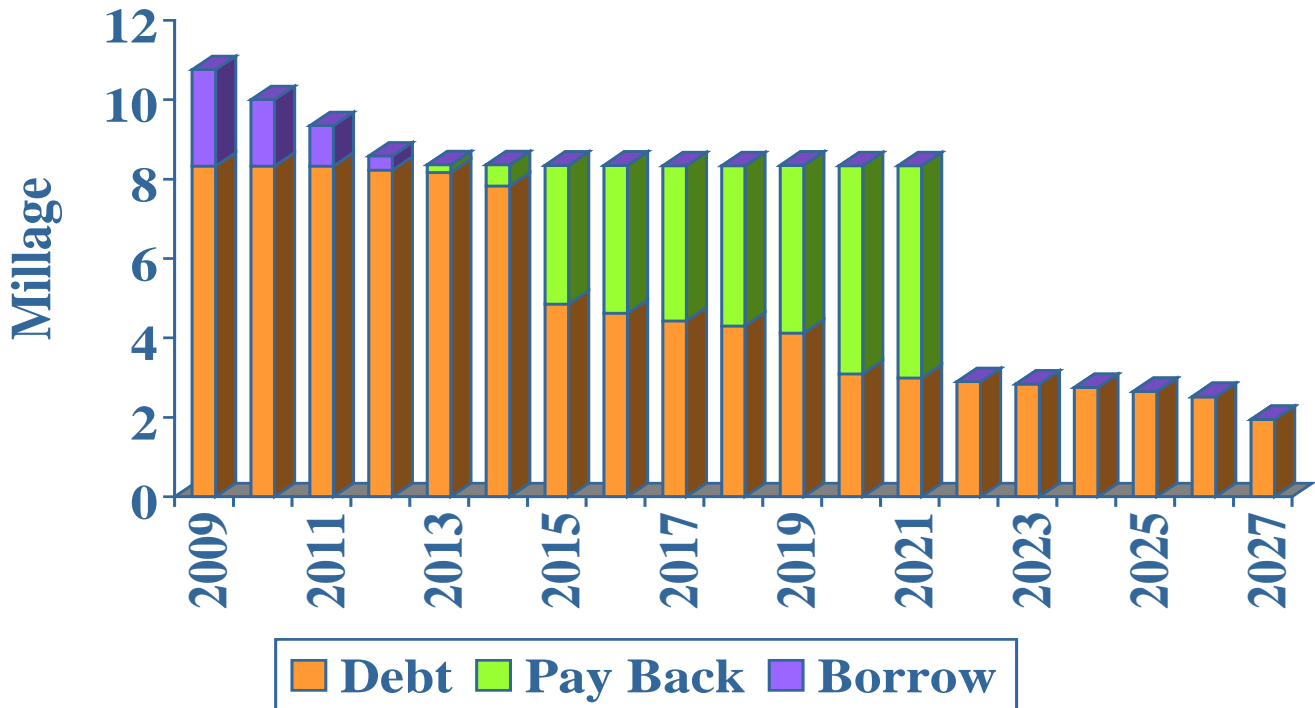


Table A-3
Whitmore Lake Public Schools Net Assets

	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 6,688,707	\$ 3,301,797
Capital assets, net of depreciation	<u>44,060,648</u>	<u>46,782,899</u>
Total assets	<u>50,749,355</u>	<u>50,084,696</u>
Current liabilities	7,398,184	3,655,167
Long-term debt outstanding	<u>56,862,233</u>	<u>58,555,055</u>
Total liabilities	<u>64,260,417</u>	<u>62,210,222</u>
Net assets (deficit):		
Invested in capital assets, net of related debt	(14,403,023)	(13,067,941)
Unrestricted	<u>891,961</u>	<u>942,425</u>
Total net deficit	<u>\$ (13,511,062)</u>	<u>\$ (12,125,516)</u>

Table A-4
Changes in Whitmore Lake Public Schools Net Assets

	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 613,770	\$ 664,052
Federal and state categorical grants	1,180,190	1,603,858
General revenues:		
Property taxes	5,190,082	5,264,743
State aid - unrestricted	6,923,533	6,688,778
Federal ARRA sources - unrestricted	452,162	
Intermediate sources	1,106,113	961,239
Investment earnings	46,398	95,509
Other	126,188	205,160
Total revenues	<u>15,638,436</u>	<u>15,483,339</u>
Expenses:		
Instruction	6,382,509	6,482,783
Support services	5,348,604	4,973,405
Community services	455,574	478,044
Food services	537,391	518,496
Athletics	218,418	202,328
Interest on long-term debt	2,610,267	2,505,645
Other		147,228
Unallocated depreciation	1,471,219	1,597,277
Total expenses	<u>17,023,982</u>	<u>16,905,206</u>
Decrease in net assets	<u>\$ (1,385,546)</u>	<u>\$ (1,421,867)</u>

District Governmental Activities

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

- The state per pupil foundation allowance increased \$112 per student to \$7,316.
- Food Service operated at a surplus of \$5,767 on revenues of \$543,158.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported *combined* fund balances of \$1.5 million.

The General Fund's fund balance increased \$102,007 to \$898 thousand.

For bond issues, the fund balance increases when the bonds are sold, and the fund balance decreases when construction expenses are incurred. The 2003 Bond Issue Capital Projects Fund is close to completion. There is still \$79,274 left to spend. We anticipate closing out the projects by the end of the next year.

General Fund Budgetary Highlights

The District is required to adopt an operating budget prior to the start of the fiscal year. Certain information is not known at the time of budget adoption, such as the amount of state aid, the actual number of students and the cost of employee contracts, and must be estimated or projected. Over the course of the budget year, the District revises the annual operating budget two times. For fiscal year 2008-09, these budget amendments included:

- Changes adopted in the third and fourth quarters of the fiscal year to account for final enrollment counts and changes in assumptions since the original budget was adopted.

The District's original budget was adopted with a deficit of \$92 thousand. Budget amendments approved in March and June of 2009 called for budget deficits of \$78,731 and \$135,159 respectively. Actual revenues exceed actual expenditures by \$102,007 at year-end.

- Actual revenues were \$50,461 lower than budgeted. This variance in excess of the anticipated was due primarily to normal anticipated budget variances.
- Actual expenditures were \$287,683 lower than budgeted. This variance in excess of the anticipated was due primarily to normal anticipated budget variances.
- Actual other financing sources and uses were \$57 higher than budgeted. This variance in excess of the anticipated was due primarily to normal anticipated budget variances.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2009, the District had invested over \$54.0 million in a broad range of capital assets, including school buildings, athletic and support facilities, computer and transportation equipment. (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year exceeded \$1.5 million.

	2009	2008
Land	\$ 1,218,065	\$ 1,218,065
Buildings and improvements	50,608,273	50,418,534
Buses and other vehicles	816,091	733,664
Furniture and equipment	1,357,955	1,231,484
Subtotal	54,000,384	53,601,747
Accumulated depreciation	10,355,177	8,883,958
Total	\$ 43,645,207	\$ 44,717,789

The District anticipates closing out the 2003 Capital Projects Bond Issue Fund during 2009-10.

Long-term Debt

At year-end the District had \$58.8 million in general obligation bonds and other long-term debt outstanding – a net reduction of 0.5 percent from last year. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

	2009	2008
General obligation debts (financed with property taxes)	\$ 58.6	\$ 58.9
Other	0.2	0.2
Total	\$ 58.8	\$ 59.1

- The District continued to pay down its debt, retiring \$1.8 million of outstanding bonds.
- The District borrowed \$1.5 million from the School Bond Loan Fund during 2008-09. This leaves an outstanding SBLF balance of \$8.0 million at year-end.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The transportation employee and office personnel contracts expire at the end of 2009. This could cause some uncertainty for budgeting for the 2009-10 school year.
- As of the date of this report, the Governor has not yet signed the School Aid Budget for 2009-2010. The most recent estimate is that per-pupil funding will be reduced by \$165 per student, a reduction of nearly \$200,000 for our district, and the use of ARRA (stimulus) funds has not yet been determined.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Whitmore Lake Public Schools, 8845 Main Street, Whitmore Lake, Michigan 48189.

BASIC FINANCIAL STATEMENTS

**WHITMORE LAKE PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2009**

ASSETS	<u>Governmental activities</u>
CURRENT ASSETS:	
Cash	\$ 2,199,941
Investments	2,147,121
Receivables:	
Accounts receivable	27,632
Interest receivable	23,968
Taxes receivable	566,398
Due from other governmental units	1,603,423
Inventories	33,574
Prepaid expenditures	8,973
Restricted cash - capital projects	<u>77,677</u>
TOTAL CURRENT ASSETS	<u>6,688,707</u>
NONCURRENT ASSETS:	
Deferred charges, net of amortization	415,441
Capital assets	54,000,384
Less accumulated depreciation	<u>(10,355,177)</u>
TOTAL NONCURRENT ASSETS	<u>44,060,648</u>
TOTAL ASSETS	<u><u>\$ 50,749,355</u></u>

	<u>Governmental activities</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 92,870
Accrued salaries and related items	1,185,333
Accrued interest	399,815
Deferred revenue	185,287
Notes payable	3,700,000
Current portion of long-term obligations	1,819,462
Current portion of compensated absences and termination benefits	<u>15,417</u>
TOTAL CURRENT LIABILITIES	<u>7,398,184</u>
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	56,723,483
Noncurrent portion of compensated absences and termination benefits	<u>138,750</u>
TOTAL NONCURRENT LIABILITIES	<u>56,862,233</u>
TOTAL LIABILITIES	<u>64,260,417</u>
NET ASSETS:	
Invested in capital assets, net of related debt	(14,403,023)
Unrestricted	<u>891,961</u>
TOTAL NET ASSETS	<u>(13,511,062)</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 50,749,355</u></u>

**WHITMORE LAKE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Governmental activities</u>
		<u>Charges for services</u>	<u>Operating grants</u>	<u>Net (expense) revenue and changes in net assets</u>
Governmental activities:				
Instruction	\$ 6,382,509	\$ 33,981	\$ 835,410	\$ (5,513,118)
Support services	5,348,604	-	96,788	(5,251,816)
Community services	455,574	182,496	-	(273,078)
Food services	537,391	295,166	247,992	5,767
Athletics	218,418	102,127	-	(116,291)
Interest on long-term debt	2,610,267	-	-	(2,610,267)
Unallocated depreciation	1,471,219	-	-	(1,471,219)
Total governmental activities	<u>\$ 17,023,982</u>	<u>\$ 613,770</u>	<u>\$ 1,180,190</u>	<u>(15,230,022)</u>
General revenues:				
Property taxes, levied for general purposes				2,259,632
Property taxes, levied for debt service				2,704,901
Property taxes, levied for special purposes				225,549
Investment earnings				46,398
State sources - unrestricted				6,923,533
Federal ARRA sources -unrestricted				452,162
Intermediate sources				1,106,113
Other				<u>126,188</u>
Total general revenues				<u>13,844,476</u>
CHANGE IN NET ASSETS				(1,385,546)
NET ASSETS, beginning of year				<u>(12,125,516)</u>
NET ASSETS, end of year				<u>\$ (13,511,062)</u>

See notes to financial statements.

**WHITMORE LAKE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	General Fund	Capital projects fund	Other nonmajor governmental funds	Total governmental funds
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 2,008,763	\$ -	\$ 191,178	\$ 2,199,941
Investments	2,147,121	-	-	2,147,121
Receivables:				
Property taxes receivable	341,568	-	224,830	566,398
Accounts receivable	8,904	-	18,728	27,632
Interest	21,501	2,467	-	23,968
Due from other governmental units	1,594,910	-	8,513	1,603,423
Due from other funds	13,895	-	79,589	93,484
Inventories	-	-	33,574	33,574
Prepaid expenditures	8,973	-	-	8,973
Restricted cash and cash equivalents	-	77,677	-	77,677
	\$ 6,145,635	\$ 80,144	\$ 556,412	\$ 6,782,191
TOTAL ASSETS				
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 78,435	\$ 212	\$ 14,223	\$ 92,870
Accrued salaries and related items	1,179,314	-	6,019	1,185,333
Accrued interest	37,383	-	-	37,383
Due to other funds	60,722	658	32,104	93,484
Notes payable	3,700,000	-	-	3,700,000
Deferred revenue	191,897	-	12,609	204,506
	5,247,751	870	64,955	5,313,576
TOTAL LIABILITIES				

See notes to financial statements.

	<u>General Fund</u>	<u>Capital projects fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
FUND BALANCES:				
Reserved for inventories	\$ -	\$ -	\$ 33,574	\$ 33,574
Reserved for prepaid expenditures	8,973	-	-	8,973
Reserved for debt service	-	-	261,111	261,111
Reserved for capital outlay	-	79,274	-	79,274
Unreserved:				
Designated for subsequent year expenditures	31,952	-	-	31,952
Designated for compensated absences	154,167	-	-	154,167
Designated for storage tank removal	100,000	-	-	100,000
Designated for curriculum	83,014	-	-	83,014
Unreserved, undesignated reported in:				
Special revenue funds			196,772	196,772
Undesignated	519,778	-	-	519,778
TOTAL FUND BALANCES	<u>897,884</u>	<u>79,274</u>	<u>491,457</u>	<u>1,468,615</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,145,635</u>	<u>\$ 80,144</u>	<u>\$ 556,412</u>	<u>\$ 6,782,191</u>
Total governmental fund balances				\$ 1,468,615
Amounts reported for governmental activities in the statement of net assets are different because:				
Value of amortized bond issuance costs			\$ 487,296	
Accumulated amortization			<u>(71,855)</u>	
				415,441
Capital assets used in governmental activities are not financial resources and are not reported in the funds				
The cost of the capital assets is			54,000,384	
Accumulated depreciation is			<u>(10,355,177)</u>	
				43,645,207
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
Bonds payable				(58,542,945)
Compensated absences and termination benefits				(154,167)
Accrued interest is not included as a liability in government funds, it is recorded when paid				(362,432)
Deferred revenue at June 30, 2009, expected to be collected after September 1, 2009				<u>19,219</u>
Net assets of governmental activities				<u>\$ (13,511,062)</u>

See notes to financial statements.

**WHITMORE LAKE PUBLIC SCHOOLS
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009**

	<u>General Fund</u>	<u>Capital projects fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES:				
Local sources:				
Property taxes	\$ 2,259,018	\$ 3,154	\$ 2,930,450	\$ 5,192,622
Tuition	113,158	-	-	113,158
Investment earnings	40,174	-	3,070	43,244
Food sales and admissions fees	-	-	461,141	461,141
Other	113,627	-	-	113,627
State sources	7,078,387	-	132,387	7,210,774
Federal sources	1,093,244	-	232,648	1,325,892
Incoming transfers and other	1,158,759	-	-	1,158,759
	<u>11,856,367</u>	<u>3,154</u>	<u>3,759,696</u>	<u>15,619,217</u>
Total revenues				
EXPENDITURES:				
Current:				
Instruction	6,559,097	-	-	6,559,097
Supporting services	4,948,464	-	-	4,948,464
Food service activities	-	-	518,176	518,176
Athletic activities	-	-	218,418	218,418
Community service activities	147,959	-	308,012	455,971
Capital outlay	-	588,749	1,764	590,513

See notes to financial statements.

	<u>General Fund</u>	<u>Capital projects fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
EXPENDITURES (Concluded):				
Debt service:				
Principal repayment	\$ -	\$ -	\$ 1,849,362	\$ 1,849,362
Interest	-	-	2,281,447	2,281,447
Other	-	-	1,624	1,624
Total expenditures	<u>11,655,520</u>	<u>588,749</u>	<u>5,178,803</u>	<u>17,423,072</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>200,847</u>	<u>(585,595)</u>	<u>(1,419,107)</u>	<u>(1,803,855)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from school loan revolving fund	-	-	1,118,743	1,118,743
Operating transfers from other funds	17,451		116,291	133,742
Operating transfers to other funds	<u>(116,291)</u>	<u>-</u>	<u>(17,451)</u>	<u>(133,742)</u>
Total other financing sources (uses)	<u>(98,840)</u>	<u>-</u>	<u>1,217,583</u>	<u>1,118,743</u>
NET CHANGE IN FUND BALANCES	102,007	(585,595)	(201,524)	(685,112)
FUND BALANCES:				
Beginning of year	<u>795,877</u>	<u>664,869</u>	<u>692,981</u>	<u>2,153,727</u>
End of year	<u>\$ 897,884</u>	<u>\$ 79,274</u>	<u>\$ 491,457</u>	<u>\$ 1,468,615</u>

See notes to financial statements.

**WHITMORE LAKE PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

Net change in fund balances total governmental funds \$ (685,112)

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

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(1,471,219)
Capital outlay	398,637

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	374,892
Accrued interest payable, end of the year	(362,432)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Proceeds from school loan revolving fund	(1,118,743)
Payments on debt	1,849,362
Amortization of bond issuance costs	(19,784)
Amortization of deferred loss on refunding	(74,242)
Amortization of bond premium	27,782
Long-term interest on school bond loan fund (accrued)	(79,018)
Long-term interest on school loan revolving fund (accrued)	(262,262)

Revenue is recorded on the accrual method in the statement of activities: in the governmental funds it is recorded on the modified accrual method and not considered available:

Deferred revenue, end of the year	19,219
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Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences and termination benefits, beginning of the year	171,541
Accrued compensated absences and termination benefits, end of the year	(154,167)

Change in net assets of governmental activities	<u><u>\$ (1,385,546)</u></u>
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**WHITMORE LAKE PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2009**

	<u>Agency fund</u>
ASSETS:	
Cash	\$ <u>157,558</u>
LIABILITIES:	
Accounts payable	\$ 8,904
Due to student and other groups	<u>148,654</u>
TOTAL LIABILITIES	<u>\$ 157,558</u>

WHITMORE LAKE PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Whitmore Lake Public Schools (the "District") is governed by the Whitmore Lake Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and No. 39.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in two parts - invested in capital assets, net of related debt and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

**WHITMORE LAKE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Continued)

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

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

Governmental Funds - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

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

The *capital projects fund* accounts for money and 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.

The capital projects fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

The following is a summary of the revenue and expenditures for the capital project bond activity since inception:

Revenue and bond proceeds	<u><u>\$ 50,123,260</u></u>
Expenditures	<u><u>\$ 50,043,986</u></u>

**WHITMORE LAKE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Concluded)

Other Non-major Funds

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

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

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

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

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**WHITMORE LAKE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

Modified Accrual Method

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

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

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2009, the foundation allowance was based on pupil membership counts taken in February and September of 2008.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes (formerly known as Non-Homestead) which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The State revenue is recognized during the foundation period and is funded through payments from October 2008 to August 2009. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

**WHITMORE LAKE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

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

2. Property taxes

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

**WHITMORE LAKE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

2. Property taxes (Concluded)

For the year ended June 30, 2009, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund:	
Non-Principal Residence Exemption (Non-PRE)	18.000
Commercial Personal Property	6.000
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	7.250
Special revenue fund:	
PRE and Non-PRE	.6001

3. Inventories and prepaid expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

**WHITMORE LAKE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

5. Capital assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

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

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Building and improvements	20 - 50 years
Buses and other vehicles	5 - 10 years
Equipment and furniture	5 - 20 years

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

6. Compensated absences

The District's policies generally provide for granting vacation or sick leave with pay. The current and long-term liability for compensated absences and other severance benefits is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

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

**WHITMORE LAKE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

8. Use of estimates

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

9. Net Asset Reporting

In the computation of invested in capital assets, net of related debt, school bond loan fund and school bond revolving fund principal proceeds of \$7,066,783 are considered capital-related debt. Accrued interest on the school bond loan fund and school bond revolving fund of \$908,994 has been included in the calculation of unrestricted net assets.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent fiscal year.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates.

**WHITMORE LAKE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)

Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

4. The Business Manager is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2009. The District does not consider these amendments to be significant.

The District evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through the auditors' opinion date.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2009, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted average maturity (years)</u>	<u>%</u>
Guaranteed Investment Contract (GIC)	\$1,916,451	0.1377	93.7%
MBIA Asset Management - CLASS	3,636	0.0027	0.2%
Uncategorized - Pooled investment funds			
Mid America - Employee Benefit Trust Fund	<u>125,106</u>	0.0027	<u>6.1%</u>
Total fair value	<u>\$2,045,193</u>		<u>100%</u>
Portfolio weighted average maturity		<u>0.1269</u>	

1 day maturity equals 0.0027, one year equals 1.00

**WHITMORE LAKE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Interest rate risk. In accordance with its investment policy, 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.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. 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 - 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, 2009, \$1,882,341 of the District's bank balance of \$2,519,948 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing accounts. The carrying amount on the financial statements is \$2,537,104.

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

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

The District's Guaranteed Investment Contract is collateralized and invested for the purpose of repayment of the note payable disclosed in Note 6.

The Investment Agreement, dated as of August 20, 2008, is by and among The Bank of New York Mellon Trust Company, N.A. as both the Depository on behalf of both the participating Michigan School Districts and as Trustee for the Michigan Municipal Bond Authority (Authority), and Fifth Third Bank as Provider (the "Investment Agreement").

**WHITMORE LAKE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

The net proceeds from the sale of the 2008 Series A-1 Notes were loaned by the Authority to Michigan School Districts, aka Governmental Units. Such Loans were repaid with monthly set-a-side installments deposited with the Depository for investment under the Investment Agreement. Set-a-side installments are deposited under the Investment Agreement versus Permitted Investments (collateral securities) equaling at least 102% of the deposited amount and such Permitted Investments are held by the Bank of New York Mellon, as Custodian. The Investment Agreement invests in Certificates of Deposit scheduled to mature August 20, 2009. They are currently collateralized with Permitted Investments.

The Guaranteed Rate under this Investment Agreement (commonly referred to as guaranteed investment contract-GIC or collateralized investment agreement-CIA) is 3.00% (simple interest actual days elapsed over a 365 day year).

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

The carrying amount of deposits and investments is as follows:

Deposits - including fiduciary funds of \$157,558	\$	2,537,104
Investments		2,045,193
	\$	4,582,297

The above amounts are reported in the financial statements as follows:

Cash - district-wide	\$	2,199,941
Investments - district-wide		2,147,121
Restricted cash - capital projects		77,677
Cash - fiduciary funds		157,558
	\$	4,582,297

**WHITMORE LAKE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Governmental activities:				
Capital assets, not being depreciated				
Land	<u>\$ 1,218,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,218,065</u>
Capital assets, being depreciated:				
Buildings and improvements	50,418,534	189,739	-	50,608,273
Buses and other vehicles	733,664	82,427	-	816,091
Furniture and equipment	<u>1,231,484</u>	<u>126,471</u>	<u>-</u>	<u>1,357,955</u>
Total capital assets, being depreciated	<u>52,383,682</u>	<u>398,637</u>	<u>-</u>	<u>52,782,319</u>
Accumulated depreciation:				
Buildings and improvements	7,896,838	1,300,713	-	9,197,551
Buses and other vehicles	483,080	69,779	-	552,859
Furniture and equipment	<u>504,040</u>	<u>100,727</u>	<u>-</u>	<u>604,767</u>
Total accumulated depreciation	<u>8,883,958</u>	<u>1,471,219</u>	<u>-</u>	<u>10,355,177</u>
Net capital assets being depreciated	<u>43,499,724</u>	<u>(1,072,582)</u>	<u>-</u>	<u>42,427,142</u>
Net governmental capital assets	<u>\$ 44,717,789</u>	<u>\$(1,072,582)</u>	<u>\$ -</u>	<u>\$ 43,645,207</u>

Depreciation for the fiscal year ended June 30, 2009 amounted to \$1,471,219 and was not allocated.

**WHITMORE LAKE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 – DUE FROM OTHER GOVERNMENTAL UNITS

Receivables at June 30, 2009 consist of the following:

	Government wide
State aid	\$ 947,478
Federal revenue	646,508
Intermediate sources	2,415
Other	7,022
	\$ 1,603,423

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 6 - NOTE PAYABLE

On August 20, 2008 and May 1, 2009, the District issued short-term State School Aid Anticipation Notes in the amount of \$2,200,000 and \$1,500,000, respectively. The notes have an interest rate of 1.63% and 3%, respectively. The District has \$1,916,451 of funds on deposit with a financial institution, which are included in investments on the general fund balance sheet, to be applied against the \$2,200,000 note. The notes are secured by the full faith and credit of the District as well as pledged state aid. The June 30, 2009 outstanding balances will be repaid on August 20, 2009.

Balance June 30, 2008	Additions	Payments	Balance June 30, 2009
\$ 1,800,000	\$ 3,700,000	\$ 1,800,000	\$ 3,700,000

**WHITMORE LAKE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT

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

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2009:

	Bonded debt	School bond loan and school revolving funds	Accumulated compensated absences	Early retirement incentive	Total
Balance, July 1, 2008	\$ 52,416,530	\$ 6,515,003	\$ 140,542	\$ 30,999	\$ 59,072,075
Addition	-	1,460,774	13,625	-	1,474,399
Deletions	1,849,362	-	-	30,999	1,849,362
Balance, June 30, 2009	50,567,168	7,975,777	154,167	-	58,697,112
Less current portion	1,819,462	-	15,417	-	1,834,879
Total due after one year	<u>\$ 48,747,706</u>	<u>\$ 7,975,777</u>	<u>\$ 138,750</u>	<u>\$ -</u>	<u>\$ 56,862,233</u>

Borrowing from the State of Michigan - The school bond loans payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rates ranging from 4.29875% - 6.10443% for the School Loan Revolving Fund notes and 4.125% - 6.125% for the School Bond Loan Fund notes have been assessed for the year ended June 30, 2009. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.25 mills. The school district is required to levy 7.25 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. Currently the District levies 7.25 mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the above amortization schedule.

**WHITMORE LAKE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (Continued)

Long-term obligation debt at June 30, 2009 is comprised of the following:

\$5,550,000 Refunding Bonds dated March 27, 2002, due in annual installments of \$415,000 to \$440,000 through May 1, 2014; interest at 4.0% to 4.5%, payable semi-annually.	\$ 2,130,000
\$47,750,000 School Building and Site Bonds dated August 7, 2003, due in annual installments of \$1,125,000 to \$2,425,000 through May 1, 2033; interest at 3.25% to 5.25%, payable semi-annually.	20,725,000
\$4,955,000 Refunding Bonds dated December 14, 2004, due in annual installments of \$215,000 to \$270,000 through May 1, 2026; interest at 3.25% to 4.60%, payable semi-annually.	4,195,000
\$8,795,000 Refunding Bonds dated December 29, 2005, due in annual installments of \$100,000 to \$1,970,000 through May 1, 2024; interest at 4.0% to 4.10%, payable semi-annually.	8,795,000
\$8,695,000 Refunding Bonds dated November 3, 2006, due in annual installments of \$60,000 to \$2,225,000 through May 1, 2028; interest at 4% to, payable semi-annually.	8,695,000
\$6,455,000 Refunding Bonds dated November 9, 2007, due in annual installments of \$30,000 to \$1,620,000 through May 1, 2028; interest at 4.0% to 5.25%, payable semi-annually.	6,430,000
Less: deferred amount on bond refunding	(1,273,451)
Plus: premium on bond issuance	<u>808,507</u>
	50,505,056
Limited obligation (Durant) serial bonds due in annual installments of \$14,462 to \$16,627 through May 15, 2013; interest at 4.76% due annually.	<u>62,112</u>
Total bonded debt	50,567,168
Borrowing from the State of Michigan under the School Bond Loan Fund, including interest at 5.75% at June 30, 2009	1,755,984
Borrowing from the State of Michigan under the School Loan Revolving Fund, including interest at 5.768% at June 30, 2009	6,219,793
Obligation under contract for compensated absences	<u>154,167</u>
Total general long-term debt	<u><u>\$58,697,112</u></u>

**WHITMORE LAKE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (Concluded)

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 4.13% to 6.22%. The loan and interest balance at June 30, 2009 was \$6,515,754 and \$1,460,023, respectively.

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2009, \$22,300,000 of bonds outstanding are considered defeased.

The annual requirement to amortize debt outstanding as of June 30, 2009, including interest payments of \$29,580,437 are as follows:

Year ending June 30,	Principal	Interest	Total
2010	\$ 1,819,462	\$ 2,173,208	\$ 3,992,670
2011	1,880,151	2,110,443	3,990,594
2012	1,920,872	2,038,718	3,959,590
2013	1,956,627	1,961,454	3,918,081
2014	1,985,000	1,882,024	3,867,024
2015 - 2019	9,355,000	8,237,002	17,592,002
2020 - 2024	10,980,000	6,174,997	17,154,997
2025 - 2029	11,610,000	3,837,780	15,447,780
2030 - 2033	9,525,000	1,164,811	10,689,811
	51,032,112	29,580,437	80,612,549
Due to the school bond loan fund	1,755,984	-	1,755,984
Due to the school loan revolving fund	6,219,794	-	6,219,794
Deferred amount on bond refunding	(1,273,452)	-	(1,273,452)
Unamortized premium on bond issuance	808,507	-	808,507
Accumulated compensated absences	154,167	-	154,167
	<u>\$ 58,697,112</u>	<u>\$ 29,580,437</u>	<u>\$ 88,277,549</u>

**WHITMORE LAKE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2009 are as follows:

Receivable fund		Payable fund	
General	\$ 13,895	General	\$ 60,722
2002 debt	10,309	Capital Projects	658
2003 debt	51,538	2002 debt	17,689
2004 debt	6,569	2003 debt	2
2005 debt	3,835	2004 debt	1,177
2006 debt	3,834	2005 debt	7,426
2007 debt	3,504	2006 debt	5,485
		2007 debt	325
	\$ 93,484		\$ 93,484

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

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members joining the system on or after July 1, 2008 contribute at the following graduated rate: 3% of the first \$5,000, 3.6% of \$5,001 through \$15,000 and 6.4% of all wages over \$15,000.

**WHITMORE LAKE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2009, was 16.72% of payroll through September 30, 2008 and decreased to 16.54% for October 1, 2008 through June 30, 2009. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2009, 2008, and 2007 were \$1,174,220, \$1,187,442 and \$1,263,930, respectively, and were equal to the required contribution for those years.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension.

The District is not responsible for the payment of retirement benefits or post-employment benefits which is the responsibility of the State of Michigan.

NOTE 10 - RISK MANAGEMENT

The District participates in a pool, the MASB SET-SEG Property and Casualty Pool, with other school districts for boiler, property, fleet, casualty, crime, data processing, and errors and omissions insurance. 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 SET-SEG Self-Insured Workers' 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 claims filed against the pool nor do they have any rights to dividends.

**WHITMORE LAKE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - TRANSFERS

The general fund transferred \$116,291 to the athletic fund during the current fiscal year. The transfer to the athletic fund was to subsidize operations. The food service fund transferred \$17,451 to the general fund during the current fiscal year for indirect cost reimbursements.

NOTE 12 - SUBSEQUENT EVENTS

The District has approved borrowing \$3,495,000 for fiscal year 2010 to replace the notes payable as described in Note 6.

NOTE 13 - THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

During the year ended June 30, 2009 the District received \$452,162 of ARRA funds to off-set a shortage in the State of Michigan foundation funding. It is uncertain if the District will receive ARRA funds in the future.

REQUIRED SUPPLEMENTARY INFORMATION

**WHITMORE LAKE PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2009**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
REVENUES:				
Local sources	\$ 2,604,795	\$ 2,498,616	\$ 2,525,977	\$ 27,361
State sources	7,482,808	7,502,287	7,078,387	(423,900)
Federal sources	601,323	744,607	1,093,244	348,637
Incoming transfers and other	1,085,116	1,161,318	1,158,759	(2,559)
Total revenues	<u>11,774,042</u>	<u>11,906,828</u>	<u>11,856,367</u>	<u>(50,461)</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	5,306,136	5,485,844	5,529,259	(43,415)
Added needs	1,267,942	1,084,127	1,029,838	54,289
Total instruction	<u>6,574,078</u>	<u>6,569,971</u>	<u>6,559,097</u>	<u>10,874</u>
Supporting services:				
Pupil	1,083,577	1,316,239	1,281,861	34,378
Instructional staff	251,887	340,250	309,969	30,281
General administration	452,553	401,103	366,612	34,491
School administration	633,626	651,609	650,441	1,168
Business	313,496	385,114	355,038	30,076
Operation/maintenance	1,474,002	1,367,122	1,269,121	98,001
Pupil transportation	567,093	499,766	486,294	13,472
Central	252,595	264,147	229,128	35,019
Total supporting services	<u>5,028,829</u>	<u>5,225,350</u>	<u>4,948,464</u>	<u>276,886</u>
Community services	147,870	147,882	147,959	(77)
Total expenditures	<u>11,750,777</u>	<u>11,943,203</u>	<u>11,655,520</u>	<u>287,683</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>23,265</u>	<u>(36,375)</u>	<u>200,847</u>	<u>237,222</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	-	17,451	17,451	-
Operating transfers to other funds	(114,858)	(116,234)	(116,291)	(57)
Total other financing sources (uses)	<u>(114,858)</u>	<u>(98,783)</u>	<u>(98,840)</u>	<u>(57)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (91,593)</u>	<u>\$ (135,158)</u>	<u>102,007</u>	<u>\$ 237,165</u>
FUND BALANCE:				
Beginning of year			<u>795,877</u>	
End of year			<u>\$ 897,884</u>	

ADDITIONAL INFORMATION

**WHITMORE LAKE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2009**

	Special revenue	Debt service	Total nonmajor governmental funds
ASSETS			
ASSETS:			
Cash and cash equivalents	\$ 190,748	\$ 430	\$ 191,178
Accounts receivable	18,728	-	18,728
Property taxes receivable	-	224,830	224,830
Due from other governmental units	8,513	-	8,513
Due from other funds	-	79,589	79,589
Inventories	33,574	-	33,574
	TOTAL ASSETS	\$ 304,849	\$ 556,412
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 14,223	\$ -	\$ 14,223
Accrued salaries and related items	6,019	-	6,019
Due to other funds	-	32,104	32,104
Deferred revenue	975	11,634	12,609
	TOTAL LIABILITIES	43,738	64,955
FUND BALANCES:			
Reserved for inventories	33,574	-	33,574
Reserved for debt service	-	261,111	261,111
Unreserved, undesignated	196,772	-	196,772
	TOTAL FUND BALANCES	261,111	491,457
	TOTAL LIABILITIES AND FUND BALANCES	\$ 304,849	\$ 556,412

**WHITMORE LAKE PUBLIC SCHOOLS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUND TYPES
 YEAR ENDED JUNE 30, 2009**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Total nonmajor governmental funds</u>
REVENUES:			
Local sources:			
Property taxes	\$ 225,549	\$ 2,704,901	\$ 2,930,450
Investment earnings	-	3,070	3,070
Food sales and admissions	461,141	-	461,141
Total local sources	686,690	2,707,971	3,394,661
State sources	15,344	117,043	132,387
Federal sources	232,648	-	232,648
Total revenues	<u>934,682</u>	<u>2,825,014</u>	<u>3,759,696</u>
EXPENDITURES:			
Current:			
Food service activities	518,176	-	518,176
Athletic activities	218,418	-	218,418
Community service activity	308,012	-	308,012
Capital outlay	1,764	-	1,764
Debt service:			
Principal repayment	-	1,849,362	1,849,362
Interest expense	-	2,281,447	2,281,447
Other expense	-	1,624	1,624
Total expenditures	<u>1,046,370</u>	<u>4,132,433</u>	<u>5,178,803</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(111,688)</u>	<u>(1,307,419)</u>	<u>(1,419,107)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from school bond loan fund	-	1,118,743	1,118,743
Operating transfers from other funds	116,291	-	116,291
Operating transfers to other funds	(17,451)	-	(17,451)
Total other financing sources	<u>98,840</u>	<u>1,118,743</u>	<u>1,217,583</u>
NET CHANGE IN FUND BALANCES	(12,848)	(188,676)	(201,524)
FUND BALANCES:			
Beginning of year	<u>243,194</u>	<u>449,787</u>	<u>692,981</u>
End of year	<u>\$ 230,346</u>	<u>\$ 261,111</u>	<u>\$ 491,457</u>

**WHITMORE LAKE PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009**

	Food Service	Athletic	Community Recreation	Totals
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 12,024	\$ 9,026	\$ 169,698	\$ 190,748
Accounts receivable	-	120	18,608	18,728
Due from other governmental units	8,513	-	-	8,513
Inventories	33,574	-	-	33,574
	TOTAL ASSETS	\$ 9,146	\$ 188,306	\$ 251,563
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 3,678	\$ 9,146	\$ 1,399	\$ 14,223
Accrued salaries and related items	-	-	6,019	6,019
Deferred revenue	-	-	975	975
	TOTAL LIABILITIES	9,146	8,393	21,217
FUND BALANCES:				
Reserved for inventories	33,574	-	-	33,574
Unreserved/undesignated	16,859	-	179,913	196,772
	TOTAL FUND BALANCES	-	179,913	230,346
	TOTAL LIABILITIES AND FUND BALANCES	\$ 9,146	\$ 188,306	\$ 251,563

**WHITMORE LAKE PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2009**

	<u>Food Service</u>	<u>Athletic</u>	<u>Community Recreation</u>	<u>Totals</u>
REVENUES:				
Sales	\$ 295,166	\$ -	\$ -	\$ 295,166
State aid	15,344	-	-	15,344
Federal aid	232,648	-	-	232,648
Property taxes	-	-	225,549	225,549
Other	-	102,127	63,848	165,975
	<u>543,158</u>	<u>102,127</u>	<u>289,397</u>	<u>934,682</u>
EXPENDITURES:				
Salaries	166,798	82,455	92,978	342,231
Benefits	54,978	28,637	30,691	114,306
Purchased services	13,343	77,510	16,194	107,047
Supplies and materials	278,894	22,969	167,587	469,450
Capital outlay	1,764	-	-	1,764
Other expenses	4,163	6,847	562	11,572
	<u>519,940</u>	<u>218,418</u>	<u>308,012</u>	<u>1,046,370</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>23,218</u>	<u>(116,291)</u>	<u>(18,615)</u>	<u>(111,688)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	-	116,291	-	116,291
Operating transfers to other funds	<u>(17,451)</u>	<u>-</u>	<u>-</u>	<u>(17,451)</u>
	<u>(17,451)</u>	<u>116,291</u>	<u>-</u>	<u>98,840</u>
NET CHANGE IN FUND BALANCES				
	5,767	-	(18,615)	(12,848)
FUND BALANCES:				
Beginning of year	<u>44,666</u>	<u>-</u>	<u>198,528</u>	<u>243,194</u>
End of year	<u>\$ 50,433</u>	<u>\$ -</u>	<u>\$ 179,913</u>	<u>\$ 230,346</u>

**WHITMORE LAKE PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009**

ASSETS	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Total Nonmajor</u>
ASSETS:							
Cash and cash equivalents	\$ 5	\$ 41	\$ 29	\$ 52	51	\$ 252	\$ 430
Due from other governmental units	38,454	121,873	24,499	13,955	13,645	12,404	224,830
Due from other governmental funds	<u>10,309</u>	<u>51,538</u>	<u>6,569</u>	<u>3,835</u>	<u>3,834</u>	<u>3,504</u>	<u>79,589</u>
TOTAL ASSETS	<u>\$ 48,768</u>	<u>\$ 173,452</u>	<u>\$ 31,097</u>	<u>\$ 17,842</u>	<u>\$ 17,530</u>	<u>\$ 16,160</u>	<u>\$ 304,849</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Deferred revenue	\$ 1,990	\$ 6,306	\$ 1,268	\$ 722	\$ 706	\$ 642	\$ 11,634
Due to other governmental funds	<u>17,689</u>	<u>2</u>	<u>1,177</u>	<u>7,426</u>	<u>5,485</u>	<u>325</u>	<u>32,104</u>
TOTAL LIABILITIES	19,679	6,308	2,445	8,148	6,191	967	43,738
FUND BALANCES:							
Reserved for debt service	<u>29,089</u>	<u>167,144</u>	<u>28,652</u>	<u>9,694</u>	<u>11,339</u>	<u>15,193</u>	<u>261,111</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 48,768</u>	<u>\$ 173,452</u>	<u>\$ 31,097</u>	<u>\$ 17,842</u>	<u>\$ 17,530</u>	<u>\$ 16,160</u>	<u>\$ 304,849</u>

**WHITMORE LAKE PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2009**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Durant</u>	<u>Total Nonmajor</u>
REVENUES:								
Local sources:								
Property taxes	\$ 462,554	\$ 1,466,000	\$ 294,692	\$ 167,957	\$ 164,308	\$ 149,390	\$ -	\$ 2,704,901
Interest	341	2,268	217	120	120	4	-	3,070
State sources	-	-	-	-	-	-	117,043	117,043
Total revenues	<u>462,895</u>	<u>1,468,268</u>	<u>294,909</u>	<u>168,077</u>	<u>164,428</u>	<u>149,394</u>	<u>117,043</u>	<u>2,825,014</u>
EXPENDITURES:								
Redemption of bonds	440,000	1,075,000	225,000	-	-	25,000	84,362	1,849,362
Interest on bonded debt	107,750	980,888	178,608	355,469	347,431	278,620	32,681	2,281,447
Other	250	226	224	400	199	325	-	1,624
Total expenditures	<u>548,000</u>	<u>2,056,114</u>	<u>403,832</u>	<u>355,869</u>	<u>347,630</u>	<u>303,945</u>	<u>117,043</u>	<u>4,132,433</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES								
	<u>(85,105)</u>	<u>(587,846)</u>	<u>(108,923)</u>	<u>(187,792)</u>	<u>(183,202)</u>	<u>(154,551)</u>	<u>-</u>	<u>(1,307,419)</u>
OTHER FINANCING SOURCES:								
Proceeds from school loan revolving fund	<u>78,186</u>	<u>398,896</u>	<u>104,571</u>	<u>186,002</u>	<u>181,669</u>	<u>169,419</u>	<u>-</u>	<u>1,118,743</u>
NET CHANGE IN FUND BALANCES	<u>(6,919)</u>	<u>(188,950)</u>	<u>(4,352)</u>	<u>(1,790)</u>	<u>(1,533)</u>	<u>14,868</u>	<u>-</u>	<u>(188,676)</u>
FUND BALANCES:								
Beginning of year	<u>36,008</u>	<u>356,094</u>	<u>33,004</u>	<u>11,484</u>	<u>12,872</u>	<u>325</u>	<u>-</u>	<u>449,787</u>
End of year	<u>\$ 29,089</u>	<u>\$ 167,144</u>	<u>\$ 28,652</u>	<u>\$ 9,694</u>	<u>\$ 11,339</u>	<u>\$ 15,193</u>	<u>\$ -</u>	<u>\$ 261,111</u>

**WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2009**

\$5,550,000 Refunding Bonds issued March 2002:

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 425,000	\$ 45,075	\$ 45,075	2010	\$ 515,150
440,000	36,575	36,575	2011	513,150
430,000	27,555	27,555	2012	485,110
420,000	18,525	18,525	2013	457,050
<u>415,000</u>	<u>9,337</u>	<u>9,338</u>	2014	<u>433,675</u>
<u>\$ 2,130,000</u>	<u>\$ 137,067</u>	<u>\$ 137,068</u>		<u>\$ 2,404,135</u>

**WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2009**

\$47,750,000 School Building and Site Bonds issued August 7, 2003:

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 1,125,000	\$ 463,569	\$ 463,569	2010	\$ 2,052,138
1,175,000	445,288	445,288	2011	2,065,576
1,225,000	423,256	423,256	2012	2,071,512
1,275,000	398,756	398,756	2013	2,072,512
1,325,000	373,256	373,256	2014	2,071,512
1,375,000	346,756	346,756	2015	2,068,512
1,425,000	319,256	319,256	2016	2,063,512
-	290,756	290,756	2017	581,512
-	290,756	290,756	2018	581,512
-	290,756	290,756	2019	581,512
-	290,756	290,756	2020	581,512
-	290,756	290,756	2021	581,512
-	290,756	290,756	2022	581,512
-	290,756	290,756	2023	581,512
-	290,756	290,756	2024	581,512
-	290,756	290,756	2025	581,512
-	290,756	290,756	2026	581,512
-	290,756	290,756	2027	581,512
-	290,756	290,756	2028	581,512
2,275,000	290,756	290,756	2029	2,856,512
2,325,000	233,881	233,881	2030	2,792,762
2,375,000	175,756	175,756	2031	2,726,512
2,400,000	116,381	116,381	2032	2,632,762
2,425,000	56,381	56,381	2033	2,537,762
<u>\$ 20,725,000</u>	<u>\$ 7,132,364</u>	<u>\$ 7,132,364</u>		<u>\$ 34,989,728</u>

**WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2009**

\$4,955,000 Refunding Bonds issued December 14, 2004:

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 225,000	\$ 85,928	\$ 85,929	2010	\$ 396,857
220,000	82,272	82,273	2011	384,545
220,000	78,422	78,423	2012	376,845
215,000	74,297	74,298	2013	363,595
215,000	70,266	70,267	2014	355,533
260,000	65,966	65,967	2015	391,933
260,000	60,766	60,766	2016	381,532
260,000	55,566	55,567	2017	371,133
255,000	50,366	50,367	2018	355,733
255,000	45,266	45,267	2019	345,533
250,000	40,006	40,007	2020	330,013
250,000	34,694	34,695	2021	319,389
245,000	29,319	29,319	2022	303,638
270,000	23,960	23,961	2023	317,921
265,000	18,020	18,021	2024	301,041
265,000	12,057	12,059	2025	289,116
265,000	5,962	5,964	2026	276,926
<u>\$ 4,195,000</u>	<u>\$ 833,133</u>	<u>\$ 833,150</u>		<u>\$ 5,861,283</u>

**WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2009**

\$8,795,000 Refunding Bonds issued December 29, 2005.

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ -	\$ 177,842	\$ 177,843	2010	\$ 355,685
-	177,842	177,843	2011	355,685
-	177,842	177,843	2012	355,685
-	177,842	177,843	2013	355,685
-	177,842	177,843	2014	355,685
100,000	177,842	177,843	2015	455,685
100,000	175,842	17,843	2016	293,685
100,000	173,842	173,843	2017	447,685
100,000	171,842	171,843	2018	443,685
100,000	169,842	169,843	2019	439,685
745,000	167,842	167,843	2020	1,080,685
1,805,000	152,942	152,943	2021	2,110,885
1,860,000	116,842	116,843	2022	2,093,685
1,915,000	79,642	79,643	2023	2,074,285
1,970,000	40,385	40,385	2024	2,050,770
<u>\$ 8,795,000</u>	<u>\$ 2,316,073</u>	<u>\$ 2,158,087</u>		<u>\$ 13,269,160</u>

**WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2009**

\$8,695,000 Refunding Bonds issued November 3, 2006.

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ -	\$ 173,900	\$ 173,900	2010	\$ 347,800
-	173,900	173,900	2011	347,800
-	173,900	173,900	2012	347,800
-	173,900	173,900	2013	347,800
-	173,900	173,900	2014	347,800
-	173,900	173,900	2015	347,800
-	173,900	173,900	2016	347,800
-	173,900	173,900	2017	347,800
-	173,900	173,900	2018	347,800
-	173,900	173,900	2019	347,800
60,000	173,900	173,900	2020	407,800
80,000	172,700	172,700	2021	425,400
85,000	171,100	171,100	2022	427,200
90,000	169,400	169,400	2023	428,800
90,000	167,600	167,600	2024	425,200
2,135,000	165,800	165,800	2025	2,466,600
2,195,000	123,100	123,100	2026	2,441,200
2,225,000	79,200	79,200	2027	2,383,400
1,735,000	34,700	34,700	2028	1,804,400
<u>\$ 8,695,000</u>	<u>\$ 2,996,500</u>	<u>\$ 2,996,500</u>		<u>\$ 14,688,000</u>

**WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2009**

\$6,455,000 Refunding Bonds issued November 9, 2007.

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 30,000	\$ 138,810	\$ 138,810	2010	\$ 307,620
30,000	138,210	138,210	2011	306,420
30,000	137,610	137,610	2012	305,220
30,000	137,010	137,010	2013	304,020
30,000	136,410	136,410	2014	302,820
35,000	135,810	135,810	2015	306,620
35,000	135,110	135,110	2016	305,220
1,510,000	134,410	134,410	2017	1,778,820
1,565,000	94,772	94,773	2018	1,754,545
1,620,000	63,472	63,473	2019	1,746,945
1,000,000	31,072	31,073	2020	1,062,145
-	11,072	11,073	2021	22,145
-	11,072	11,073	2022	22,145
-	11,072	11,073	2023	22,145
-	11,072	11,073	2024	22,145
-	11,072	11,073	2025	22,145
-	11,072	11,073	2026	22,145
-	11,072	11,073	2027	22,145
515,000	11,072	11,073	2028	537,145
<u>\$ 6,430,000</u>	<u>\$ 1,371,272</u>	<u>\$ 1,371,283</u>		<u>\$ 9,172,555</u>

**WHITMORE LAKE PUBLIC SCHOOLS
SCHEDULE OF INSTALLMENT NOTE PAYABLE
JUNE 30, 2009**

Durant Bond – issued on November 24, 1998

Principal due May 15,	Interest due May 15,	Debt service requirement for fiscal year June 30,	Amount
\$ 14,462	\$ 2,958	2010	\$ 17,420
15,151	2,269	2011	17,420
15,872	1,547	2012	17,419
16,627	792	2013	17,419
\$ 62,112	\$ 7,566		\$ 69,678

This bond is not subject to redemption prior to maturity by the District and the District hereby covenants that it will not issue any other bonds or obligations for the purpose of refunding this bond. The 4.76% interest rates payable on this bond may be adjusted in the sole discretion of the Authority provided that no interest rate shall exceed the maximum rate permitted by law and no interest rate adjustment which causes the total interest payable on this bond to increase shall be permitted.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the District (the “State Aid Payments”). The District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the District and does not constitute an indebtedness of the District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority’s depository.

WHITMORE LAKE PUBLIC SCHOOLS
ADDITIONAL REPORTS REQUIRED BY
OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2009

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**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

We have audited the 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, 2009, which collectively comprise of Whitmore Lake Public Schools' basic financial statements and have issued our report thereon dated October 14, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Whitmore Lake Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Whitmore Lake Public Schools' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2009-01 and 2009-02 to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, the significant deficiencies described above as 2009-01 and 2009-02, we consider to be a material weakness.

Compliance and Other matters

As part of obtaining reasonable assurance about whether Whitmore Lake Public Schools' 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Whitmore Lake Public Schools in a separate letter dated October 14, 2009.

Whitmore Lake Public Schools' response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs corrective action plan. We did not audit Whitmore Lake Public Schools' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maney Costeiran PC

October 14, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Whitmore Lake Public Schools

Compliance

We have audited the compliance of Whitmore Lake Public Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. Whitmore Lake Public Schools' major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Whitmore Lake Public Schools' management. Our responsibility is to express an opinion on Whitmore Lake Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Whitmore Lake Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Whitmore Lake Public Schools' compliance with those requirements.

In our opinion, Whitmore Lake Public Schools complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Whitmore Lake Public Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Whitmore Lake Public Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of Whitmore Lake Public Schools' internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the 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, 2009, and have issued our report thereon dated October 14, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Whitmore Lake Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such 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.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maney Costeiran PC

October 14, 2009

**WHITMORE LAKE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 7/1/2008	Prior years expenditures (memorandum only)	Adjustments	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/2009
U.S. Department of Agriculture:									
Passed through the Michigan Department Education:									
Child Nutrition Cluster:									
Non-cash assistance (commodities):									
National School Lunch Program	10.555	081140	\$ 21,301	\$ -	\$ -	\$ -	\$ 21,301	\$ 21,301	\$ -
Cash assistance:									
School Breakfast Program	10.553	091970	4,050	-	-	-	4,050	4,050	-
		091970	37,680	-	-	-	37,680	37,680	-
			41,730	-	-	-	41,730	41,730	-
National School Lunch	10.555	081950	2,950	-	-	-	2,950	2,950	-
		091950	23,174	-	-	-	23,174	23,174	-
		081960	13,037	-	-	-	13,037	13,037	-
		81965	83	-	-	-	83	83	-
		091960	111,631	-	-	-	111,631	111,631	-
			150,875	-	-	-	150,875	150,875	-
Total Child Nutrition Cluster			213,906	-	-	-	213,906	213,906	-
Child Care Food Program	10.558	081920	1,451	-	-	-	1,451	1,451	-
		082010	85	-	-	-	85	85	-
		091920	16,250	-	-	-	16,250	16,250	-
		092010	956	-	-	-	956	956	-
Total Child Care Food Program			18,742	-	-	-	18,742	18,742	-
Total U.S. Department of Agriculture			232,648	-	-	-	232,648	232,648	-

The accompanying notes are an integral part of this schedule.

**WHITMORE LAKE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 7/1/2008	Prior years expenditures (memorandum only)	Adjustments	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/2009
U.S. Department of Education:									
Passed through the Michigan Department of Education:									
Title I	84.010	081530/0708	\$ 69,654	\$ -	\$ 59,047	\$ 2,072	\$ 9,532	\$ 7,460	\$ -
		091530/0809	129,361	-	-	-	57,872	105,926	48,054
Total Title I			199,015	-	59,047	2,072	67,404	113,386	48,054
Improving Teacher Quality	84.367	080520-0708	51,741	-	13,308	-	774	774	-
		090520-0809	80,832	-	-	-	27,046	58,684	31,638
Total Improving Teach Quality			132,573	-	13,308	-	27,820	59,458	31,638
State Fiscal Stabilization Fund (ARRA)	84.394	090520-0809	452,162	-	-	-	-	452,162	452,162
Total passed through Michigan Department of Education			783,750	-	72,355	2,072	95,224	625,006	531,854
Passed through Washtenaw Intermediate School District:									
Special Education IDEA Flow-through	84.027	080450-0708	279,891	25,655	25,655	-	25,655	-	-
		090450-0809	321,368	-	-	-	202,683	283,060	80,377
Total Special Education IDEA Flow-through			601,259	25,655	25,655	-	228,338	283,060	80,377

The accompanying notes are an integral part of this schedule.

**WHITMORE LAKE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 7/1/2008	Prior years expenditures (memorandum only)	Adjustments	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/2009
<u>U.S. Department of Education (Concluded):</u>									
Passed through Washtenaw Intermediate School District (Concluded):									
Special Education IDEA Preschool	84.173	090460-0809	\$ 14,321	\$ -	\$ -	\$ -	\$ 8,262	\$ 14,288	\$ 6,026
Special Education Early On	84.181		13,936	-	-	-	6,253	13,936	7,683
Total passed through Washtenaw Intermediate School District			<u>629,516</u>	<u>25,655</u>	<u>25,655</u>	<u>-</u>	<u>242,853</u>	<u>311,284</u>	<u>94,086</u>
Passed through Livingston Educational Services Agency:									
Safe and Drug Free Schools	84.186A	092860-0809	2,750	-	-	-	-	1,349	1,349
Total U.S. Department of Education			<u>1,416,016</u>	<u>25,655</u>	<u>98,010</u>	<u>2,072</u>	<u>338,077</u>	<u>937,639</u>	<u>627,289</u>
<u>U.S. Department of Health and Human Services:</u>									
Passed through Washtenaw County:									
Head Start	93.600	2007-08	181,366	10,260	181,366	-	10,260	-	-
		2008-09	180,292	-	-	-	153,533	172,752	19,219
Total Head Start			<u>361,658</u>	<u>10,260</u>	<u>181,366</u>	<u>-</u>	<u>163,793</u>	<u>172,752</u>	<u>19,219</u>
Total U.S. Department of Health and Human Services			<u>361,658</u>	<u>10,260</u>	<u>181,366</u>	<u>-</u>	<u>163,793</u>	<u>172,752</u>	<u>19,219</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u><u>\$ 2,010,322</u></u>	<u><u>\$ 35,915</u></u>	<u><u>\$ 279,376</u></u>	<u><u>\$ 2,072</u></u>	<u><u>\$ 734,518</u></u>	<u><u>\$ 1,343,039</u></u>	<u><u>\$ 646,508</u></u>

The accompanying notes are an integral part of this schedule.

**WHITMORE LAKE PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009**

NOTES:

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Whitmore Lake Public Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. State Fiscal Stabilization Fund CFDA #84.394 was audited as a major program representing 34% of expenditures.
3. The threshold for distinguishing Types A and B programs was \$300,000.
4. Management has utilized the Grant Section Auditors' Report (Form R7120) and the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 1,093,244
Other nonmajor governmental funds	<u>232,648</u>
	1,325,892
Add: deferred revenue for amounts not available	19,219
Less: adjustments	<u>(2,072)</u>
	<u>\$ 1,343,039</u>

6. Federal Commodities

Entitlement	\$ 20,870
Bonus	<u>431</u>
Total	<u><u>\$ 21,301</u></u>

7. An adjustment for \$2,072 was required to CFDA #84.010 to record \$2,072 of additional expenditures not reported on the prior year SEFA.

**WHITMORE LAKE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes X None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.394	State Fiscal Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes No

**WHITMORE LAKE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

Section II – Financial Statement Findings

Finding 2009-1 Material weakness

Criteria: During the year, month-end reconciliations of primary bank accounts were not completed in a timely manner.

Condition: During the year, primary cash accounts were not adjusted and reviewed monthly.

Context: During the year the school district hired a new full-time business manager. She immediately began to improve the accounting records. Because of the back-log all accounts were not reconciled in a timely manner.

Effect: Inaccurate interim financial information may be used for management decisions and reporting.

Cause: Completion of reconciliations, primarily in the area of cash was not completed.

Recommendation: The District should implement month-end procedures to appropriately reconcile primary accounts on a timely basis. This will improve the accuracy of interim reporting. At June 30, 2009 all of these accounts were reconciled.

Finding 2009-2 Material weakness

Criteria: A material audit adjustment was proposed by the external auditor and accepted and recorded by the client.

Condition: An adjustment was not made to accurately reflect the transactions taking place at year end.

Context: During the year, there was turnover in the business office. The new Business Manager was unfamiliar with certain transactions that were recorded.

Effect: Inaccurate financial information may be used for management decisions and reporting.

Cause: Lack of review by the staff and management of the accounting transactions that have occurred at year end.

Recommendation: The District should review year end transactions and record journal entries.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

**WHITMORE LAKE PUBLIC SCHOOLS
SCHEDULE OF PRIOR FINDINGS
YEAR ENDED JUNE 30, 2009**

Finding 2008-1 Significant deficiency

Condition: As part of the audit process, the District, as well as most governments, have historically relied on the independent auditors to assist in preparation of certain year-end adjusting journal entries and the government wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. It is more cost effective to outsource the preparation of the annual financial statements to the independent auditors than to incur the time and expense of having employees and/or management obtain the necessary training and expertise required to perform these tasks internally. Under the new auditing standards this is now a control deficiency that the District does not have the technical expertise to prepare the audited financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Criteria: Governmental entities are required to issue financial statements that are prepared in accordance with GAAP. Responsibility for the financial statements rests with the District's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Effect: The District relies, in part, on the independent auditors for assistance with preparation of the annual financial statements and related notes to the financial statements in accordance with GAAP. This reliance makes the independent auditors effectively part of the District's internal controls. By definition, independent auditors cannot be part of the District's internal controls.

Recommendation: We recommend the District consider providing the applicable employees with training that would allow them to attain the qualifications required to be able to complete the necessary year-end adjusting entries and fully understand the GAAP financial statement preparation process. Should the District choose not to address this issue, management and the Board should realize that an increased risk is present in not having the proper internal control over financial reporting.

Corrective Action Response: The District recently hired a new Business Manager that has the required qualifications, knowledge and experience to be able to complete all necessary year-end adjusting entries and fully understands the GAAP financial statement preparation process.

Status: The new business manager has the expertise to eliminate this comment.

**WHITMORE LAKE PUBLIC SCHOOLS
SCHEDULE OF PRIOR FINDINGS
YEAR ENDED JUNE 30, 2009**

Finding 2008-2 Significant deficiency

Unfavorable Budget Variances

Condition: During the review of the District's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for some activities in the General Fund. The District's budget was not amended as it became apparent that expenditures would exceed the amounts appropriated for these activities of the General Fund.

Criteria: The Uniform Budgeting and Accounting Act requires the District to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

Effect: The District is not compliance with Public Act 621 of 1978, as amended.

Recommendation: We recommend the District monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

Corrective Action Response: The Business Manager will exercise caution with determining the amounts for year end appropriation amendments to help assure compliance with the State statute.

Status: The new business manager has made the necessary year end appropriation amendments to eliminate this comment.

**WHITMORE LAKE PUBLIC SCHOOLS
CORRECTIVE ACTION PLAN
OCTOBER 14, 2009
CONTACT PERSON: JILL MINNICK
OVERSIGHT AGENCY: U.S. DEPARTMENT OF EDUCATION**

Whitmore Lake Public Schools respectfully submits the following corrective action plan for the year ended June 30, 2009.

Auditor: Maner Costerisan
2425 E. Grand River, Ave., Suite 1
Lansing, Michigan 48912

Audit Period: Year ended June 30, 2009

The finding from the June 30, 2009 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Finding - Financial statement audit

Finding 2009-1 Material weakness

Recommendation: The District should implement month-end procedures to appropriately reconcile primary accounts on a timely basis. This will improve the accuracy of interim reporting.

Action to be taken: We concur with the recommendation. We have worked diligently to resolve all issues. We are currently in the process of instituting month-end procedures.

Finding 2009-2 Material weakness

Recommendation: The new business manager should become familiar with certain accounting transactions. This will improve the accuracy of reporting.

Action to be taken: The business manager has gained the expertise to eliminate this comment.

October 14, 2009

To the Board of Education
Whitmore Lake Public Schools

In planning and performing our audit of the financial statements of Whitmore Lake Public Schools as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered Whitmore Lake Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 14, 2009 on the financial statements of Whitmore Lake Public Schools. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows.

Disaster Recovery Plan

The District does not have well defined, written disaster recovery procedures. The time to make contingency plans is before disaster strikes, so that all personnel will be aware of their responsibilities in the event of an emergency situation that precludes the use of the existing EDP facilities. We suggest that management develop a disaster recovery plan that includes, but is not limited to, the following matters:

- Location of, and access to, off-site storage
- A listing of all data files that would have to be obtained from the off-site storage location
- Identification of a back-up location (name and telephone number) with similar or compatible equipment for emergency processing (management should make arrangements for such back-up with another company, a computer vendor, or a service center; the agreement should be in writing)
- Responsibilities of various personnel in an emergency
- Priority of critical applications and reporting requirements during the emergency period

Electronic Record Retention Plan

The District does not have well defined, written electronic record retention procedures. It is important to recognize which data requires archiving and when data may be permanently deleted from your information systems. We suggest that management develop a record retention plan that includes, but is not limited to, the following matters:

- Determine the length of time records must remain available
- Determine how and where you will archive data
- Identify how long past personnel's files will be retained
- Determine who will be responsible for making decisions as to record retention
- Check your local and federal laws regarding documents that fall within these jurisdictions concerns.

Backup and Offsite Storage Plan

The District does not have well defined, written backup and offsite storage plan. It is important to recognize which data requires archiving placement in a safe location for permanent data to be stored.

- Backup copies of computer data files, programs, and operating systems are made daily, weekly, and monthly. However, these backup copies are kept in the computer room.
- One of the main reasons for creating backup files is to be able to recover data in the event of a disaster, such as fire or water damage.
- This objective is not served if backup files are not kept separate from the regular files.
- We recommend that daily backup files be stored in the fireproof safe in the controller's office. We further recommend that weekly, monthly, and year-end files be properly labeled and stored off premises in a fireproof vault.

Complex Password, Timeout and Changing Passwords

The District requires employees to use passwords to log into the network; however, password protocol has not been revised since passwords were introduced. We have the following recommendations for using passwords:

- Passwords should be at least six characters, preferably a combination of letters, numbers, and a symbol (such as a \$ or #). At least one character should be in uppercase.
- Passwords should not be obvious. For example, if the user name is the last name, the password should not be the person's first name.
- Every 90 days, the system should automatically request that the user reset the password.
- Passwords must not be reused within an 18 month-period
- Users should be locked out after three consecutive failed login attempts.

Statement No. 54 of the Governmental Accounting Standards Board

The GASB recently released this statement. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in

the committed and assigned classifications. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. Early implementation is encouraged. Fund balance reclassifications made to conform to the provisions of this Statement should be applied retroactively by restating fund balance for all prior periods presented.

We would be happy to discuss these changes in terminology with you to determine the appropriate allocation of fund balance in future years.

Uninsured Bank Deposits

During recent months, we have all heard the numerous issues involving the banking industry. Currently, it is our understanding there are limits to FDIC insured balances on interest bearing accounts and certain non interest bearing accounts may have no FDIC insurance limits. We are not investment advisors; however, we encourage you to meet with your investment representatives to review all of your options regarding surplus funds. We also recommend you review the District's investment policy to ensure it continues to satisfy your goals.

American Recovery & Reinvestment Act (ARRA) funds

For the year ending June 30, 2009 the District received a significant amount of federal stimulus funds (\$371.86 pupil). The amount to be received in the future depends on a number of factors. These amounts may be significant and require additional administrative reporting and oversight. The website ED.gov has additional information on using the ARRA funds.

We recommend you review your internal controls over federal funds as these new funds require additional accounting reporting and transparency.

Universal Service Fund (E-rate) Compliance

The Federal Communications Commission (FCC) is emphasizing audits of the E-Rate program. As part of their review they are requiring proof of compliance with the Child Internet Protection Act (CIPA). Some of the requirements are the adoption of an internet safety policy and hold at least one public hearing.

We recommend you review your policies and procedures in this area and work with your attorney to ensure compliance in this area.

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

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

Very truly yours,

Manes Costeiran PC

October 14, 2009

To the Finance Committee
Whitmore Lake Public Schools

We have audited the financial statements of Whitmore Lake Public Schools for the year ended June 30, 2009, and have issued our report thereon dated October 14, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

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

In planning and performing our audit, we considered Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirement that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Whitmore Lake Public Schools' financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Whitmore Lake Public Schools' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Whitmore Lake Public Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Whitmore Lake Public Schools' compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 20, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Whitmore Lake Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Management's estimate of the liability of the payout of employee compensated absences upon their retirement is based on expected payout. In addition, certain fixed assets were originally recorded using external appraisers estimates. Certain allocations on the statement of activities are based on estimates. We evaluated the key factors and assumptions used to develop the balance of compensated absences and value of fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive disclosures affecting the financial statements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. In our judgment, we proposed a material adjustment, this material adjustment indicated matters that could have a material effect on the District's financial reporting process. Management has corrected all such misstatements.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 14, 2009.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

This information is intended solely for the use of the Finance Committee, Board of Directors and management of Whitmore Lake Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Manes Costeiran PC