

WHITMORE LAKE PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2011

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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, 2011, 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, 2011 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.

As described in Notes 1 and 13 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2011, 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 xiii 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

September 19, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

During the 2010-11 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, 2011.

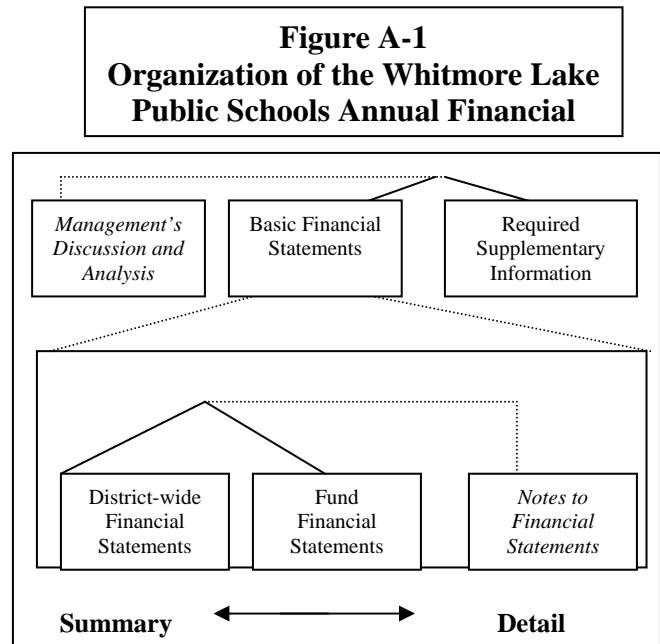
FINANCIAL HIGHLIGHTS

- Governmental funds revenues decreased 5.2 percent to \$14.6 million. Expenditures decreased 3.5 percent to \$15.8 million.
- General Fund revenues were \$11.3 million, \$378 thousand more than General Fund expenditures and transfers.
- Beginning July 1, 2010, the District adopted GASB 54. As a result, the athletic activities are now included in the general fund rather than a separate fund.
- State Aid Foundation Allowance decreased by \$170 per student to \$7,146.
- The District's fall student count decreased slightly to 1,171 pupils, a decrease of 36 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.

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 \$1,270,161 during the year. The combined net deficit was more on June 30, 2011, than the year before, increasing from \$14.6 million to \$15.9 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

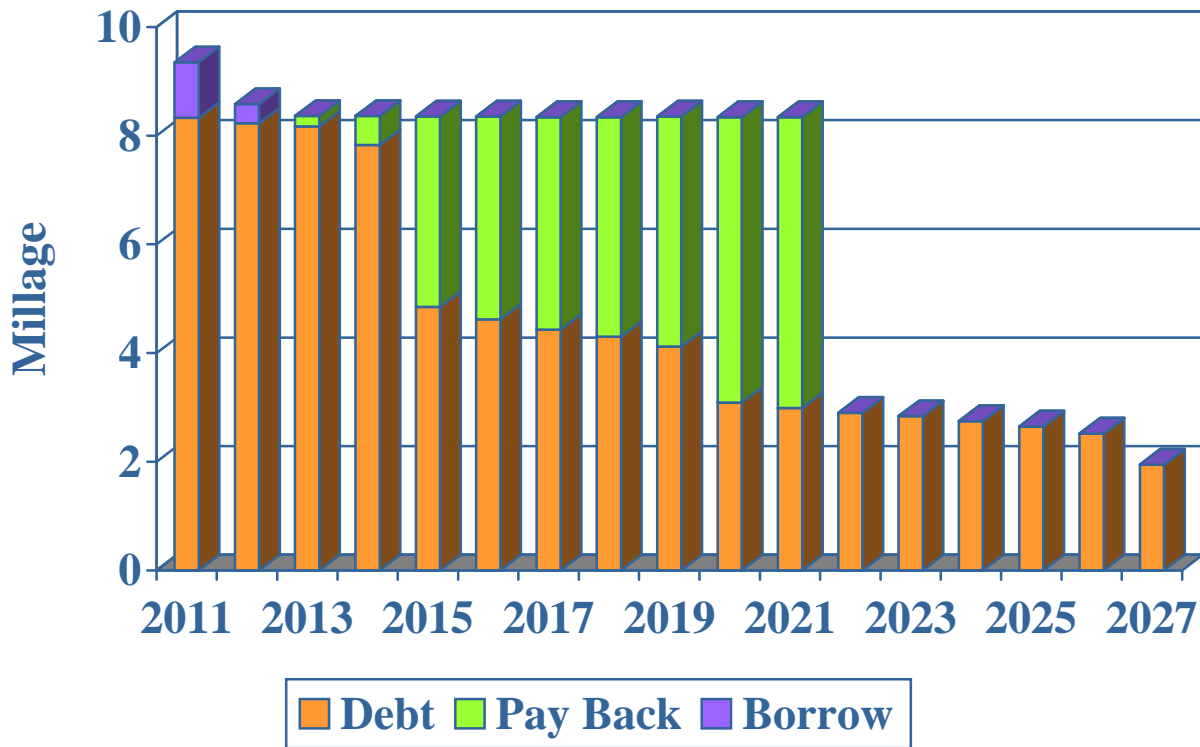


Table A-3		
Whitmore Lake Public Schools Net Assets		
	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 6,048,207	\$ 6,850,793
Capital assets, net of depreciation	41,175,544	42,610,966
Total assets	<u>47,223,751</u>	<u>49,461,759</u>
Current liabilities	6,052,837	7,307,522
Long-term debt outstanding	57,061,980	56,775,142
Total liabilities	<u>63,114,817</u>	<u>64,082,664</u>
Net assets (deficit):		
Invested in capital assets, net of related debt	(15,925,011)	(14,566,451)
Restricted	191,761	-
Unrestricted	(157,816)	(54,454)
Total net deficit	<u><u>\$ (15,891,066)</u></u>	<u><u>\$ (14,620,905)</u></u>

Table A-4		
Changes in Whitmore Lake Public Schools Net Assets		
	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 590,360	\$ 613,113
Federal and state categorical grants	1,402,144	1,354,797
General revenues:		
Property taxes	4,767,938	5,009,618
State aid - unrestricted	6,724,141	6,724,825
Federal ARRA sources - unrestricted	140,091	340,967
Intermediate sources	841,720	1,235,889
Investment earnings	9,564	18,109
Other	152,113	101,704
Total revenues	<u>14,628,071</u>	<u>15,399,022</u>
Expenses:		
Instruction	6,171,631	6,391,982
Support services	4,733,421	4,859,862
Community services	459,130	437,827
Food services	504,274	495,945
Athletics	-	210,732
Interest on long-term debt	2,545,180	2,616,588
Unallocated depreciation	1,484,596	1,495,929
Total expenses	<u>15,898,232</u>	<u>16,508,865</u>
Decrease in net assets	<u><u>\$ (1,270,161)</u></u>	<u><u>\$ (1,109,843)</u></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 decreased \$170 per student to \$7,146.
- Food Service operated at a decrease of \$12,957 on revenues of \$531,250.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported *combined* fund balances of \$2.3 million.

The General Fund's fund balance increased \$377,709 to \$1,665,922.

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 has been closed out as of June 30, 2011.

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 2010-11, 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 \$61 thousand. Budget amendments approved in November 2010 and June of 2011 called for budget deficit and surplus of \$416,170 and \$250,897 respectively. Actual revenues exceed actual expenditures by \$377,709 at year-end.

- Actual revenues were \$335,732 lower than budgeted. This variance in excess of the anticipated was due primarily to normal anticipated budget variances.
- Actual expenditures were \$438,660 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 \$23,884 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 2011, the District had invested over \$54.1 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 \$1.4 million.

	2011	2010
Land	\$ 1,218,065	\$ 1,218,065
Buildings and improvements	50,685,907	50,636,899
Buses and other vehicles	762,197	816,091
Furniture and equipment	1,404,973	1,395,360
Subtotal	54,071,142	54,066,415
Accumulated depreciation	13,271,471	11,851,106
Total	<u>\$ 40,799,671</u>	<u>\$ 42,215,309</u>

The District closed out the 2003 Capital Projects Bond Issue Fund during 2010-11.

Long-term Debt

At year-end the District had \$58.9 million in general obligation bonds and other long-term debt outstanding - a net increase of 0.3 percent from last year. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

	2011	2010
General obligation debts (financed with property taxes)	\$ 58.8	\$ 58.6
Other	0.1	0.1
Total	<u>\$ 58.9</u>	<u>\$ 58.7</u>

- The District continued to pay down its debt, retiring \$1.8 million of outstanding bonds.
- The District borrowed \$2.1 million from the School Bond Loan Fund during 2010-11. This leaves an outstanding SBLF balance of \$11.9 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 the following circumstances that could significantly affect its financial health in the future:

- The 2011-2012 foundation allowance will be much less than it was for the current year. The foundation allowance represents 48% of total District revenue.
- The District is plaintiff with other school districts in a lawsuit against the State, seeking to rectify inequities in the formula the State uses to apportion aid to the District.
- Health care costs have increased and retirement contributions increased to a new rate of 20.66%, effective November 1, 2010.
- ARRA funding - The District received approximately \$119/student of ARRA funding (\$140,091) during the 2010-2011 school year and will not receive ARRA funding in the future.\

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, 2011**

ASSETS	<u>Governmental activities</u>
CURRENT ASSETS:	
Cash and cash equivalents	\$ 1,736,451
Investments	1,631,756
Receivables:	
Accounts receivable	12,123
Taxes receivable	859,264
Due from other governmental units	1,641,016
Inventories	39,382
Prepaid expenditures	<u>128,215</u>
TOTAL CURRENT ASSETS	<u>6,048,207</u>
NONCURRENT ASSETS:	
Deferred charges, net of amortization	375,873
Capital assets	54,071,142
Less accumulated depreciation	<u>(13,271,471)</u>
TOTAL NONCURRENT ASSETS	<u>41,175,544</u>
TOTAL ASSETS	<u><u>\$ 47,223,751</u></u>

	Governmental activities
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 115,065
Accrued salaries and related items	1,003,958
Accrued interest	374,295
Deferred revenue	128,080
Notes payable	2,500,000
Current portion of long-term obligations	1,920,872
Current portion of compensated absences and termination benefits	10,567
	<hr/>
TOTAL CURRENT LIABILITIES	6,052,837
	<hr/>
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	56,966,879
Noncurrent portion of compensated absences and termination benefits	95,101
	<hr/>
TOTAL NONCURRENT LIABILITIES	57,061,980
	<hr/>
TOTAL LIABILITIES	63,114,817
	<hr/>
NET ASSETS:	
Invested in capital assets, net of related debt	(15,925,011)
Restricted for special revenue (food service)	33,399
Restricted for special revenue (community recreation)	78,421
Restricted for debt service	79,941
Unrestricted	(157,816)
	<hr/>
TOTAL NET ASSETS	(15,891,066)
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 47,223,751
	<hr/> <hr/>

**WHITMORE LAKE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 6,171,631	\$ 33,885	\$ 1,041,430	\$ (5,096,316)
Support services	4,733,421	86,635	92,314	(4,554,472)
Community services	459,130	207,271	-	(251,859)
Food services	504,274	262,569	268,400	26,695
Interest on long-term debt	2,545,180	-	-	(2,545,180)
Unallocated depreciation	1,484,596	-	-	(1,484,596)
Total governmental activities	<u>\$ 15,898,232</u>	<u>\$ 590,360</u>	<u>\$ 1,402,144</u>	<u>(13,905,728)</u>
General revenues:				
Property taxes, levied for general purposes				2,121,714
Property taxes, levied for debt service				2,444,470
Property taxes, levied for special purposes				201,754
Investment earnings				9,564
State sources - unrestricted				6,724,141
Federal ARRA sources -unrestricted				140,091
Intermediate sources				841,720
Other				<u>152,113</u>
Total general revenues				<u>12,635,567</u>
CHANGE IN NET ASSETS				(1,270,161)
NET ASSETS, beginning of year				<u>(14,620,905)</u>
NET ASSETS, end of year				<u><u>\$ (15,891,066)</u></u>

See notes to financial statements.

**WHITMORE LAKE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General fund</u>	<u>2003 Debt service fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 1,606,161	\$ 148	\$ 130,142	\$ 1,736,451
Investments	1,631,756	-	-	1,631,756
Receivables:				
Property taxes receivable	452,856	208,560	197,848	859,264
Accounts receivable	9,532	-	2,591	12,123
Due from other governmental units	1,637,505	-	3,511	1,641,016
Due from other funds	-	36,859	29,616	66,475
Inventories	-	-	39,382	39,382
Prepaid expenditures	128,215	-	-	128,215
TOTAL ASSETS	<u>\$ 5,466,025</u>	<u>\$ 245,567</u>	<u>\$ 403,090</u>	<u>\$ 6,114,682</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 98,102	\$ -	\$ 16,963	\$ 115,065
Accrued salaries and related items	997,075	-	6,883	1,003,958
Accrued interest	10,371	-	-	10,371
Due to other funds	66,475	-	-	66,475
Notes payable	2,500,000	-	-	2,500,000
Deferred revenue	128,080	-	-	128,080
TOTAL LIABILITIES	<u>3,800,103</u>	<u>-</u>	<u>23,846</u>	<u>3,823,949</u>

See notes to financial statements.

	<u>General fund</u>	<u>2003 Debt service fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
FUND BALANCES:				
Nonspendable:				
Inventories	\$ -	\$ -	\$ 39,382	\$ 39,382
Prepaid expenditures	128,215	-	-	128,215
Restricted for:				
Debt service	-	245,567	198,298	443,865
Capital projects	-	-	2	2
Food service	-	-	33,399	33,399
Community recreation	-	-	78,421	78,421
Assigned for:				
Deferred earned compensation	73,119	-	-	73,119
Curriculum	119,437	-	-	119,437
Athletics	20,915	-	-	20,915
Compensated absences	105,668	-	-	105,668
Subsequent year expenditures	788,298	-	29,742	818,040
Capital asset replacement	100,000	-	-	100,000
Unassigned	330,270	-	-	330,270
TOTAL FUND BALANCES	<u>1,665,922</u>	<u>245,567</u>	<u>379,244</u>	<u>2,290,733</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,466,025</u>	<u>\$ 245,567</u>	<u>\$ 403,090</u>	<u>\$ 6,114,682</u>
Total governmental fund balances				\$ 2,290,733
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>(111,423)</u>	375,873
Capital assets used in governmental activities are not financial resources and are not reported in the funds				
The cost of the capital assets is			54,071,142	
Accumulated depreciation is			<u>(13,271,471)</u>	40,799,671
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
Bonds payable				(58,887,751)
Compensated absences and termination benefits				(105,668)
Accrued interest is not included as a liability in government funds, it is recorded when paid				<u>(363,924)</u>
Net assets of governmental activities				<u>\$ (15,891,066)</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, 2011**

	<u>General fund</u>	<u>2003 Debt service fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES:				
Local sources:				
Property taxes	\$ 2,121,109	\$ 1,355,315	\$ 1,290,909	\$ 4,767,333
Tuition	137,789	-	-	137,789
Investment earnings	8,966	155	443	9,564
Food sales	-	-	364,018	364,018
Athletics	86,635	-	-	86,635
Other	141,022	-	-	141,022
Total local revenues	<u>2,495,521</u>	<u>1,355,470</u>	<u>1,655,370</u>	<u>5,506,361</u>
State sources	6,952,245	-	38,741	6,990,986
Federal sources	1,028,311	-	247,079	1,275,390
Incoming transfers and other	855,334	-	-	855,334
Total revenues	<u>11,331,411</u>	<u>1,355,470</u>	<u>1,941,190</u>	<u>14,628,071</u>
EXPENDITURES:				
Current:				
Instruction	6,198,802	-	-	6,198,802
Supporting services	4,688,654	-	-	4,688,654
Food service activities	-	-	496,962	496,962
Community service activities	91,179	-	368,137	459,316
Capital outlay	-	-	26,375	26,375

See notes to financial statements.

	<u>General fund</u>	<u>2003 Debt service fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
EXPENDITURES (Concluded):				
Debt service:				
Principal repayment	\$ -	\$ 1,175,000	\$ 705,151	\$ 1,880,151
Interest	-	890,575	1,219,869	2,110,444
Other	-	225	1,200	1,425
Total expenditures	<u>10,978,635</u>	<u>2,065,800</u>	<u>2,817,694</u>	<u>15,862,129</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>352,776</u>	<u>(710,330)</u>	<u>(876,504)</u>	<u>(1,234,058)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from school loan revolving fund	-	826,870	911,862	1,738,732
Transfers from other funds	39,933	-	15,000	54,933
Transfers to other funds	(15,000)	-	(39,933)	(54,933)
Total other financing sources (uses)	<u>24,933</u>	<u>826,870</u>	<u>886,929</u>	<u>1,738,732</u>
NET CHANGE IN FUND BALANCES				
	377,709	116,540	10,425	504,674
FUND BALANCES:				
Beginning of year, as restated (see Note 13)	<u>1,288,213</u>	<u>129,027</u>	<u>368,819</u>	<u>1,786,059</u>
End of year	<u>\$ 1,665,922</u>	<u>\$ 245,567</u>	<u>\$ 379,244</u>	<u>\$ 2,290,733</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, 2011**

Net change in fund balances total governmental funds	\$ 504,674
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	(1,484,596)
Capital outlay	68,958
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	352,066
Accrued interest payable, end of the year	(363,924)
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	(1,738,732)
Payments on debt	1,880,151
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)	(95,689)
Long-term interest on school loan revolving fund (accrued)	(326,864)
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	105,707
Accrued compensated absences and termination benefits, end of the year	(105,668)
Change in net assets of governmental activities	\$ (1,270,161)

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.

**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 District first utilizes restricted resources to finance qualifying activities.

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 *2003 debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**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 *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.

Beginning with the year of bond issuance, the District has reported the annual construction activity in the Capital Projects Fund. The project for which the 2003 Bonds were issued was considered complete on June 30, 2007 and the cumulative expenditures recognized for the construction period were as follows.

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

Revenue and bond proceeds	<u>\$ 50,123,473</u>
Expenditures	<u>\$ 50,123,471</u>

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 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).

**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

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.

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, 2011, the foundation allowance was based on pupil membership counts taken in February and September of 2010.

**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)

State Revenue (Concluded)

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 2010 to August 2011. 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.

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.

**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)

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.

For the year ended June 30, 2011, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund:	
Non-Principal Residence Exemption (Non-PRE)	18.0000
Commercial Personal Property	6.0000
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	7.2500
Special revenue fund:	
PRE and Non-PRE	0.6001

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 \$5,000.

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 (Continued)

D. Other Accounting Policies (Continued)

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. Fund balance

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, *“Fund Balance Reporting and Governmental Fund Type Definitions”*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance - amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The District’s Debt Service, Capital Projects, Food Service, and Community Recreation fund balances are considered restricted.

Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

9. Fund balance (Concluded)

The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.

In the general fund, the District strives to maintain a secure financial position whereby the fund balance does not fall below 10% of the preceding year's expenditures.

10. 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 \$10,142,218 are considered capital-related debt. Accrued interest on the school bond loan fund and school bond revolving fund of \$1,787,195 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.

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

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)

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, 2011. The District does not consider these amendments to be significant.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2011, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted average maturity (years)</u>	<u>Standard & Poor's Rating</u>	<u>%</u>
MBIA Asset Management - CLASS	\$ 357,289	0.0027	AAAm	47.9%
Michigan Liquid Asset Fund - CLASS	300,387	0.0027	AAAm	40.2%
Uncategorized - Pooled investment funds				
Mid America - Employee Benefit Trust Fund	<u>88,954</u>	0.0027	AAAm	<u>11.9%</u>
Total fair value	<u>\$ 746,630</u>			<u>100%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2011, the fair value of the District’s investments is the same as the value of the pooled shares.

The other fund is MBIA. MBIA is also an internal pooled investment fund of “qualified” investments for Michigan school districts. MBIA is not regulated nor is it registered with the SEC. MBIA reports as of June 30, 2011, the fair value of the District’s investments is the same as the value of the pooled shares.

**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, 2011, \$1,332,709 of the District's bank balance of \$1,929,072 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 \$1,628,605.

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.

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

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

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

The carrying amount of deposits and investments is as follows:

Deposits - including fiduciary funds of \$143,602	\$ 1,628,605
Investment - collateralized money markets	1,136,574
Investments - other	746,630
	<u>\$ 3,511,809</u>

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

Cash and cash equivalents - district-wide	\$ 1,736,451
Investments - district-wide	1,631,756
Cash and cash equivalents - fiduciary funds	143,602
	<u>\$ 3,511,809</u>

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 1,218,065	\$ -	\$ -	\$ 1,218,065
Capital assets, being depreciated:				
Buildings and improvements	50,636,899	49,008	-	50,685,907
Buses and other vehicles	816,091	3,900	57,794	762,197
Furniture and equipment	1,395,360	16,050	6,437	1,404,973
Total capital assets, being depreciated	<u>52,848,350</u>	<u>68,958</u>	<u>64,231</u>	<u>52,853,077</u>
Accumulated depreciation:				
Buildings and improvements	10,505,965	1,309,833	-	11,815,798
Buses and other vehicles	617,270	49,845	57,794	609,321
Furniture and equipment	727,871	124,918	6,437	846,352
Total accumulated depreciation	<u>11,851,106</u>	<u>1,484,596</u>	<u>64,231</u>	<u>13,271,471</u>
Net capital assets being depreciated	<u>40,997,244</u>	<u>(1,415,638)</u>	<u>-</u>	<u>39,581,606</u>
Net governmental capital assets	<u>\$ 42,215,309</u>	<u>\$(1,415,638)</u>	<u>\$ -</u>	<u>\$ 40,799,671</u>

Depreciation for the fiscal year ended June 30, 2011 amounted to \$1,484,596 and was not allocated.

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

NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS

Receivables at June 30, 2011 consist of the following:

	Government wide
State aid	\$ 1,276,223
Federal revenue	325,463
Intermediate sources	8,317
Other	31,013
	\$ 1,641,016

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

NOTE 6 - NOTES PAYABLE

On August 20, 2010, the District issued short-term State School Aid Anticipation Notes in the amount of \$1,300,000, \$660,000, and \$540,000, respectively. The notes have an interest rate of 0.8%, 0.4% and 0.4%, respectively. The District has \$1,136,574 of funds on deposit with a financial institution, which are included in investments on the general fund balance sheet, to be applied against the \$1,300,000 note. The notes are secured by the full faith and credit of the District as well as pledged state aid. The June 30, 2011 outstanding balances will be repaid on August 19, 2011.

Balance June 30, 2010	Additions	Payments	Balance June 30, 2011
\$ 3,495,000	\$ 2,500,000	\$ 3,495,000	\$ 2,500,000

**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, 2011:

	Bonded debt	School bond loan and school revolving funds	Accumulated compensated absences	Total
Balance, July 1, 2010	\$ 48,792,965	\$ 9,767,192	\$ 105,707	\$ 58,665,864
Addition	-	2,162,221	-	2,162,221
Deletions	1,834,627	-	39	1,834,666
Balance, June 30, 2011	46,958,338	11,929,413	105,668	58,993,419
Less current portion	1,920,872	-	10,567	1,931,439
Total due after one year	<u>\$ 45,037,466</u>	<u>\$ 11,929,413</u>	<u>\$ 95,101</u>	<u>\$ 57,061,980</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 3.00% - 4.80262% for the School Loan Revolving Fund notes and 5.00% - 5.375% for the School Bond Loan Fund notes have been assessed for the year ended June 30, 2011. 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, 2011 is comprised of the following:

\$5,550,000 Refunding Bonds dated March 27, 2002, due in annual installments of \$415,000 to \$430,000 through May 1, 2014; interest at 4.20% to 4.50%, payable semi-annually.	\$ 1,265,000
\$47,750,000 School Building and Site Bonds dated August 7, 2003, due in annual installments of \$1,225,000 to \$2,425,000 through May 1, 2033; interest at 4.00% to 5.25%, payable semi-annually.	18,425,000
\$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 3.75% to 4.60%, payable semi-annually.	3,750,000
\$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 4.00% 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 4.00% 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 4.00% to 5.25%, payable semi-annually.	6,370,000
Less: deferred amount on bond refunding	(1,127,104)
Plus: premium on bond issuance	752,943
	46,925,839
Limited obligation (Durant) serial bonds due in annual installments of \$15,872 to \$16,627 through May 15, 2013; interest at 4.76% due annually.	32,499
Total bonded debt	46,958,338
Borrowing from the State of Michigan under the School Bond Loan Fund, including interest at 5.38% at June 30, 2011	1,951,378
Borrowing from the State of Michigan under the School Loan Revolving Fund, including interest at 3.36% at June 30, 2011	9,978,035
Obligation under contract for compensated absences	105,668
Total general long-term debt	\$ 58,993,419

**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 5.00% to 5.375%. The loan and interest balance at June 30, 2011 was \$10,142,218 and \$1,787,195, 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, 2011, \$27,350,000 of bonds outstanding are considered defeased.

The annual requirement to amortize debt outstanding as of June 30, 2011, including interest payments of \$25,296,786 are as follows:

Year ending June 30,	Principal	Interest	Total
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	1,770,000	1,800,551	3,570,551
2016	1,820,000	1,729,751	3,549,751
2017 - 2021	9,955,000	7,438,187	17,393,187
2022 - 2026	11,650,000	5,264,664	16,914,664
2027 - 2031	11,450,000	2,835,912	14,285,912
2032 - 2033	4,825,000	345,525	5,170,525
	47,332,499	25,296,786	72,629,285
Due to the school bond loan fund	1,951,378	-	1,951,378
Due to the school loan revolving fund	9,978,035	-	9,978,035
Deferred amount on bond refunding	(1,127,104)	-	(1,127,104)
Unamortized premium on bond issuance	752,943	-	752,943
Accumulated compensated absences	105,668	-	105,668
	<u>\$ 58,993,419</u>	<u>\$ 25,296,786</u>	<u>\$ 84,290,205</u>

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

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2011 are as follows:

Receivable fund		Payable fund	
2002 debt	\$ 10,819	General	\$ 66,475
2003 debt	36,859		
2004 debt	6,877		
2005 debt	4,034		
2006 debt	3,943		
2007 debt	3,943		
	\$ 66,475		

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.

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of MPSERS who became a member of MPSERS after June 30, 2010 is a Pension Plus Member. The Pension Plus Plan pairs a guaranteed retirement income (defined benefit pension) with a flexible and transferable retirement savings (defined contribution) account.

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 through September 30, 2010 was 16.94% of payroll and increased to 19.41% for the base plan and 17.91% for pension plus members effective October 1, 2010 through October 31, 2010 at which time it increased again due to the number of retirees associated with the early retirement incentive to 20.66% for basic plan members and 19.16% for pension plus members for the period November 1, 2010 through June 30, 2011. In addition, the district is required to match 50% up to 1% of the employees contribution in the pension plus plan. 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, 2011, 2010, and 2009 were \$1,284,044, \$1,152,117 and \$1,174,220, 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 coverage for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to contribute 3% (or 1.5%) of their compensation to offset employer contributions for health care benefits of current retirees. For the school fiscal year that began July 1, 2010, members who were employed by a reporting unit and were paid less than \$18,000 in the prior school year and members who were hired on or after July 1, 2010, with a starting salary of less than \$18,000 are required to contribute 1.5% of the members' compensation. For each school fiscal year that begins on or after July 1, 2011, members shall contribute 3% of compensation into the health care funding account. Effective April 1, 2011, a court order eliminated this requirement. The court order is being appealed by the State of Michigan.

Pension recipients are generally eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing coverage.

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

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

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.

NOTE 11 - TRANSFERS

The general fund transferred \$15,000 to the community recreation fund during the current fiscal year to reimburse for facility rental costs. The food service fund transferred \$39,933 to the general fund during the current fiscal year for indirect cost reimbursements.

NOTE 12 - SUBSEQUENT EVENTS

The District has approved borrowing \$2,000,000 for fiscal year 2012 to replace the notes payable as described in Note 6.

NOTE 13 - FUND BALANCE RECLASSIFICATION

Beginning July 1, 2010, the Districted adopted GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*", which redefined the definition of a special revenue fund. As a result, the athletic activities are now included in the general fund rather than a separate fund. The reclassification of the beginning fund balance is as follows:

	<u>General fund</u>
Fund balance, as previously stated	\$ 1,267,733
Adoption of GASB 54 (athletic fund balance)	20,480
Fund balance, as restated	\$ 1,288,213

REQUIRED SUPPLEMENTARY INFORMATION

**WHITMORE LAKE PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
REVENUES:				
Local sources	\$ 2,506,684	\$ 2,400,007	\$ 2,495,521	\$ 95,514
State sources	6,712,469	7,008,441	6,952,245	(56,196)
Federal sources	899,345	1,367,167	1,028,311	(338,856)
Incoming transfers and other	1,073,264	891,528	855,334	(36,194)
Total revenues	<u>11,191,762</u>	<u>11,667,143</u>	<u>11,331,411</u>	<u>(335,732)</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	4,993,701	5,256,019	5,241,086	14,933
Added needs	<u>1,128,869</u>	<u>1,114,631</u>	<u>957,716</u>	<u>156,915</u>
Total instruction	<u>6,122,570</u>	<u>6,370,650</u>	<u>6,198,802</u>	<u>171,848</u>
Supporting services:				
Pupil	1,437,145	1,380,251	1,308,638	71,613
Instructional staff	201,897	222,825	164,807	58,018
General administration	457,438	364,659	341,746	22,913
School administration	530,614	638,626	635,932	2,694
Business	385,197	336,192	320,801	15,391
Operation/maintenance	1,206,538	1,087,000	1,017,900	69,100
Pupil transportation	433,044	476,095	451,035	25,060
Central	229,061	255,042	244,732	10,310
Athletics	<u>201,399</u>	<u>193,887</u>	<u>203,063</u>	<u>(9,176)</u>
Total supporting services	<u>5,082,333</u>	<u>4,954,577</u>	<u>4,688,654</u>	<u>265,923</u>
Community services	<u>63,915</u>	<u>92,068</u>	<u>91,179</u>	<u>889</u>
Total expenditures	<u>11,268,818</u>	<u>11,417,295</u>	<u>10,978,635</u>	<u>438,660</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(77,056)</u>	<u>249,848</u>	<u>352,776</u>	<u>102,928</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	16,049	16,049	39,933	23,884
Transfers to other funds	-	<u>(15,000)</u>	<u>(15,000)</u>	-
Total other financing sources	<u>16,049</u>	<u>1,049</u>	<u>24,933</u>	<u>23,884</u>
NET CHANGE IN FUND BALANCE	<u>\$ (61,007)</u>	<u>\$ 250,897</u>	<u>377,709</u>	<u>\$ 126,812</u>
FUND BALANCE:				
Beginning of year			<u>1,288,213</u>	
End of year			<u>\$ 1,665,922</u>	

ADDITIONAL INFORMATION

**WHITMORE LAKE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2011**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Capital projects</u>	<u>Total nonmajor governmental funds</u>
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 129,062	\$ 1,078	\$ 2	\$ 130,142
Accounts receivable	2,591	-	-	2,591
Property taxes receivable	30,244	167,604	-	197,848
Due from other governmental units	3,511	-	-	3,511
Due from other funds	-	29,616	-	29,616
Inventories	39,382	-	-	39,382
TOTAL ASSETS	<u>\$ 204,790</u>	<u>\$ 198,298</u>	<u>\$ 2</u>	<u>\$ 403,090</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 16,963	\$ -	\$ -	\$ 16,963
Accrued salaries and related items	6,883	-	-	6,883
TOTAL LIABILITIES	<u>23,846</u>	<u>-</u>	<u>-</u>	<u>23,846</u>
FUND BALANCES:				
Nonspendable:				
Inventories	39,382	-	-	39,382
Restricted for:				
Debt service	-	198,298	-	198,298
Capital projects	-	-	2	2
Food service	33,399	-	-	33,399
Community recreation	78,421	-	-	78,421
Assigned for:				
Subsequent year expenditures	29,742	-	-	29,742
TOTAL FUND BALANCES	<u>180,944</u>	<u>198,298</u>	<u>2</u>	<u>379,244</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 204,790</u>	<u>\$ 198,298</u>	<u>\$ 2</u>	<u>\$ 403,090</u>

**WHITMORE LAKE PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2011**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Capital projects</u>	<u>Total nonmajor governmental funds</u>
REVENUES:				
Local sources:				
Property taxes	\$ 201,754	\$ 1,089,155	\$ -	\$ 1,290,909
Investment earnings	281	131	31	443
Food sales and admissions	364,018	-	-	364,018
Total local sources	566,053	1,089,286	31	1,655,370
State sources	21,321	17,420	-	38,741
Federal sources	247,079	-	-	247,079
Total revenues	834,453	1,106,706	31	1,941,190
EXPENDITURES:				
Current:				
Food service activities	496,962	-	-	496,962
Community service activity	368,137	-	-	368,137
Capital outlay	7,312	-	19,063	26,375
Debt service:				
Principal repayment	-	705,151	-	705,151
Interest expense	-	1,219,869	-	1,219,869
Other expense	-	1,200	-	1,200
Total expenditures	872,411	1,926,220	19,063	2,817,694
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(37,958)</u>	<u>(819,514)</u>	<u>(19,032)</u>	<u>(876,504)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from school bond loan fund	-	911,862	-	911,862
Transfers from other funds	15,000	-	-	15,000
Transfers to other funds	(39,933)	-	-	(39,933)
Total other financing sources (uses)	(24,933)	911,862	-	886,929
NET CHANGE IN FUND BALANCES	(62,891)	92,348	(19,032)	10,425
FUND BALANCES:				
Beginning of year	243,835	105,950	19,034	368,819
End of year	<u>\$ 180,944</u>	<u>\$ 198,298</u>	<u>\$ 2</u>	<u>\$ 379,244</u>

**WHITMORE LAKE PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011**

ASSETS	Food service	Community recreation	Totals
ASSETS:			
Cash and cash equivalents	\$ 38,760	\$ 90,302	\$ 129,062
Accounts receivable	2,591	-	2,591
Property taxes receivable	-	30,244	30,244
Due from other governmental units	3,511	-	3,511
Inventories	39,382	-	39,382
TOTAL ASSETS	\$ 84,244	\$ 120,546	\$ 204,790
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 10,792	\$ 6,171	\$ 16,963
Accrued salaries and related items	671	6,212	6,883
TOTAL LIABILITIES	11,463	12,383	23,846
FUND BALANCES:			
Nonspendable:			
Inventories	39,382	-	39,382
Restricted for:			
Food service	33,399	-	33,399
Community recreation	-	78,421	78,421
Assigned for:			
Subsequent year expenditures	-	29,742	29,742
TOTAL FUND BALANCES	72,781	108,163	180,944
TOTAL LIABILITIES AND FUND BALANCES	\$ 84,244	\$ 120,546	\$ 204,790

**WHITMORE LAKE PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2011**

	Food service	Community recreation	Totals
REVENUES:			
Sales	\$ 262,569	\$ -	\$ 262,569
State aid	21,321	-	21,321
Federal aid	247,079	-	247,079
Property taxes	-	201,754	201,754
Investment earnings	281	-	281
Other	-	101,449	101,449
Total revenues	<u>531,250</u>	<u>303,203</u>	<u>834,453</u>
EXPENDITURES:			
Salaries	165,453	110,557	276,010
Benefits	64,084	41,344	105,428
Purchased services	14,074	26,079	40,153
Supplies and materials	247,444	185,734	433,178
Capital outlay	7,312	-	7,312
Other expenses	5,907	4,423	10,330
Total expenditures	<u>504,274</u>	<u>368,137</u>	<u>872,411</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>26,976</u>	<u>(64,934)</u>	<u>(37,958)</u>
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	-	15,000	15,000
Transfers to other funds	(39,933)	-	(39,933)
Total other financing sources (uses)	<u>(39,933)</u>	<u>15,000</u>	<u>(24,933)</u>
NET CHANGE IN FUND BALANCES	(12,957)	(49,934)	(62,891)
FUND BALANCES:			
Beginning of year	<u>85,738</u>	<u>158,097</u>	<u>243,835</u>
End of year	<u>\$ 72,781</u>	<u>\$ 108,163</u>	<u>\$ 180,944</u>

**WHITMORE LAKE PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011**

ASSETS	<u>2002</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Total nonmajor</u>
ASSETS:						
Cash and cash equivalents	\$ 37	\$ 275	\$ 214	\$ 213	\$ 339	\$ 1,078
Due from other governmental units	61,219	38,940	22,827	22,309	22,309	167,604
Due from other funds	<u>10,819</u>	<u>6,877</u>	<u>4,034</u>	<u>3,943</u>	<u>3,943</u>	<u>29,616</u>
TOTAL ASSETS	<u>\$ 72,075</u>	<u>\$ 46,092</u>	<u>\$ 27,075</u>	<u>\$ 26,465</u>	<u>\$ 26,591</u>	<u>\$ 198,298</u>
FUND BALANCES:						
Restricted for debt service	<u>\$ 72,075</u>	<u>\$ 46,092</u>	<u>\$ 27,075</u>	<u>\$ 26,465</u>	<u>\$ 26,591</u>	<u>\$ 198,298</u>

**WHITMORE LAKE PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2011**

	<u>2002</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	\$ 397,854	\$ 252,967	\$ 148,373	\$ 145,002	\$ 144,959	\$ -	\$ 1,089,155
Interest	45	29	19	18	20	-	131
State sources	-	-	-	-	-	17,420	17,420
Total revenues	<u>397,899</u>	<u>252,996</u>	<u>148,392</u>	<u>145,020</u>	<u>144,979</u>	<u>17,420</u>	<u>1,106,706</u>
EXPENDITURES:							
Redemption of bonds	440,000	220,000	-	-	30,000	15,151	705,151
Interest on bonded debt	73,150	164,545	355,685	347,800	276,420	2,269	1,219,869
Other	250	225	200	200	325	-	1,200
Total expenditures	<u>513,400</u>	<u>384,770</u>	<u>355,885</u>	<u>348,000</u>	<u>306,745</u>	<u>17,420</u>	<u>1,926,220</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(115,501)</u>	<u>(131,774)</u>	<u>(207,493)</u>	<u>(202,980)</u>	<u>(161,766)</u>	<u>-</u>	<u>(819,514)</u>
OTHER FINANCING SOURCES:							
Proceeds from school loan revolving fund	149,504	152,534	219,952	215,155	174,717	-	911,862
NET CHANGE IN FUND BALANCES	34,003	20,760	12,459	12,175	12,951	-	92,348
FUND BALANCES:							
Beginning of year	38,072	25,332	14,616	14,290	13,640	-	105,950
End of year	<u>\$ 72,075</u>	<u>\$ 46,092</u>	<u>\$ 27,075</u>	<u>\$ 26,465</u>	<u>\$ 26,591</u>	<u>\$ -</u>	<u>\$ 198,298</u>

**WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2011**

\$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
\$ 430,000	\$ 27,555	\$ 27,555	2012	\$ 485,110
420,000	18,525	18,525	2013	457,050
415,000	9,337	9,338	2014	433,675
<u>\$ 1,265,000</u>	<u>\$ 55,417</u>	<u>\$ 55,418</u>		<u>\$ 1,375,835</u>

**WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2011**

\$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
\$ 1,225,000	\$ 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>\$ 18,425,000</u>	<u>\$ 6,223,507</u>	<u>\$ 6,223,507</u>		<u>\$ 30,872,014</u>

**WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2011**

\$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
\$ 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>\$ 3,750,000</u>	<u>\$ 664,933</u>	<u>\$ 664,948</u>		<u>\$ 5,079,881</u>

**WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2011**

\$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	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>\$ 1,960,389</u>	<u>\$ 1,802,401</u>		<u>\$ 12,557,790</u>

**WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2011**

\$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	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>\$ 2,648,700</u>	<u>\$ 2,648,700</u>		<u>\$ 13,992,400</u>

**WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2011**

\$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	\$ 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>\$ 6,370,000</u>	<u>\$ 1,094,252</u>	<u>\$ 1,094,263</u>		<u>\$ 8,558,515</u>

**WHITMORE LAKE PUBLIC SCHOOLS
SCHEDULE OF INSTALLMENT NOTE PAYABLE
JUNE 30, 2011**

Durant Bond - issued on November 24, 1998

Principal due May 15,	Interest due May 15,	Debt service requirement for fiscal year	
		June 30,	Amount
\$ 15,872	\$ 1,547	2012	\$ 17,419
16,627	792	2013	17,419
\$ 32,499	\$ 2,339		\$ 34,838

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, 2011

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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, 2011, which collectively comprise Whitmore Lake Public Schools' basic financial statements and have issued our report thereon dated September 19, 2011. 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 the 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.

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

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

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 September 19, 2011.

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

September 19, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Whitmore Lake Public Schools

Compliance

We have audited Whitmore Lake Public Schools' compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Whitmore Lake Public Schools' major federal programs for the year ended June 30, 2011. Whitmore Lake Public Schools' major federal programs are 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 each of 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. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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 to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Whitmore Lake Public Schools' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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, 2011, and have issued our report thereon dated September 19, 2011. Our audit was performed for the purpose of forming 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 management, the Board of Education, others within the District, 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 Costeiron PC

September 19, 2011

**WHITMORE LAKE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through project number	Award amount	Accrued (deferred) revenue 7/1/2010	Prior years expenditures (memorandum only)	Adjustments	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/2011
U.S. DEPARTMENT OF AGRICULTURE									
Passed Through the Michigan Department of Education:									
Child Nutrition Cluster:									
Non-cash assistance (donated foods):									
National School Program - non-bonus	10.555		\$ 22,885	\$ -	\$ -	\$ -	\$ 22,885	\$ 22,885	\$ -
National School Program - bonus			789	-	-	-	789	789	-
			<u>23,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,674</u>	<u>23,674</u>	<u>-</u>
Cash assistance:									
National School Lunch Program - Breakfast	10.553	101970	5,093	-	-	-	5,093	5,093	-
National School Lunch Program - Breakfast		111970	45,404	-	-	-	45,404	45,404	-
			<u>50,497</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,497</u>	<u>50,497</u>	<u>-</u>
National School Lunch Program - Section 4	10.555	101950	2,447	-	-	-	2,447	2,447	-
National School Lunch Program - Section 4		111950	23,310	-	-	-	23,310	23,310	-
National School Lunch Program - Section 11		101960	12,683	-	-	-	12,683	12,683	-
National School Lunch Program - Section 11		111960	113,918	-	-	-	113,918	113,918	-
			<u>152,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,358</u>	<u>152,358</u>	<u>-</u>
Total Child Nutrition Cluster			<u>226,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>226,529</u>	<u>226,529</u>	<u>-</u>
Child Care Food Program	10.558	101920	1,604	-	-	-	1,604	1,604	-
		102010	88	-	-	-	88	88	-
		111920	17,874	-	-	-	17,874	17,874	-
		112010	984	-	-	-	984	984	-
Total Child Care Food Program			<u>20,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,550</u>	<u>20,550</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>247,079</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>247,079</u>	<u>247,079</u>	<u>-</u>

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, 2011**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through project number	Award amount	Accrued (deferred) revenue 7/1/2010	Prior years expenditures (memorandum only)	Adjustments	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/2011
U.S. DEPARTMENT OF EDUCATION									
Passed Through the Michigan Department of Education:									
Title I, Part A Cluster:									
Title I, Part A									
	84.010	101530-0910	\$ 143,168	\$ 32,995	\$ 123,503	\$ -	\$ 33,186	\$ 191	\$ -
		111530-1011	144,383	-	-	-	94,244	102,975	8,731
			<u>287,551</u>	<u>32,995</u>	<u>123,503</u>	<u>-</u>	<u>127,430</u>	<u>103,166</u>	<u>8,731</u>
ARRA Title I, Part A									
	84.389	101535-0910	68,640	18,106	53,523	-	29,957	11,851	-
		111535-1011	3,266	-	-	-	3,266	3,266	-
			<u>71,906</u>	<u>18,106</u>	<u>53,523</u>	<u>-</u>	<u>33,223</u>	<u>15,117</u>	<u>-</u>
Total Title I Cluster									
			<u>359,457</u>	<u>51,101</u>	<u>177,026</u>	<u>-</u>	<u>160,653</u>	<u>118,283</u>	<u>8,731</u>
Enhancing Education through Technology Cluster:									
Title II, Part D									
	84.318	104290-0910	1,111	669	669	-	669	-	-
ARRA Title II, Part D									
	84.386	104295-0910	2,525	1,843	1,843	-	1,843	-	-
		114295-1011	682	-	-	-	-	682	682
			<u>3,207</u>	<u>1,843</u>	<u>1,843</u>	<u>-</u>	<u>1,843</u>	<u>682</u>	<u>682</u>
Total Enhancing Education through Technology Cluster									
			<u>4,318</u>	<u>2,512</u>	<u>2,512</u>	<u>-</u>	<u>2,512</u>	<u>682</u>	<u>682</u>
Title II, Part A Improving Teacher Quality									
	84.367	100520-0910	65,123	16,308	47,419	-	16,308	-	-
		110520-1011	61,024	-	-	-	13,503	28,841	15,338
			<u>126,147</u>	<u>16,308</u>	<u>47,419</u>	<u>-</u>	<u>29,811</u>	<u>28,841</u>	<u>15,338</u>
ARRA Education Stabilization Funds									
	84.394	112525-1011	140,091	-	-	-	140,091	140,091	-
Education Jobs Fund									
	84.410	112545-1011	268,889	-	-	-	-	-	-
Total Passed Through the Michigan Department of Education									
			<u>898,902</u>	<u>69,921</u>	<u>226,957</u>	<u>-</u>	<u>333,067</u>	<u>287,897</u>	<u>24,751</u>

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, 2011**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through project number	Award amount	Accrued (deferred) revenue 7/1/2010	Prior years expenditures (memorandum only)	Adjustments	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/2011
Passed Through Washtenaw Intermediate School District:									
Special Education Cluster:									
IDEA Flowthrough	84.027A	100450-0910	\$ 364,442	\$ 160,228	\$ 320,174	\$ -	\$ 160,228	\$ -	\$ -
		100450-0910	44,266	-	-	-	22,152	44,266	22,114
		110450-1011	324,559	-	-	-	113,723	210,653	96,930
			<u>733,267</u>	<u>160,228</u>	<u>320,174</u>	<u>-</u>	<u>296,103</u>	<u>254,919</u>	<u>119,044</u>
IDEA Preschool	84.173A	100460-0910	16,678	7,561	16,678	-	7,561	-	-
		110460-1011	13,624	-	-	-	4,051	7,712	3,661
			<u>30,302</u>	<u>7,561</u>	<u>16,678</u>	<u>-</u>	<u>11,612</u>	<u>7,712</u>	<u>3,661</u>
ARRA IDEA Flowthrough	84.391A	100455-0910	157,904	51,926	106,713	-	51,926	-	-
		100455-1011	241,785	-	-	-	96,972	238,959	141,987
			<u>399,689</u>	<u>51,926</u>	<u>106,713</u>	<u>-</u>	<u>148,898</u>	<u>238,959</u>	<u>141,987</u>
ARRA IDEA Preschool	84.392A	100465-0910	11,394	3,322	11,394	-	3,322	-	-
		100465-1011	11,717	-	-	-	7,174	11,717	4,543
			<u>23,111</u>	<u>3,322</u>	<u>11,394</u>	<u>-</u>	<u>10,496</u>	<u>11,717</u>	<u>4,543</u>
Total Special Education Cluster			<u>1,186,369</u>	<u>223,037</u>	<u>454,959</u>	<u>-</u>	<u>467,109</u>	<u>513,307</u>	<u>269,235</u>
Special Education Early On	84.181	N/A	13,936	7,478	13,936	-	7,478	-	-
Total Passed Through Washtenaw Intermediate School District			<u>1,200,305</u>	<u>230,515</u>	<u>468,895</u>	<u>-</u>	<u>474,587</u>	<u>513,307</u>	<u>269,235</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>2,099,207</u>	<u>300,436</u>	<u>695,852</u>	<u>-</u>	<u>807,654</u>	<u>801,204</u>	<u>293,986</u>

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, 2011**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through project number	Award amount	Accrued (deferred) revenue 7/1/2010	Prior years expenditures (memorandum only)	Adjustments	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/2011
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>									
Passed through Washtenaw County:									
Head Start Cluster:									
Head Start Program	93.600	2009-10	\$ 194,067	\$ 42,430	\$ 193,107	\$ (9,148)	\$ 33,282	\$ -	\$ -
Head Start Program - One-time Use Funds		2009-10	18,000	-	-	-	18,000	18,000	-
Head Start Program		2010-11	187,626	-	-	-	156,143	187,620	31,477
			<u>399,693</u>	<u>42,430</u>	<u>193,107</u>	<u>(9,148)</u>	<u>207,425</u>	<u>205,620</u>	<u>31,477</u>
ARRA Head Start Program	93.708	2009-10	38,844	3,076	8,209	-	33,711	30,635	-
Total Head Start Cluster			<u>438,537</u>	<u>45,506</u>	<u>201,316</u>	<u>(9,148)</u>	<u>241,136</u>	<u>236,255</u>	<u>31,477</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>438,537</u>	<u>45,506</u>	<u>201,316</u>	<u>(9,148)</u>	<u>241,136</u>	<u>236,255</u>	<u>31,477</u>
TOTAL FEDERAL AWARDS			<u>\$ 2,784,823</u>	<u>\$ 345,942</u>	<u>\$ 897,168</u>	<u>\$ (9,148)</u>	<u>\$ 1,295,869</u>	<u>\$ 1,284,538</u>	<u>\$ 325,463</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, 2011**

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. Special Education Cluster (CFDA #84.027A, 84.173A, 84.391A, and 84.392A) and Head Start Cluster (CFDA #93.600 and 93.708) were audited as major programs representing 58% of expenditures.
3. The threshold for distinguishing Types A and B programs was \$300,000.
4. Management has utilized the Grant Auditor 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:	
Federal sources	\$ 1,028,311
Other nonmajor governmental funds:	
Federal sources	<u>247,079</u>
	1,275,390
Plus: adjustments	<u>9,148</u>
	<u><u>\$ 1,284,538</u></u>

6. Federal Donated Foods (Commodities)

Entitlement Donated Foods	<u>\$ 23,674</u>
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7. An adjustment for \$9,148 was required to CFDA #93.600 for expenses that were non-reimbursable under the grant for the prior year.

**WHITMORE LAKE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

➤ Material weakness(es) identified? _____ Yes X No

➤ Significant deficiency(ies) identified? _____ 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? _____ 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
84.027A, 84.173A, 84.391A, 84.392A 93.600, 93.708	Special Education Cluster Head Start Cluster

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

Auditee qualified as low-risk auditee? _____ Yes X No

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

**WHITMORE LAKE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

There were no audit findings required to be reported on this schedule for the year ended June 30, 2010.

September 19, 2011

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, 2011, 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 September 19, 2011 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:

Review of Internet Usage Policy

Employee access to, and use of, the District's Internet resources has increased significantly. Thus, now is a good time to develop or review an official district policy on acceptable use of the Internet. A sound policy can help limit misuse of the Internet and perhaps provide a basis for legal action, should that be necessary. The policy should be communicated to employees on a regular basis. The following are some matters the policy should cover:

- Internet access includes viewing websites, sending and receiving email, transmitting or receiving electronic files, running Internet applications such as games on the District-provided network or Internet, etc.
- Appropriate use of the Internet includes business-related communication with customers, vendors, and other employees; research; information retrieval; and other business-related tasks.
- Inappropriate, prohibited use of the Internet includes accessing or downloading obscene, sexually explicit, pornographic, or politically subversive material; sending or forwarding profane, obscene, sexually explicit, discriminatory, or harassing material; disseminating proprietary or confidential District information or trade secrets without authorization; downloading software subject to licensing restrictions in violation of intellectual property rights; or using the Internet for personal gain, illegal or unauthorized political activity, or to maliciously alter, damage, or destroy information.

- All electronic documents created or stored on, and all communications using, the District's computers are the District's property. Employees should not expect their communications using the District's systems to be private or confidential. The District may access those documents or communications when warranted by business needs or legal requirements. Also, the District can monitor its systems to ensure proper use and prevent security violations.
- Personal use of the Internet (such as for browsing, shopping, playing games, or sending personal email) should be deferred to nonbusiness hours if possible and be kept to a minimum when use is unavoidable during business hours. Personal use should at all times (during business or nonbusiness hours) conform to the above-stated District policies concerning inappropriate, prohibited use.
- Files transferred in should be checked for viruses before being opened.
- Violations of the Internet policy may result in restriction or loss of access, termination, and notification of appropriate authorities if there is evidence of illegal activity.

Consider Establishing a Fraud Hotline

The District's code of ethics encourages employees to report any suspicions of fraud or misconduct, but it does not provide an effective, practical mechanism for doing so. We believe that as a result, employees would be hesitant to report knowledge or suspicions that could prevent or detect fraud or other misconduct that could be detrimental to the District. Studies show that most frauds are known to someone in the defrauded organization and are revealed after a tip is received from someone with knowledge about the fraud. However, an employee may not report suspicions or knowledge of fraud if he or she does not know to whom to report, especially if the perpetrator is someone high up in the organization or someone to whom the employee reports. We recommend that management consider establishing a fraud hotline.

The very existence of a fraud hotline would serve as a deterrent to misconduct by creating among employees a perception that fraud would be detected and reported. It would also demonstrate the District's serious intent to prevent and detect fraud. In addition, the hotline could also be used to report incidents of harassment, unsafe working conditions, violence, or violations of laws or regulations. This would allow the District to address such situations in a timely manner and could help prevent or minimize fines, lawsuits, legal liability, or adverse publicity by demonstrating that the District has procedures for receiving and addressing complaints.

An effective fraud hotline should have the following features:

- It should be available 24/7. Studies show that 40% of calls to fraud hotlines are made at night or on weekends. Employees typically will not call during normal work hours to report on coworkers or supervisors, and they often will not call back if their first call is not answered.
- The hotline must allow anonymous calls to protect confidentiality so that employees will not fear possible retaliation if they are identified as the whistle-blower.
- Employees should be made aware of the hotline's availability and the reasons why they should use it. This could be done via informational posters, memos, or brochures.

Changes in employer and employee pension contributions

During the past fiscal year there have numerous changes to the contribution rates as well the addition of the pension plus plan for new employees. The amounts required to be contributed by the District and employees now vary depending on date of hire and the type of plan employees are in.

We perform limited tests to determine the overall reasonableness of the District's pension contributions. While we found no errors in our testing we recommend controls would be improved if there were periodic reviews of the employer and employee contribution calculations to determine all employee records are accurate and the proper amount of withholding and contributions are being made based on these numerous changes.

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

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

Very truly yours,

Manes Costeiran PC

September 19, 2011

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, 2011, and have issued our report thereon dated September 19, 2011. 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 Whitmore Lake Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 12, 2011.

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. Except for the implementation of GASB #54 (*Fund Balance Reporting and Governmental Fund Type Definitions*), no new accounting policies were adopted and the application of existing policies was not changed during 2011. 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 retirement is based on expected payout. In addition, certain allocations on the statements of activities are based on estimates. We evaluated the key factors and assumptions used to develop the balance of compensated absences 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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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 auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 19, 2011.

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 auditors' 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 Education 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 Costeiron PC