

**WHITMORE LAKE PUBLIC SCHOOLS**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and additional**  
**supplementary information)**

**YEAR ENDED JUNE 30, 2016**



## C O N T E N T S

	<u>Page</u>
<b>Independent auditor's report.....</b>	4 - 6
<b>Management's Discussion and Analysis .....</b>	7 - 14
<b>Basic financial statements .....</b>	15
Government-wide financial statements	
Statement of net position.....	16
Statement of activities.....	17
Fund financial statements	
Balance sheet - governmental funds .....	18 - 19
Statement of revenues, expenditures and changes in fund balances - governmental funds.....	20 - 21
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities .....	22
Fiduciary funds	
Statement of fiduciary assets and liabilities .....	23
Notes to financial statements.....	24 - 52
<b>Required supplementary information.....</b>	53
Budgetary comparison schedule - general fund .....	54
Schedule of the reporting unit's proportionate share of the net pension liability.....	55
Schedule of the reporting unit's contributions .....	56
Notes to required supplementary information .....	57
<b>Additional supplementary information .....</b>	58
Nonmajor governmental fund types	
Combining balance sheet .....	59

## C O N T E N T S

	<u>Page</u>
Combining statement of revenues, expenditures, and changes in fund balances .....	60
Special revenue funds	
Combining balance sheet.....	61
Combining statement of revenues, expenditures and changes in fund balances.....	62
Debt service funds	
Combining balance sheet.....	63
Combining statement of revenues, expenditures and changes in fund balances.....	64
Long-term debt	
Bonded debt .....	65 - 70
Schedule of lease purchase agreement.....	71
School bond loan program.....	72
Schedule of expenditures of federal awards .....	73 - 75
Notes to schedule of expenditures of federal awards .....	76
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i> .....	77 - 78
Independent auditor's report on compliance for each major federal program and on internal control over compliance required by the Uniform Guidance .....	79 - 80
Schedule of findings and questioned costs .....	81 - 82
Schedule of prior year findings.....	83
Corrective action plan .....	84

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Whitmore Lake Public Schools

### **Report on the Financial Statements**

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

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Whitmore Lake Public Schools as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Whitmore Lake Public Schools basic financial statements. The additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The additional supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2016 on our consideration 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Whitmore Lake Public Schools' internal control over financial reporting and compliance.

*Maney Costerian PC*

October 13, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, 2016.

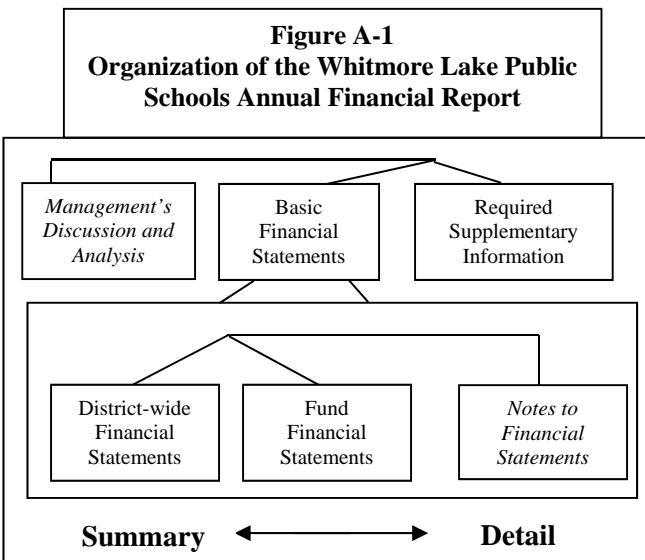
### **FINANCIAL HIGHLIGHTS**

- Governmental funds revenues increased to \$14.4 million from \$13.5 million. Expenditures increased to \$34.5 million from \$14.4 million.
- General Fund revenues were \$10.3 million, \$495 thousand more than General Fund expenditures and transfers.
- State Aid Foundation Allowance increased by \$265 per student to \$7,391.
- The District's fall student count decreased to 858 pupils, a decrease of 81 students over last year.
- The District participates in the School Bond Loan Fund (SBLF) and the School Loan Revolving Fund (SLRF), which allows districts to maintain level debt millages throughout the life of a bond issue. This feature of the SBLF and SLRF can, however, create a net deficit in the district-wide financial statements in the short term, with future debt millages restoring the net position of the District once the bonded debt is reduced. The District issued bonds to pay down this debt during the current fiscal year.

### **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 and pension related information. 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 position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary assets and liabilities
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 summarizes 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 position includes *all* of the District's assets, deferred outflows, liabilities and deferred inflows. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the 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 food service).

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**

The District's net position results from participating for many years in the SBLF and SLRF programs. Their programs allow 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 programs, the property tax levy is less than is required for debt service and districts in the program borrow from the SBLF and SLRF 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 and SLRF. It is projected that the District will continue borrowing from the SBLF and SLRF for the foreseeable future. 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.

**Table A-3**  
**Whitmore Lake Public Schools Net Position**

	2016	2015
Current and other assets	\$ 4,154,152	\$ 5,375,166
Capital assets, net of depreciation	<u>34,218,560</u>	<u>35,599,774</u>
Total assets	<u>38,372,712</u>	<u>40,974,940</u>
Deferred outflows of resources	<u>3,430,712</u>	<u>2,945,716</u>
Noncurrent liabilities	59,577,336	60,591,535
Other liabilities	3,464,636	4,940,779
Net pension liability	<u>15,004,062</u>	<u>15,483,907</u>
Total liabilities	<u>78,046,034</u>	<u>81,016,221</u>
Deferred inflows of resources	<u>2,115,603</u>	<u>1,711,859</u>
Net position:		
Net investment in capital assets	(19,422,669)	(19,521,141)
Unrestricted	<u>(18,935,544)</u>	<u>(19,286,283)</u>
Total net position	<u>\$ (38,358,213)</u>	<u>\$ (38,807,424)</u>

**Table A-4**  
**Changes in Whitmore Lake Public Schools Net Position**

	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 691,923	\$ 578,105
Federal and state categorical grants	1,286,660	1,628,036
General revenues:		
Property taxes	5,456,131	4,781,604
State aid - unrestricted	5,014,183	5,596,132
Intermediate sources	1,222,324	1,156,251
Investment earnings	8,060	5,781
Other	<u>57,331</u>	<u>65,579</u>
Total revenues	<u>13,736,612</u>	<u>13,811,488</u>
Expenses:		
Instruction	4,859,545	5,634,787
Support services	4,659,431	4,454,939
Community services	386,085	382,672
Food services	474,759	440,059
Interest on long-term debt	1,592,577	2,349,962
Unallocated depreciation	<u>1,315,004</u>	<u>1,318,802</u>
Total expenses	<u>13,287,401</u>	<u>14,581,221</u>
Change in net position	<u>\$ 449,211</u>	<u>\$ (769,733)</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 increased \$265 per student to \$7,391.
- Food Service expenditures exceeded revenues and transfers in by \$3,700

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds reported *combined* fund balances of \$1,096,881.

The General Fund's fund balance increased \$494,520 to \$712,013.

### **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 revised the annual operating budget two times. For fiscal year 2015-16, these budget amendments included:

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

The District's original budget was adopted with a budget surplus of \$265,794. The first budget amendment approved by the Board called for a budget surplus of \$504,830. The final budget amendment in June 2016 called for a budget surplus of \$474,114. Actual revenues exceeded actual expenditures and transfers out by \$494,520 at year-end.

- Actual general fund revenues were \$101,863 lower than budgeted. This variance was due primarily to normal anticipated budget variances.
- Actual general fund expenditures were \$119,166 lower than budgeted. This variance was due primarily to normal anticipated budget variances.
- Actual general fund other financing sources and uses were \$3,103 less than budgeted. This variance was due primarily to normal anticipated budget variances.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By the end of 2016, 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. This amount represents a net decrease of \$256 thousand from last year. (More detailed information about capital assets can be found in the notes to the financial statements.) Total depreciation expense for the year was \$1,315,004.

The District's capital assets are as follows:

**Table A-5**  
**Whitmore Lake Public Schools Capital Assets**

	2016			2015
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 1,218,065	\$ -	\$ 1,218,065	\$ 1,218,065
Buildings and improvements	50,567,843	17,872,645	32,695,198	33,953,126
Buses and other vehicles	725,791	701,000	24,791	38,400
Furniture and equipment	1,594,765	1,314,259	280,506	390,183
Total	<u><u>\$ 54,106,464</u></u>	<u><u>\$ 19,887,904</u></u>	<u><u>\$ 34,218,560</u></u>	<u><u>\$ 35,599,774</u></u>

### Long-term Debt

At year-end the District had \$59.6 million in general obligation bonds and other long-term debt outstanding, a million dollar decrease when compared to the prior year. (More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.)

**Table A-6**  
**Whitmore Lake Public Schools Outstanding Long-term Debt**  
*(in millions of dollars)*

	2016	2015
General obligation debts (financed with property taxes)	\$ 59.4	\$ 60.4
Other	0.2	0.2
Total	<u><u>\$ 59.6</u></u>	<u><u>\$ 60.6</u></u>

- The District continued to pay down its debt, retiring \$2.1 million of outstanding bonds.
- The District borrowed \$440,406 from the SRLF during 2015-16.
- The District refunded \$39.1 million of outstanding debt during 2015-16, including \$19.7 million to pay down SBLF and SRLF debt.

## **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 State has passed its budget for 2016-17 but the current economic conditions could cause schools to have to make additional cuts if a mid-year proration to the foundation allowance is necessary.

The following factors could significantly impact the financial health of the school system and the ability of the State to provide funding for schools that keeps up with inflation. There are at least three challenges that potentially limit this ability:

- *The State's contribution to the MPERS rate.* The source of funds used to pay down MPERS retirement liability has been the School Aid Fund. As such, while the MPERS payment has offset some (not all) of the increases in the rate paid by school districts, it has limited the State's ability to provide funding increases for other parts of school operations.
- *Persistent deficit in Detroit Public Schools (DPS).* In spite of numerous efforts over the years, including the use of an emergency manager, DPS continues to operate a structural shortfall well in excess of \$100 million. The State has recently passed legislation to the State Aid structure that would provide funds for DPS to be restructured.

## **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 POSITION**  
**JUNE 30, 2016**

	<b>Governmental activities</b>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 1,085,994
Investments	1,347,196
Receivables:	
Accounts receivable	3,750
Intergovernmental receivables	1,630,761
Due from agency fund	46,475
Inventories	15,753
Prepaids	24,223
Capital assets not being depreciated	1,218,065
Capital assets, net of accumulated depreciation	<u>33,000,495</u>
<b>TOTAL ASSETS</b>	<u>38,372,712</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred charge on refunding	1,724,757
Related to pensions	<u>1,705,955</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>3,430,712</u>
<b>LIABILITIES:</b>	
Accounts payable	62,454
Accrued salaries and related items	707,947
Accrued retirement	280,629
Accrued interest	459,696
Unearned revenue	154,937
Notes payable	1,798,973
Noncurrent liabilities:	
Due within one year	5,708,563
Due in more than one year	53,868,773
Net pension liability	<u>15,004,062</u>
<b>TOTAL LIABILITIES</b>	<u>78,046,034</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Related to pensions	1,707,507
Related to state aid funding for pensions	<u>408,096</u>
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<u>2,115,603</u>
<b>NET POSITION:</b>	
Net investment in capital assets	(19,422,669)
Unrestricted	<u>(18,935,544)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (38,358,213)</u>

**WHITMORE LAKE PUBLIC SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2016**

<b>Functions/programs</b>	<b>Expenses</b>	<b>Program revenues</b>		<b>Net (expense) revenue and changes in net position</b>
		<b>Charges for services</b>	<b>Operating grants</b>	
Governmental activities:				
Instruction	\$ 4,859,545	\$ 40,547	\$ 651,534	\$ (4,167,464)
Support services	4,659,431	66,424	407,257	(4,185,750)
Community services	386,085	407,960	-	21,875
Food services	474,759	176,992	227,869	(69,898)
Interest on long-term debt	1,592,577	-	-	(1,592,577)
Unallocated depreciation	<u>1,315,004</u>	<u>-</u>	<u>-</u>	<u>(1,315,004)</u>
Total governmental activities	<u>\$ 13,287,401</u>	<u>\$ 691,923</u>	<u>\$ 1,286,660</u>	<u>(11,308,818)</u>
General revenues:				
Property taxes, levied for general purposes				1,953,020
Property taxes, levied for debt service				3,304,845
Property taxes, levied for special purposes				198,266
Investment earnings				8,060
State sources - unrestricted				5,014,183
Intermediate sources				1,222,324
Other				<u>57,331</u>
Total general revenues				<u>11,758,029</u>
<b>CHANGE IN NET POSITION</b>				
<b>NET POSITION</b> , beginning of year				<u>(38,807,424)</u>
<b>NET POSITION</b> , end of year				<u>\$ (38,358,213)</u>

**WHITMORE LAKE PUBLIC SCHOOLS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	<b>General fund</b>	<b>2012 Debt service fund</b>	<b>Total nonmajor funds</b>	<b>Total governmental funds</b>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 680,376	\$ 12,762	\$ 392,856	\$ 1,085,994
Investments	1,347,196	-	-	1,347,196
Receivables:				
Accounts receivable	-		3,750	3,750
Intergovernmental	1,622,553	-	8,208	1,630,761
Due from other funds	124,381	200,705	68,196	393,282
Due from agency fund	46,475	-	-	46,475
Inventories	-	-	15,753	15,753
Prepays	24,223		-	24,223
<b>TOTAL ASSETS</b>	<b>\$ 3,845,204</b>	<b>\$ 213,467</b>	<b>\$ 488,763</b>	<b>\$ 4,547,434</b>
<b>DEFERRED LIABILITIES, INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 58,045	\$ -	\$ 4,409	\$ 62,454
Accrued salaries and related items	703,349	-	4,598	707,947
Accrued retirement	280,629	-	-	280,629
Accrued interest	20,972	-	-	20,972
Due to other funds	84,927	-	308,355	393,282
Notes payable	1,798,973	-	-	1,798,973
Unearned revenue	154,937	-	-	154,937
<b>TOTAL LIABILITIES</b>	<b>\$ 3,101,832</b>	<b>-</b>	<b>\$ 317,362</b>	<b>\$ 3,419,194</b>

See notes to financial statements.

**DEFERRED INFLOWS OF RESOURCES:**

Unavailable revenue

**FUND BALANCES:**

Nonspendable:

Inventories

Prepays

Restricted for:

Debt service

Community recreation

Unassigned for - food service

Unassigned - general fund

**TOTAL FUND BALANCES**

**TOTAL LIABILITIES, DEFERRED INFLOWS  
OF RESOURCES AND FUND BALANCES**

**Total governmental fund balances**

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

Deferred outflows (inflows):

- Deferred outflows of resources - deferred charge on refunding
- Deferred outflows of resources - related to pensions
- Deferred inflows of resources - related to pensions
- Deferred inflows of resources - related to state pension funding

Capital assets used in governmental activities are not

financial resources and are not reported in the funds:

- The cost of the capital assets is
- Accumulated depreciation is

Because the focus of the governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by unavailable revenues in the governmental funds, and thus are not included in fund balance:

Unavailable revenue expected to be collected after September 1

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

- Bonds and other debt liabilities
- Compensated absences and termination benefits
- Accrued interest is not included as a liability in government funds, it is recorded when paid
- Net pension liability

**Net position of governmental activities**

	<b>General fund</b>	<b>2012 Debt service fund</b>	<b>Total nonmajor funds</b>	<b>Total governmental funds</b>
Unavailable revenue	\$ 31,359	\$ -	\$ -	\$ 31,359
Nonspendable:				
Inventories	-	-	15,753	15,753
Prepays	24,223	-	-	24,223
Restricted for:				
Debt service	-	213,467	124,977	338,444
Community recreation	-	-	46,348	46,348
Unassigned for - food service	-	-	(15,677)	(15,677)
Unassigned - general fund	687,790	-	-	687,790
<b>TOTAL FUND BALANCES</b>	<b>712,013</b>	<b>213,467</b>	<b>171,401</b>	<b>1,096,881</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 3,845,204</b>	<b>\$ 213,467</b>	<b>\$ 488,763</b>	<b>\$ 4,547,434</b>
				\$ 1,096,881
Deferred outflows (inflows):				
Deferred outflows of resources - deferred charge on refunding				1,724,757
Deferred outflows of resources - related to pensions				1,705,955
Deferred inflows of resources - related to pensions				(1,707,507)
Deferred inflows of resources - related to state pension funding				(408,096)
Capital assets used in governmental activities are not				
financial resources and are not reported in the funds:				
The cost of the capital assets is			\$ 54,106,464	
Accumulated depreciation is			(19,887,904)	
				34,218,560
Because the focus of the governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by unavailable revenues in the governmental funds, and thus are not included in fund balance:				
Unavailable revenue expected to be collected after September 1				31,359
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
Bonds and other debt liabilities				(59,472,618)
Compensated absences and termination benefits				(104,718)
Accrued interest is not included as a liability in government funds, it is recorded when paid				(438,724)
Net pension liability				(15,004,062)
<b>Net position of governmental activities</b>				<b>\$ (38,358,213)</b>

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, 2016**

	<u>General fund</u>	<u>2012 Debt service fund</u>	<u>Refunding Debt service fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
<b>REVENUES:</b>					
Local sources:					
Property taxes	\$ 1,953,020	\$ 2,038,373	\$ -	\$ 1,464,738	\$ 5,456,131
Tuition	163,086	-	-	-	163,086
Investment earnings	8,054	-	-	7	8,061
Food and community recreation revenue	-	-	-	318,843	318,843
Athletics	38,678	-	-	-	38,678
Other	220,516	-	-	8,130	228,646
Total local revenues	2,383,354	2,038,373	-	1,791,718	6,213,445
State sources	5,835,984	-	-	10,579	5,846,563
Federal sources	613,727	-	-	217,290	831,017
Incoming transfers and other	1,500,600	-	-	-	1,500,600
Total revenues	10,333,665	2,038,373	-	2,019,587	14,391,625
<b>EXPENDITURES:</b>					
Current:					
Instruction	5,242,843	-	-	-	5,242,843
Supporting services	4,516,113	-	-	-	4,516,113
Food service activities	-	-	-	421,561	421,561
Community recreation activities	67,189	-	-	331,908	399,097

	<b>General fund</b>	<b>2012 Debt service fund</b>	<b>Refunding Debt service fund</b>	<b>Total nonmajor funds</b>	<b>Total governmental funds</b>
<b>EXPENDITURES (Concluded):</b>					
Debt service:					
Redemption of bonds	\$ -	\$ 1,535,000	\$ -	\$ 565,500	\$ 2,100,500
Redemption of SBLF and SLRF	-	-	15,700,085	-	15,700,085
Interest on bonded debt	-	532,058	4,043,915	972,479	5,548,452
Payment to refunded bond escrow agent	-	-	170,500	-	170,500
Bond issuance costs	-	-	394,095	-	394,095
Other	-	100	-	2,651	2,751
Total expenditures	<u>9,826,145</u>	<u>2,067,158</u>	<u>20,308,595</u>	<u>2,294,099</u>	<u>34,495,997</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>					
	<u>507,520</u>	<u>(28,785)</u>	<u>(20,308,595)</u>	<u>(274,512)</u>	<u>(20,104,372)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from sale of refunding bonds	-	-	37,525,000	-	37,525,000
Payment to refunded bond escrow agent	-	-	(19,402,196)	-	(19,402,196)
Bond premium	-	-	2,185,791	-	2,185,791
Proceeds from school loan revolving fund	-	149,172	-	291,234	440,406
Transfers in	-	-	-	13,000	13,000
Transfers out	(13,000)	-	-	-	(13,000)
Total other financing sources (uses)	<u>(13,000)</u>	<u>149,172</u>	<u>20,308,595</u>	<u>304,234</u>	<u>20,749,001</u>
<b>NET CHANGE IN FUND BALANCES</b>					
	<u>494,520</u>	<u>120,387</u>	<u>-</u>	<u>29,722</u>	<u>644,629</u>
<b>FUND BALANCES:</b>					
Beginning of year	<u>217,493</u>	<u>93,080</u>	<u>-</u>	<u>141,679</u>	<u>452,252</u>
End of year	<u>\$ 712,013</u>	<u>\$ 213,467</u>	<u>\$ -</u>	<u>\$ 171,401</u>	<u>\$ 1,096,881</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, 2016**

<b>Net change in fund balances total governmental funds</b>	\$ 644,629
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	(1,315,004)
Loss on disposal	(66,210)
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	296,141
Accrued interest payable, end of the year	(438,724)
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 position. Also, governmental funds report the effect of 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 in the treatment of long-term debt and related items are as follows:	
Proceeds from school loan revolving fund	(440,406)
Proceeds from the issuance of bonds	(37,525,000)
Premium on the issuance of bonds	(2,185,791)
Payments to escrow agents	19,572,696
Principal payment for SBLF and SLRF	15,700,085
Interest payment for SBLF and SLRF	4,043,915
Payments on debt	2,100,500
Amortization of deferred loss on refunding	(192,036)
Amortization of bond premium	405,722
Accrued interest from school loan revolving fund	(159,143)
Payment on capital lease	13,091
Revenue is recorded on the accrual method in the statement of activities: in the governmental funds it is recorded on the modified accrual method and not considered available:	
Unavailable revenue, beginning of year	(278,276)
Unavailable revenue, end of year	31,359
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	103,881
Accrued compensated absences and termination benefits, end of the year	(104,718)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Pension related items	650,596
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to sections 147c pension contributions subsequent to the measurement period.	
State aid funding for pension	(408,096)
<b>Change in net position of governmental activities</b>	<hr/> <hr/> \$ 449,211

**WHITMORE LAKE PUBLIC SCHOOLS**  
**STATEMENT OF FIDUCIARY NET ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2016**

	<u>Agency fund</u>
<b>ASSETS:</b>	
Cash and cash equivalents	<u>\$ 203,511</u>
<b>LIABILITIES:</b>	
Due to Whitmore Lake Public Schools	\$ 46,475
Due to student and other groups	<u>157,036</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 203,511</u>

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

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

#### **B. 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 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 the 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 (GASB) Statements.

#### **C. Basis of Presentation - Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

#### **D. Basis of Presentation - Fund Financial Statements**

The fund financial statements provide information about the District’s funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Presentation - Fund Financial Statements (Concluded)**

The *2012 Debt service fund* accounts for the resources accumulated and payments made for principal and interest on long term general obligation debt of governmental funds.

The *Refunding Debt service fund* accounts for expenditures and other financing sources related to the current year debt refundings and school bond loan fund and school loan revolving fund repayments.

**Other Non-major Funds**

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

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Measurement Focus and Basis of Accounting (Continued)**

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 expenses. 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.

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.

The 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 generally 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

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 current year ended, the foundation allowance was based on pupil membership counts.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Measurement Focus and Basis of Accounting (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 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 to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

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. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

**F. Budgetary Information**

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Budgetary Information (Concluded)**

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.
4. Transfers may be made for 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. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2016. The District considered these amendments to be significant. See the budgetary comparison schedule for more information.

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

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. 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.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

2. Investments (Concluded)

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. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

3. Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated fair value at the date of donation.

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.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

4. Capital assets (Concluded)

Land and construction in progress if any are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Buildings and additions	20 - 50
Equipment and furniture	5 - 20
Vehicles	5 - 10

5. Defined benefit plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

6. Deferred outflows/inflows of resources

Deferred outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are the deferred charge on refunding and pension related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows are recognized for pension related items. These amounts are amortized in the plan years in which they apply.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

6. Deferred outflows/inflows of resources (Concluded)

Deferred inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first item arises only under the modified accrual basis of accounting. According, the item unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from receipts that are received after 60 days of year end. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available. The second item is the future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary. The third is restricted sections 147c state aid deferred to offset deferred outflows related to sections 147c pension contributions subsequent to the measurement period.

7. Net position flow assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

In the computation of net investment in capital assets, school bond loan fund and school bond revolving fund principal proceeds of \$442,481 are considered capital-related debt. Accrued interest on the school bond loan fund and school bond revolving fund of \$10,351 is not considered capital related debt.

In addition, during the year ended June 30, 2016 the District issued bonded debt in the amount of \$19,930,000 used to make principal and interest payments related to the School Loan Revolving Fund and the School Bond Loan Fund. 20% of these proceeds are not considered capital related debt as this amount was used to pay off accrued interest. The remaining allocation of this debt not considered capital related debt at June 30, 2016 is \$4,043,915.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Concluded)**

8. Fund balance flow assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The board of education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board of education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The District strives to maintain a secure financial position whereby the fund balance in the general fund does not fall below 10% of the preceding year's expenditures. At June 30, 2016, the District's General Fund balance was less than 10% of the preceding year's expenditures.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Revenues and Expenditures/Expenses**

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. 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, 2016, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
<hr/>	
General fund:	
Non-Principal Residence Exemption (Non-PRE)	18.0000
Commercial Personal Property	6.0000
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	9.8000
Special revenue fund:	
PRE and Non-PRE	0.6001

3. Compensated absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**H. Revenues and Expenditures/Expenses (Concluded)**

4. 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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

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.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

As of June 30, 2016, the District had the following investments:

Investment Type	Fair Value	Weighted average maturity (years)	Standard & Poor's Rating	% of Total Value
MBIA Asset Management - CLASS	\$ 1,195,026	0.0027	AAAm	88.7%
Michigan Liquid Asset Fund - CLASS	51,107	0.0027	AAAm	3.9%
Uncategorized - Pooled investment funds				
Mid America - Employee Benefit Trust Fund (EBTF)	101,063	0.0027	AA-	7.4%
Total fair value	<u><u>\$ 1,347,196</u></u>			<u><u>100%</u></u>
Portfolio weighted average maturity		<u><u>0.0027</u></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, 2016, 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 2 - DEPOSITS AND INVESTMENTS (Continued)**

MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

The other funds are MBIA and EBTF. MBIA is a local government investment pool investment fund of “qualified” investments for Michigan school districts. This fund is recorded at fair value and is subject to the fair value disclosures. MBIA is not regulated nor is it registered with the SEC and reports as of June 30, 2016, the fair value of the District’s investments as the same as the value of the pooled shares. EBTF is considered a money market fund recorded at amortized cost.

**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, 2016, \$646,457 of the District’s bank balance of \$1,437,141 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing accounts. The carrying amount of the deposits on the financial statements is \$1,289,505.

**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.

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

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

**Fair value measurement.** The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District's MBIA investments subject to the fair value measurement are level 2 investments.

**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 2 - DEPOSITS AND INVESTMENTS (Concluded)**

The carrying amount of deposits and investments is as follows:

Deposits - including fiduciary funds of \$203,511	\$ 1,289,505
Investments - other	<u>1,347,196</u>
	<u><u>\$ 2,636,701</u></u>

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

Cash and cash equivalents - district-wide	\$ 1,085,994
Investments - district-wide	1,347,196
Cash and cash equivalents - fiduciary funds	<u>203,511</u>
	<u><u>\$ 2,636,701</u></u>

**NOTE 3 - INTERGOVERNMENTAL RECEIVABLES**

Receivables at June 30, 2016 consist of the following:

	Government wide
State aid	\$ 1,039,053
Federal revenue	396,752
Intermediate sources	181,082
Other	<u>13,874</u>
	<u><u>\$ 1,630,761</u></u>

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

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

**NOTE 4 - CAPITAL ASSETS**

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

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 1,218,065	\$ -	\$ -	\$ 1,218,065
Capital assets, being depreciated:				
Buildings and improvements	50,771,843	-	204,000	50,567,843
Buses and other vehicles	725,791	-	-	725,791
Furniture and equipment	1,647,093	-	52,328	1,594,765
Total capital assets, being depreciated	<u>53,144,727</u>	<u>-</u>	<u>256,328</u>	<u>52,888,399</u>
Accumulated depreciation:				
Buildings and improvements	16,818,717	1,191,718	137,790	17,872,645
Buses and other vehicles	687,391	13,609	-	701,000
Furniture and equipment	1,256,910	109,677	52,328	1,314,259
Total accumulated depreciation	<u>18,763,018</u>	<u>1,315,004</u>	<u>190,118</u>	<u>19,887,904</u>
Net capital assets being depreciated	<u>34,381,709</u>	<u>(1,315,004)</u>	<u>66,210</u>	<u>33,000,495</u>
Net governmental capital assets	<u><u>\$ 35,599,774</u></u>	<u><u>\$ (1,315,004)</u></u>	<u><u>\$ 66,210</u></u>	<u><u>\$ 34,218,560</u></u>

Depreciation for the fiscal year ended June 30, 2016 amounted to \$1,315,004. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**NOTE 5 - NOTES PAYABLE**

On August 20, 2015, the District issued short-term State School Aid Anticipation Notes in the amount of \$2,956,000. The notes have interest at .76%, .64%. 1.08% and 1.4625% and matures August 22, 2016. Two of the notes require payments to an irrevocable set-aside account. These amounts are considered defeased debt at year end and treat as payments to reduce the year end balance. The notes are secured by the full faith and credit of the District as well as pledged state aid. Activity for the year ended June 30, 2016 is as follows:

Balance June 30, 2015	Additions	Payments	Balance June 30, 2016
<u>\$ 3,400,000</u>	<u>\$ 2,956,000</u>	<u>\$ 4,557,027</u>	<u>\$ 1,798,973</u>

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

**NOTE 6 - 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, 2016:

	Bonded debt	School bond loan and school revolving funds	Lease- purchase agreement	Accumulated compensated absences	Total
Balance July 1, 2015	\$ 40,824,914	\$ 19,597,283	\$ 65,457	\$ 103,881	\$ 60,591,535
Addition	39,710,791	599,549	-	837	40,311,177
Deletions	(21,568,285)	(19,744,000)	(13,091)	-	(41,325,376)
Balance June 30, 2016	58,967,420	452,832	52,366	104,718	59,577,336
Due within one year	(5,685,000)	-	(13,091)	(10,472)	(5,708,563)
Due in more than one year	<u>\$ 53,282,420</u>	<u>\$ 452,832</u>	<u>\$ 39,275</u>	<u>\$ 94,246</u>	<u>\$ 53,868,773</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 were 3.34% at June 30, 2016 for the School Loan Revolving Fund and the School Bond Loan Fund. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.25 mills. Currently the District levies 9.80 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 6 - LONG-TERM DEBT (Continued)**

Long-term obligation debt at June 30, 2016 is comprised of the following:

\$4,955,000 Refunding Bonds dated December 14, 2004, due in annual installments of \$255,000 to \$260,000 through May 1, 2018; interest at 3.75% to 4.60%, payable semi-annually.	\$ 515,000
\$6,455,000 Refunding Bonds dated November 9, 2007, due in annual installments of \$515,000 to \$1,620,000 through May 1, 2028; interest at 4.00% to 5.25%, payable semi-annually.	6,210,000
\$16,605,000 Refunding Bonds dated May 22, 2012, due in annual installments of \$2,375,000 to \$2,435,000 through May 1, 2033; interest at 2.00% to 4.00%, payable semi-annually.	12,065,000
\$8,900,000 Refunding Bonds dated September 22, 2015, due in annual installments of \$235,000 to \$2,040,000 through May 1, 2026; interest at 4.00%, payable semi-annually.	8,900,000
\$19,930,000 Refunding Bonds dated September 22, 2015, due in annual installments of \$3,780,000 to \$4,205,000 through May 1, 2021; interest at 1.368% to 2.749%, payable semi-annually.	19,930,000
\$8,695,000 Refunding Bonds dated March 15, 2016, due in annual installments of \$135,000 to \$2,025,000 May 1, 2029 through May 1, 2033; interest at 1.368% to 2.749%, payable semi-annually.	8,695,000
Plus: premium - net on bond issuance	<u>2,652,420</u>
Total bonded debt	58,967,420
Borrowing from the State of Michigan under the School Bond Loan Fund, including interest at 3.34% at June 30, 2016.	2,130
Borrowing from the State of Michigan under the School Loan Revolving Fund, including interest at 3.34% at June 30, 2016.	450,702
Lease-purchase agreement due in annual installments of \$13,091, 0.0% interest, through July 1, 2019.	52,366
Obligation under contract for compensated absences	<u>104,718</u>
Total general long-term debt	<u><u>\$ 59,577,336</u></u>

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, 2016, \$56,055,000 of bonds outstanding are considered defeased.

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

**NOTE 6 - LONG-TERM DEBT (Continued)**

The annual requirement to amortize debt outstanding as of June 30, 2016, including interest payments of \$15,008,216 are as follows:

Year ending June 30,	Principal	Interest	Total
2017	\$ 5,698,091	\$ 1,928,973	\$ 7,627,064
2018	5,838,091	1,737,747	7,575,838
2019	5,963,091	1,590,197	7,553,288
2020	6,283,093	1,425,259	7,708,352
2021	6,040,000	1,241,529	7,281,529
2022 - 2026	10,325,000	4,452,835	14,777,835
2027 - 2031	11,355,000	2,339,676	13,694,676
2032 - 2033	4,865,000	292,000	5,157,000
	56,367,366	15,008,216	71,375,582
Due to the school bond loan fund	2,130	-	2,130
Due to the school loan revolving fund	450,702	-	450,702
Unamortized premium - net on bond issuance	2,652,420	-	2,652,420
Accumulated compensated absences	104,718	-	104,718
	<u>\$ 59,577,336</u>	<u>\$ 15,008,216</u>	<u>\$ 74,585,552</u>

On September 22, 2015, the District issued general obligation bonds of \$8,900,000 with an interest rate of 4.00% to refund the District's outstanding 2004 and 2005 bonds with an interest rate of 4.125% to 4.600% and 4.000% to 4.100%, respectively. The bonds mature at various times through May 1, 2026. The general obligation bonds were issued at a premium of \$997,182, after paying issuance costs of \$83,973, the net proceeds were \$9,813,209. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements. As a result of the advance refunding, the District reduced its total debt service requirements by \$1,175,255, which resulted in an economic gain (difference between the present value of the debt service payment on the old and new debt) of \$1,038,565.

The District also issued general obligation bonds of \$19,930,000 with interest ranging from 1.368% and 4.000% to refund the outstanding School Loan Revolving Fund with an interest rate of 3.34% as of June 30, 2016. The bonds mature at various times through May 1, 2021. After paying issuance costs of \$186,000, the net proceeds were \$19,744,000. The net proceeds from the issuance of the general obligation bonds were used to pay-down the District's outstanding school bond loan fund and school loan revolving fund debt.

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

**NOTE 6 - LONG-TERM DEBT (Concluded)**

On February 18, 2016 the District issued general obligation bonds of \$8,695,000 with an interest rate of 4.00% to refund the District's outstanding 2005 and 2006 bonds with interest rates of 4.000% and 4.000%, respectively. The bonds mature at various times through May 1, 2028. The general obligation bonds were issued at a premium of \$1,188,609, after paying issuance costs of \$124,122 and the district's portion of the payment to escrow of \$170,500, the net proceeds were \$9,588,987. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements. As a result of the advance refunding, the District reduced its total debt service requirements by \$1,440,859, which resulted in an economic gain (difference between the present value of the debt service payment on the old and new debt) of \$1,179,614.

**NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund payable and receivable balances at June 30, 2016 are as follows:

Receivable fund		Payable fund
General	\$ 124,381	General fund \$ 84,927
Debt service - 2004	15,016	Food service 34,453
Debt service - 2005	12,680	Community recreation 23,791
Debt service - 2006	40,500	Debt service - 2007 158,391
Debt service - 2012	<u>200,705</u>	Debt service - 2015 series A 42,751
		Debt service - 2015 series B 42,752
		Debt service - 2016 6,217
	<u><u>\$ 393,282</u></u>	<u><u>\$ 393,282</u></u>

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.

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

**NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS**

**Plan Description**

The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at <http://michigan.gov/mpsers-cafr>.

**Benefits Provided**

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

<u>Plan name</u>	<u>Plan Type</u>	<u>Plan status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

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

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% -7.0%.

**Pension Reform 2010**

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

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

### **NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

#### **Pension Reform 2012**

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund. Members who elected under option 1 to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP).

#### **Regular Retirement (no reduction factor for age)**

Eligibility - Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60<sup>th</sup> birthday and has credited service in each of the last 5 years. For Pension Plus (PPP) members, age 60 with 10 years of credited service.

Annual Amount - Total credited service as of the Transition Date times 1.5% of final average compensation.

#### **Pension Plus**

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1 - Credited Service after the Transition Date times 1.5% times FAC.

Option 2 - Credited Service after the Transition Date (until total service reaches 30 years) times 1.5% times FAC, PLUS Credited Service after the Transition Date and over 30 years times 1.25% times FAC.

Option 3 - Credited Service after the Transition Date times 1.25% times FAC.

Option 4 - None (Member will receive benefit through a Defined Contribution plan). As a DC participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

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

**NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

Final Average Compensation (FAC) - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the Transition Date.

**Member Contributions**

Depending on the plan selected, member contributions range from 0% - 7%. Plan members electing the defined contribution plan are not required to make additional contributions.

**Employer Contributions**

Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

March 10, 2015 - September 30, 2015	18.76% - 23.07%
October 1, 2015 - September 30, 2016	14.56% - 18.95%

The District's pension contributions for the year ended June 30, 2016 were equal to the required contribution total. Pension contributions were approximately \$1,439,000, with \$1,383,000 specifically for the Defined Benefit Plan. These amounts include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (69.45% for pension and 30.55% for OPEB).

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

**NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

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

**Pension Liabilities**

At June 30, 2016, the District reported a liability of \$15,004,062 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2014 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2015 and 2014, the District's proportion was .06143 and .07030 percent.

<u>MPSERS (Plan) Non-University Employers:</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Total pension liability	\$ 66,312,041,902	\$ 65,160,887,182
Plan fiduciary net position	\$ 41,887,015,147	\$ 43,134,384,072
Net pension liability	\$ 24,425,026,755	\$ 22,026,503,110
Proportionate share	0.06143%	0.07030%
Net pension liability for the District	\$ 15,004,062	\$ 15,483,907

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

For the year ended June 30, 2016, the District recognized pension expense of \$324,386. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate, these amounts have been recorded as a deferred outflow as of June 30, 2016.

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

**NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

At June 30, 2015, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	\$ 369,432	\$ -
Net difference between projected and actual plan investment earnings	76,584	-
Differences between expects and actual experience	-	49,698
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	1,657,809
Reporting Unit's contributions subsequent to the measurement date	<u>1,259,939</u>	-
	<u>\$ 1,705,955</u>	<u>\$ 1,707,507</u>

\$1,259,939, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	Amount
2016	\$ (404,056)
2017	(404,056)
2018	(424,082)
2019	(29,297)

**Actuarial Assumptions**

**Investment rate of return** - 8.0% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus plan).

**Salary increases** - The rate of pay increase used for individual members is 3.5%.

**Inflation** - 2.5%

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

**NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Mortality assumptions** – RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2020 using projection scale AA for men and women were used.

**Experience study** - The annual actuarial valuation report of the System used for these statements is dated September 30, 2014. Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

**The long-term expected rate of return on pension plan investments** - The rate was **8% (7%** Pension Plus Plan) net of investment and administrative expenses was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment category	Target allocation	Long-term expected real rate of return*
Domestic Equity Pools	28.00%	5.90%
Alternate Investment Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.90%
Real Estate and Infrastructure Pools	10.00%	4.30%
Absolute Return Pools	15.50%	6.00%
Short Term Investment Pools	2.00%	0.00%
	<b><u>100.00%</u></b>	

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

**Discount rate** - The discount rate used to measure the total pension liability was **8% (7%** for Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Sensitivity of the net pension liability to changes in the discount rate**

The following presents the Reporting Unit's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent (7% for Pension Plus Plan, as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Lower (6.0% - 7.0%)	Discount Rate (7.0% to 8.0%)	1% Higher (8.0% to 9.0%)
Reporting Unit's proportionate share of the net pension liability	<u>\$ 19,344,082</u>	<u>\$ 15,004,062</u>	<u>\$ 11,345,247</u>

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2015 Comprehensive Annual Financial Report.

**Payable to the Pension Plan** - At year end the School District is current on all required pension plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

**Benefit Provisions - Other Postemployment**

*Introduction*

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

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

**NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Concluded)**

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

***Retiree Healthcare Reform of 2012***

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

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

***Employer Contributions***

The employer contribution rate ranged from 5.52% - 6.45% of covered payroll for the period October 1, 2013 to March 9, 2015, 2.2% to 2.71% of covered payroll for the period from March 10, 2015 to September 30, 2015, and from 6.4% to 6.83% of covered payroll for the period from October 1, 2015 through June 30, 2016 dependent upon the employee's date of hire and plan election.

The District postemployment healthcare contributions to MPSERS for the years ended June 30, 2016, 2015 and 2014 were approximately \$536,000 \$656,000 and \$394,000.

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

### **NOTE 9 - 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 10 - TRANSFERS**

The general fund transferred \$13,000 to the food service fund during the current fiscal year to subsidize operations.

### **NOTE 11 - SUBSEQUENT EVENTS**

The District has approved borrowing \$1,395,000 for fiscal year 2017 to replace the note payable as described in Note 5.

### **NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued by the GASB in June 2015 and will be effective for the District's 2018 fiscal year. The Statement requires governments that participate in defined benefit other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

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

**NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS (Concluded)**

Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, was issued by the GASB in August 2015 and will be effective for the District's 2017 year end. The Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements in the footnotes of the financial statements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatements recipients.
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

This Statement will improve the user's ability on how tax abatements affect the reporting unit's financial positions and results of operations, including their ability to raise resources in the future.

**REQUIRED SUPPLEMENTARY INFORMATION**

**WHITMORE LAKE PUBLIC SCHOOLS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2016**

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget</b>
<b>REVENUES:</b>				
Local sources	\$ 2,338,578	\$ 2,458,442	\$ 2,383,354	\$ (75,088)
State sources	5,913,794	5,878,635	5,835,984	(42,651)
Federal sources	726,418	634,355	613,727	(20,628)
Incoming transfers and other	1,018,063	1,464,096	1,500,600	36,504
Total revenues	<u>9,996,853</u>	<u>10,435,528</u>	<u>10,333,665</u>	<u>(101,863)</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Basic programs	4,277,661	4,425,233	4,400,917	24,316
Added needs	1,189,391	848,831	841,926	6,905
Total instruction	<u>5,467,052</u>	<u>5,274,064</u>	<u>5,242,843</u>	<u>31,221</u>
Supporting services:				
Pupil	1,231,946	1,414,898	1,391,256	23,642
Instructional staff	251,830	340,913	343,815	(2,902)
General administration	333,010	282,150	304,892	(22,742)
School administration	413,682	411,168	418,160	(6,992)
Business	330,475	353,588	337,982	15,606
Operation/maintenance	823,063	886,658	856,382	30,276
Pupil transportation	423,294	456,552	446,704	9,848
Central	209,986	242,549	202,385	40,164
Athletics	211,883	214,623	214,537	86
Total supporting services	<u>4,229,169</u>	<u>4,603,099</u>	<u>4,516,113</u>	<u>86,986</u>
Community services	34,838	68,148	67,189	959
Total expenditures	<u>9,731,059</u>	<u>9,945,311</u>	<u>9,826,145</u>	<u>119,166</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>265,794</u>	<u>490,217</u>	<u>507,520</u>	<u>17,303</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	-	(16,103)	(13,000)	3,103
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 265,794</u>	<u>\$ 474,114</u>	<u>494,520</u>	<u>\$ 20,406</u>
<b>FUND BALANCE:</b>				
Beginning of year			217,493	
End of year			<u>\$ 712,013</u>	

**WHITMORE LAKE PUBLIC SCHOOLS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN**  
**LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED**  
**AS OF 9/30 OF EACH FISCAL YEAR)**

	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability (%)	0.06143%	0.07030%
Reporting unit's proportionate share of net pension liability	\$ 15,004,062	\$ 15,483,907
Reporting unit's covered-employee payroll	\$ 5,227,690	\$ 6,110,911
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	287.01%	253.38%
Plan fiduciary net position as a percentage of total pension liability	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**WHITMORE LAKE PUBLIC SCHOOLS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS**  
**MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN**  
**LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED**  
**AS OF 6/30 OF EACH FISCAL YEAR)**

	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 1,383,078	\$ 1,081,882
Contributions in relation to statutorily required contributions	<u>1,383,078</u>	<u>1,081,882</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$ 5,216,302	\$ 5,470,291
Contributions as a percentage of covered-employee payroll	26.51%	19.78%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**WHITMORE LAKE PUBLIC SCHOOLS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Changes of benefits terms:** There were no changes of benefits terms in 2015.

**Changes of assumptions:** There were no changes of benefits assumptions in 2015.

**ADDITIONAL SUPPLEMENTARY INFORMATION**

**WHITMORE LAKE PUBLIC SCHOOLS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
**JUNE 30, 2016**

	<b>Special revenue</b>	<b>Debt service</b>	<b>Total nonmajor funds</b>
<b>ASSETS</b>			
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 85,964	\$ 306,892	\$ 392,856
Accounts receivable	3,750	-	3,750
Intergovernmental receivable	8,208	-	8,208
Due from other funds	-	68,196	68,196
Inventories	<u>15,753</u>	<u>-</u>	<u>15,753</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 113,675</u></b>	<b><u>\$ 375,088</u></b>	<b><u>\$ 488,763</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 4,409	\$ -	\$ 4,409
Due to other funds	58,244	250,111	308,355
Accrued salaries and related items	<u>4,598</u>	<u>-</u>	<u>4,598</u>
<b>TOTAL LIABILITIES</b>	<b><u>67,251</u></b>	<b><u>250,111</u></b>	<b><u>317,362</u></b>
<b>FUND BALANCES:</b>			
Nonspendable:			
Inventories	15,753	-	15,753
Restricted for:			
Debt service	-	124,977	124,977
Community recreation	46,348	-	46,348
Unassigned for - food service	<u>(15,677)</u>	<u>-</u>	<u>(15,677)</u>
<b>TOTAL FUND BALANCES</b>	<b><u>46,424</u></b>	<b><u>124,977</u></b>	<b><u>171,401</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 113,675</u></b>	<b><u>\$ 375,088</u></b>	<b><u>\$ 488,763</u></b>

**WHITMORE LAKE PUBLIC SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
**YEAR ENDED JUNE 30, 2016**

	<b>Special revenue</b>	<b>Debt service</b>	<b>Total nonmajor funds</b>
<b>REVENUES:</b>			
Local sources:			
Property taxes	\$ 198,266	\$ 1,266,472	\$ 1,464,738
Investment earnings	7	-	7
Food sales and admissions	318,843	-	318,843
Other	-	8,130	8,130
Total local sources	<u>517,116</u>	<u>1,274,602</u>	<u>1,791,718</u>
State sources	10,579	-	10,579
Federal sources	<u>217,290</u>	<u>-</u>	<u>217,290</u>
Total revenues	<u>744,985</u>	<u>1,274,602</u>	<u>2,019,587</u>
<b>EXPENDITURES:</b>			
Current:			
Food service activities	421,561	-	421,561
Community service activity	331,908	-	331,908
Debt service:			
Principal repayment	-	565,500	565,500
Interest expense	-	972,479	972,479
Other expense	-	2,651	2,651
Total expenditures	<u>753,469</u>	<u>1,540,630</u>	<u>2,294,099</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(8,484)</u>	<u>(266,028)</u>	<u>(274,512)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from school loan revolving fund	-	291,234	291,234
Transfers in	<u>13,000</u>	<u>-</u>	<u>13,000</u>
Total other financing sources (uses)	<u>13,000</u>	<u>291,234</u>	<u>304,234</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>4,516</u>	<u>25,206</u>	<u>29,722</u>
<b>FUND BALANCES:</b>			
Beginning of year	<u>41,908</u>	<u>99,771</u>	<u>141,679</u>
End of year	<u>\$ 46,424</u>	<u>\$ 124,977</u>	<u>\$ 171,401</u>

**WHITMORE LAKE PUBLIC SCHOOLS**  
**SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2016**

	<u>Food service</u>	<u>Community recreation</u>	<u>Totals</u>
<b>ASSETS</b>			
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 15,541	\$ 70,423	\$ 85,964
Accounts receivable	-	3,750	3,750
Intergovernmental receivable	8,208	-	8,208
Inventories	<u>15,753</u>	<u>-</u>	<u>15,753</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 39,502</u></b>	<b><u>\$ 74,173</u></b>	<b><u>\$ 113,675</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 3,446	\$ 963	\$ 4,409
Due to other funds	34,453	23,791	58,244
Accrued salaries and related items	<u>1,527</u>	<u>3,071</u>	<u>4,598</u>
<b>TOTAL LIABILITIES</b>	<b><u>39,426</u></b>	<b><u>27,825</u></b>	<b><u>67,251</u></b>
<b>FUND BALANCES:</b>			
Nonspendable:			
Inventories	15,753	-	15,753
Restricted for:			
Community recreation	-	46,348	46,348
Unassigned for - food service	<u>(15,677)</u>	<u>-</u>	<u>(15,677)</u>
<b>TOTAL FUND BALANCES</b>	<b><u>76</u></b>	<b><u>46,348</u></b>	<b><u>46,424</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 39,502</u></b>	<b><u>\$ 74,173</u></b>	<b><u>\$ 113,675</u></b>

**WHITMORE LAKE PUBLIC SCHOOLS**  
**SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2016**

	<b>Food service</b>	<b>Community recreation</b>	<b>Totals</b>
<b>REVENUES:</b>			
Sales	\$ 167,669	\$ -	\$ 167,669
State aid	10,579	-	10,579
Federal aid	217,290	-	217,290
Property taxes	-	198,266	198,266
Investment earnings	1	6	7
Other	9,322	141,852	151,174
Total revenues	<u>404,861</u>	<u>340,124</u>	<u>744,985</u>
<b>EXPENDITURES:</b>			
Salaries	141,746	115,674	257,420
Benefits	72,202	55,517	127,719
Purchased services	7,281	13,922	21,203
Supplies and materials	196,175	145,195	341,370
Other expenses	4,157	1,600	5,757
Total expenditures	<u>421,561</u>	<u>331,908</u>	<u>753,469</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(16,700)</u>	<u>8,216</u>	<u>(8,484)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	<u>13,000</u>	<u>-</u>	<u>13,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(3,700)</b>	<b>8,216</b>	<b>4,516</b>
<b>FUND BALANCES:</b>			
Beginning of year	<u>3,776</u>	<u>38,132</u>	<u>41,908</u>
End of year	<u>\$ 76</u>	<u>\$ 46,348</u>	<u>\$ 46,424</u>

**WHITMORE LAKE PUBLIC SCHOOLS  
NONMAJOR DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2016**

	<u>2015A</u>	<u>2015B</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2016</u>	<b>Total nonmajor</b>
<b>ASSETS</b>								
<b>ASSETS:</b>								
Cash and cash equivalents	\$ 61,508	\$ 63,307	\$ 2,528	\$ -	\$ -	\$ 173,332	\$ 6,217	\$ 306,892
Due from other funds	-	-	15,016	12,680	40,500	-	-	68,196
<b>TOTAL ASSETS</b>	<b>\$ 61,508</b>	<b>\$ 63,307</b>	<b>\$ 17,544</b>	<b>\$ 12,680</b>	<b>\$ 40,500</b>	<b>\$ 173,332</b>	<b>\$ 6,217</b>	<b>\$ 375,088</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES:</b>								
Due to other funds	\$ 42,751	\$ 42,752	\$ -	\$ -	\$ -	\$ 158,391	\$ 6,217	\$ 250,111
<b>FUND BALANCES:</b>								
Restricted for debt service	18,757	20,555	17,544	12,680	40,500	14,941	-	124,977
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 61,508</b>	<b>\$ 63,307</b>	<b>\$ 17,544</b>	<b>\$ 12,680</b>	<b>\$ 40,500</b>	<b>\$ 173,332</b>	<b>\$ 6,217</b>	<b>\$ 375,088</b>

**WHITMORE LAKE PUBLIC SCHOOLS**  
**NONMAJOR DEBT SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2016**

	<b>2015A</b>	<b>2015B</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>Total nonmajor</b>
<b>REVENUES:</b>							
Local sources:							
Property taxes	\$ 234,618	\$ 274,271	\$ 241,471	\$ 136,633	\$ 191,392	\$ 188,087	\$ 1,266,472
Other	706	2,180	-	-	5,244	-	8,130
Total revenues	<u>235,324</u>	<u>276,451</u>	<u>241,471</u>	<u>136,633</u>	<u>196,636</u>	<u>188,087</u>	<u>1,274,602</u>
<b>EXPENDITURES:</b>							
Redemption of bonds	-	-	260,000	117,500	153,000	35,000	565,500
Interest on bonded debt	216,567	255,896	30,996	24,900	173,900	270,220	972,479
Other	-	-	300	751	850	750	2,651
Total expenditures	<u>216,567</u>	<u>255,896</u>	<u>291,296</u>	<u>143,151</u>	<u>327,750</u>	<u>305,970</u>	<u>1,540,630</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>18,757</u>	<u>20,555</u>	<u>(49,825)</u>	<u>(6,518)</u>	<u>(131,114)</u>	<u>(117,883)</u>	<u>(266,028)</u>
<b>OTHER FINANCING SOURCES (USES):</b>							
Proceeds from school loan revolving fund	-	-	-	4,698	162,663	123,873	291,234
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,698</u>	<u>162,663</u>	<u>123,873</u>	<u>291,234</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>18,757</u>	<u>20,555</u>	<u>(49,825)</u>	<u>(1,820)</u>	<u>31,549</u>	<u>5,990</u>	<u>25,206</u>
<b>FUND BALANCES:</b>							
Beginning of year	-	-	67,369	14,500	8,951	8,951	99,771
End of year	<u>\$ 18,757</u>	<u>\$ 20,555</u>	<u>\$ 17,544</u>	<u>\$ 12,680</u>	<u>\$ 40,500</u>	<u>\$ 14,941</u>	<u>\$ 124,977</u>

**WHITMORE LAKE PUBLIC SCHOOLS**  
**BONDED DEBT**  
**JUNE 30, 2016**

\$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
\$ 260,000	\$ 10,300	\$ 10,300	2017	\$ 280,600
255,000	5,100	5,100	2018	265,200
<b>\$ 515,000</b>	<b>\$ 15,400</b>	<b>\$ 15,400</b>		<b>\$ 545,800</b>

**WHITMORE LAKE PUBLIC SCHOOLS**  
**BONDED DEBT**  
**JUNE 30, 2016**

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

Principal due May 1,	Interest due		for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 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
<u>515,000</u>	<u>11,072</u>	<u>11,073</u>	2028	<u>537,145</u>
<u>\$ 6,210,000</u>	<u>\$ 412,302</u>	<u>\$ 412,313</u>		<u>\$ 7,034,615</u>

**WHITMORE LAKE PUBLIC SCHOOLS**  
**BONDED DEBT**  
**JUNE 30, 2016**

\$16,605,000 Refunding Bonds issued May 22, 2012.

Principal due May 1,	Interest due			Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount	
\$ -	\$ 235,331	\$ 235,331	2017	\$ 470,662	
-	235,331	235,331	2018	470,662	
-	235,331	235,331	2019	470,662	
-	235,331	235,331	2020	470,662	
-	235,331	235,331	2021	470,662	
-	235,331	235,331	2022	470,662	
-	235,331	235,331	2023	470,662	
-	235,331	235,331	2024	470,662	
-	235,331	235,331	2025	470,662	
-	235,331	235,331	2026	470,662	
-	235,331	235,331	2027	470,662	
-	235,331	235,331	2028	470,662	
2,375,000	235,331	235,331	2029	2,845,662	
2,400,000	190,800	190,800	2030	2,781,600	
2,425,000	145,800	145,800	2031	2,716,600	
2,430,000	97,300	97,300	2032	2,624,600	
2,435,000	48,700	48,700	2033	2,532,400	
<b>\$ 12,065,000</b>	<b>\$ 3,541,903</b>	<b>\$ 3,541,903</b>		<b>\$ 19,148,806</b>	

**WHITMORE LAKE PUBLIC SCHOOLS**  
**BONDED DEBT**  
**JUNE 30, 2016**

\$8,900,000 Refunding Bonds issued September 22, 2015.

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ -	\$ 178,000	\$ 178,000	2017	\$ 356,000
-	178,000	178,000	2018	356,000
235,000	178,000	178,000	2019	591,000
240,000	173,300	173,300	2020	586,600
1,925,000	168,500	168,500	2021	2,262,000
1,970,000	130,000	130,000	2022	2,230,000
2,010,000	90,600	90,600	2023	2,191,200
2,040,000	50,400	50,400	2024	2,140,800
240,000	9,600	9,600	2025	259,200
240,000	4,800	4,800	2026	249,600
<b>\$ 8,900,000</b>	<b>\$ 1,161,200</b>	<b>\$ 1,161,200</b>		<b>\$ 11,222,400</b>

**WHITMORE LAKE PUBLIC SCHOOLS**  
**BONDED DEBT**  
**JUNE 30, 2016**

\$19,930,000 Refunding Bonds issued September 22, 2015.

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 3,780,000	\$ 210,325	\$ 210,325	2017	\$ 4,200,650
3,870,000	184,470	184,470	2018	4,238,940
3,960,000	149,795	149,795	2019	4,259,590
4,205,000	107,126	107,126	2020	4,419,252
<u>4,115,000</u>	<u>56,561</u>	<u>56,561</u>	2021	<u>4,228,122</u>
<u>\$ 19,930,000</u>	<u>\$ 708,277</u>	<u>\$ 708,277</u>		<u>\$ 21,346,554</u>

**WHITMORE LAKE PUBLIC SCHOOLS**  
**BONDED DEBT**  
**JUNE 30, 2016**

\$8,695,000 Refunding Bonds issued March 15, 2016.

Principal due May 1,	Interest due			Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount	
\$ 135,000	\$ 173,900	\$ 218,341	2017	\$ 527,241	
135,000	171,200	171,200	2018	477,400	
135,000	168,500	168,500	2019	472,000	
825,000	165,800	165,800	2020	1,156,600	
-	149,300	149,300	2021	298,600	
-	149,300	149,300	2022	298,600	
-	149,300	149,300	2023	298,600	
-	149,300	149,300	2024	298,600	
1,875,000	149,300	149,300	2025	2,173,600	
1,950,000	111,800	111,800	2026	2,173,600	
2,025,000	72,800	72,800	2027	2,170,600	
1,615,000	32,300	32,300	2028	1,679,600	
<b><u>\$ 8,695,000</u></b>	<b><u>\$ 1,642,800</u></b>	<b><u>\$ 1,687,241</u></b>			<b><u>\$ 12,025,041</u></b>

**WHITMORE LAKE PUBLIC SCHOOLS**  
**LEASE-PURCHASE AGREEMENT**  
**JUNE 30, 2016**

Lease-purchase agreement entered on March 23, 2015.

Principal due July 1,	Lease payment for fiscal year		Amount
	June 30,		
\$ 13,091	2017		\$ 13,091
13,091	2018		13,091
13,091	2019		13,091
<u>13,093</u>	2020		<u>13,093</u>
<u>\$ 52,366</u>			<u>\$ 52,366</u>

**WHITMORE LAKE PUBLIC SCHOOLS**  
**SCHEDULE OF BORROWINGS - STATE OF MICHIGAN**  
**SCHOOL BOND LOAN PROGRAM**  
**JUNE 30, 2016**

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes is borrowed from the Michigan School Bond Loan Program (SBLP). These two programs are the School Bond Loan Fund (SBLF) and the School Loan Revolving Fund (SLRF). These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from the State of Michigan under these programs are summarized as follows:

Year ended June 30th	SBLF			SLRF		
	Net loan proceeds (repayments)	Net interest accrued (repayments)	Total	Net loan proceeds (repayments)	Net interest accrued (repayments)	Total
Prior years	\$ 1,453,177	\$ 498,458	\$ 1,951,635	\$ 8,689,041	\$ 1,289,793	\$ 9,978,834
2012	-	94,608	94,608	1,323,704	314,728	1,638,432
2013	-	88,914	88,914	1,580,857	387,182	1,968,039
2014	-	75,460	75,460	1,818,576	506,842	2,325,418
2015	-	76,207	76,207	836,806	562,930	1,399,736
2016	(1,451,102)	(833,592)	(2,284,694)	(13,808,578)	(3,051,179)	(16,859,757)
Total	<u>\$ 2,075</u>	<u>\$ 55</u>	<u>\$ 2,130</u>	<u>\$ 440,406</u>	<u>\$ 10,296</u>	<u>\$ 450,702</u>

**WHITMORE LAKE PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through project number	Program or award amount	Accrued revenue 7/1/2015	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts	Accrued revenue 6/30/2016
<b>U.S. DEPARTMENT OF AGRICULTURE</b>								
Passed Through the Michigan Department of Education:								
Child Nutrition Cluster:								
Non-Cash Assistance (Donated Foods):								
National School Program - non-bonus	10.555	81140	\$ 19,244	\$ -	\$ -	\$ 19,244	\$ 19,244	\$ -
National School Lunch Program - Section 11	10.555	151960	13,325	-	-	13,325	13,325	-
National School Lunch Program - Section 11	10.555	161960	121,284	-	-	121,284	121,284	-
			134,609	-	-	134,609	134,609	-
			153,853	-	-	153,853	153,853	-
Total CFDA# 10.555								
Cash Assistance:								
National School Lunch Program - Breakfast	10.553	151970	4,108	-	-	4,108	4,108	-
National School Lunch Program - Breakfast	10.553	161970	40,259	-	-	40,259	40,259	-
			44,367	-	-	44,367	44,367	-
Total Child Nutrition Cluster			198,220	-	-	198,220	198,220	-
Child Care Food Program	10.558	151920	22,639	921	22,639	1,238	2,159	-
Child Care Food Program	10.558	152010	1,337	56	1,337	71	127	-
Child Care Food Program	10.558	161920	15,980	-	-	16,735	15,980	755
Child Care Food Program	10.558	162010	980	-	-	1,026	980	46
Total Child Care Food Program			40,936	977	23,976	19,070	19,246	801
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>239,156</b>	<b>977</b>	<b>23,976</b>	<b>217,290</b>	<b>217,466</b>	<b>801</b>

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, 2016**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through project number	Program or award amount	Accrued revenue 7/1/2015	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts	Accrued revenue 6/30/2016
<b>U.S. DEPARTMENT OF EDUCATION</b>								
Passed Through the Michigan Department of Education:								
Title I - Part A 2014-15	84.010	151530-1415	\$ 118,849	\$ 104,802	\$ 104,802	\$ 5,099	\$ 109,901	\$ -
Title I - Part A 2015-16	84.010	161530-1516	146,178	-	-	146,178	118,885	27,293
			265,027	104,802	104,802	151,277	228,786	27,293
Title II - Part A 2014-15	84.367	150520-1415	66,963	28,289	28,289	3,919	32,208	-
Title II - Part A 2015-16	84.367	160520-1516	67,169	-	-	22,596	18,530	4,066
			134,132	28,289	28,289	26,515	50,738	4,066
Total Passed Through the Michigan Department of Education			399,159	133,091	133,091	177,792	279,524	31,359
Passed Through Washtenaw Intermediate School District:								
Special Education Cluster:								
2014-15	84.027A	150450-1415	327,161	221,833	323,502	3,659	225,492	-
2015-16	84.027A	160450-1516	310,686	-	-	310,686	-	310,686
Total Special Education - IDEA Flow-Through			637,847	221,833	323,502	314,345	225,492	310,686
Special Education - IDEA Preschool:								
2014-15	84.173A	150460-1415	11,418	4,892	11,418	-	4,892	-
2015-16	84.173A	160460-1516	10,315	-	-	10,315	-	10,315
			21,733	4,892	11,418	10,315	4,892	10,315
Total Special Education Cluster			659,580	226,725	334,920	324,660	230,384	321,001
Total Passed Through Washtenaw Intermediate School District								
TOTAL U.S. DEPARTMENT OF EDUCATION			659,580	226,725	334,920	324,660	230,384	321,001
			1,058,739	359,816	468,011	502,452	509,908	352,360

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, 2016**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through project number	Award amount	Accrued revenue 7/1/2015	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts	Accrued revenue 6/30/2016
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>								
Passed through Washtenaw County:								
Head Start Program								
Head Start 2014-15	93.600	N/A	\$ 142,634	\$ 60,432	\$ 142,634	\$ -	\$ 60,432	\$ -
Head Start 2015-16	93.600	N/A	142,634	-	-	142,634	99,043	43,591
			<u>285,268</u>	<u>60,432</u>	<u>142,634</u>	<u>142,634</u>	<u>159,475</u>	<u>43,591</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>								
<b>TOTAL FEDERAL AWARDS</b>								
			<b><u>\$ 1,583,163</u></b>	<b><u>\$ 421,225</u></b>	<b><u>\$ 634,621</u></b>	<b><u>\$ 862,376</u></b>	<b><u>\$ 886,849</u></b>	<b><u>\$ 396,752</u></b>

The accompanying notes are an integral part of this schedule.

**WHITMORE LAKE PUBLIC SCHOOLS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

1. Basis of presentation - The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Whitmore Lake Public Schools under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Whitmore Lake Public Schools, it is not intended to and does not present the financial position or changes in net position of Whitmore Lake Public Schools.
2. Summary of significant accounting policies - Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and in OMB Circular A-87, *Cost Principles for States, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Whitmore Lake Public Schools has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. Management has utilized the cash management system (CMS) Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The District does not pass through federal funds.
4. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 613,727
Food service fund	<u>217,290</u>
Total federal revenue in the fund financial statements	831,017
Revenue not received within sixty days of year end	<u>31,359</u>
Total federal expenditures reported on the SEFA	<u><u>\$ 862,376</u></u>

**INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Whitmore Lake Public Schools as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Whitmore Lake Public Schools' basic financial statements and have issued our report thereon dated October 13, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Whitmore Lake Public Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Whitmore Lake Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Whitmore Lake Public Schools' internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiencies in internal control that we consider to be material weaknesses.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we considered the deficiency deemed in the schedule of findings and questions cost (2016-001) to be a significant deficiency.

### **Compliance and Other Matters**

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

### **Whitmore Lake Public Schools' Response to Findings**

Whitmore Lake Public Schools' response to the findings identified in our audit are described in the accompanying corrective action plan. Whitmore Lake Public Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Mance Costerian PC". The signature is fluid and cursive, with "Mance" and "Costerian" connected by a single stroke, and "PC" in a smaller, separate area.

October 13, 2016

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Education  
Whitmore Lake Public Schools

### **Report on Compliance for Each Major Federal Program**

We have audited Whitmore Lake Public Schools' compliance with the types of compliance requirements described in the *OMB 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, 2016. Whitmore Lake Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Whitmore Lake Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Whitmore Lake Public Schools' compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Whitmore Lake Public Schools complied, in all material respects, with the types of 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, 2016.

### **Report on Internal Control Over Compliance**

Management of Whitmore Lake Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Whitmore Lake Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Maney Costerman PC*

October 13, 2016

**WHITMORE LAKE PUBLIC SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Section I - Summary of Auditor's Results**

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***Financial Statements***

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes  No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes  None reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR Section 200.516(a)? \_\_\_\_\_ Yes  No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 & 10.555 84.027A & 84.173A	Child Nutrition Cluster Special Education Cluster
Dollar threshold used to distinguish between type A	\$ 750,000
Auditee qualified as low-risk auditee?	Yes <input checked="" type="checkbox"/> No

**WHITMORE LAKE PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**Section II - Financial Statement Findings**

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**Finding 2016-001** Considered a significant deficiency

**Criteria:** In order to maintain adequate internal controls, and proper reporting, all accounts should be reconciled and adjusted monthly in a timely manner. The reconciliations should be completed and adjustments to the general ledger should be made monthly.

**Condition:** Account reconciliations were performed during the course of the fiscal year for the cash accounts, receivable accounts, payable accounts, due to/from accounts, accruals, and unearned revenue accounts. Certain audit adjustments were proposed by the external auditor, accepted and recorded by the client, to reconcile the accounts, primarily with cash and due to/due from accounts.

**Cause:** The District has limited personnel in the business office.

**Effect:** Without adjusting the accounting records to the general ledger, inaccurate financial information may be used for management decisions and reporting.

**Recommendation:** The District should emphasize completion of the accounting records primarily in the area of due to/due from accounts timely.

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**Section III - Federal Award Findings and Questioned Costs**

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None

**WHITMORE LAKE PUBLIC SCHOOLS  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

**Finding 2015-001** Considered a material weakness

**Condition:** Account reconciliations were not performed on a timely basis during the course of the fiscal year for the cash accounts, receivable accounts, payable accounts, due to/from accounts, accruals, and unearned revenue accounts. Material audit adjustments were proposed by the external auditor, accepted and recorded by the client, to reconcile the accounts.

**Criteria:** In order to maintain adequate internal controls, and proper reporting, all accounts should be reconciled and adjusted monthly in a timely manner. The reconciliations should be completed and reviewed on a timely basis.

**Context:** The District had employee turnover in the business office during the fiscal year. The District, also, went through a software conversion during the fiscal year. As a result, balance sheet accounts were not reconciled and adjusted during the year.

**Cause:** See context.

**Effect:** Without completing and reviewing the reconciliations in a timely manner, inaccurate financial information may be used for management decisions and reporting.

**Questioned costs:** None.

**Recommendation:** The District should implement a month end procedure checklist to ensure that all cash accounts are reconciled within 30 days of month end, the receivable and payable subledger accounts reconcile with the general ledger, the due to/from accounts agree across the different funds, the accruals agree to the subledger balances, and the unearned revenue reconciles to the detailed schedule.

**Status:** There were significant improvements to this finding. See current year finding 2016-001.

**WHITMORE LAKE PUBLIC SCHOOLS**  
**CORRECTIVE ACTION PLAN**  
**CONTACT: DENISE KERRIGAN**  
**OVERSIGHT AGENCY: U.S. DEPARTMENT OF EDUCATION**

Whitmore Lake Public Schools respectfully submits the following corrective action plan for the year ended June 30, 2016.

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

**Audit Period:** Year ended June 30, 2015

**District responsible individual to implement this plan: Denise Kerrigan**

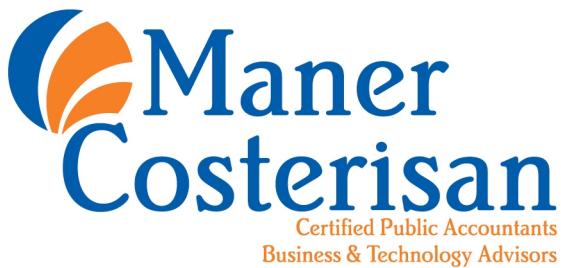
The findings from the June 30, 2016 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**Findings - Financial statement audit**

**Finding 2016-001** Considered a significant deficiency

**Recommendation** The District will emphasize that all cash accounts are reconciled and the due to/from accounts agree across the different funds monthly.

**Action to be taken:** Management agrees with the findings and we are in the process of making the necessary changes to prevent this from happening in the future. On a monthly basis the Superintendent will continue to review the close out process and report to the board the status of this corrective action plan.



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October 13, 2016

To 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, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered Whitmore Lake Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 13, 2016 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.

## **Current Year Comments**

### **Bank Reconciliations**

During the 2015-16 audit, we noted that bank reconciliations have been performed on a timelier basis. Given the importance of the bank reconciliation process for financial reporting, we are pleased to see the improvement in this area. At year end we noticed the reconciled balance was not always in agreement with the general ledger and the accounting records. We recommend the bank reconciliation once completed should be in agreement with the accounting records after the necessary adjustments are recorded and reviewed.

## **Prior Year Comments**

### **Training for Accounting Staff**

We understand that the District is in a time of transition in the administrative office, particularly in the business office. Given the importance of the accounting function to the overall health of the District, we believe that, for internal controls and financial reporting to function as needed, the Director of Business Operations should be provided with additional training on the District's accounting software and school district accounting.

### **Status**

The Director of Business Operations has attended additional training during the year both on the District's accounting software and school district accounting. We recommend continued training in both areas and wish to note the improvement in this area.

### **Correcting Journal Entries**

During the 2014-15 audit, we proposed a significant number of correcting journal entries to adjust material balances in a number of accounts the District reviewed, accepted and recorded these entries. We believe the necessity of these entries is evidence the appropriate controls and review procedures are not in place at the present. As noted above, we recommend that additional training be provided.

### **Status**

There was significant improvement in this area during the 2015-16 audit. However, several adjustments were required to be made. None of these adjustment affected the general fund in a material manner. We recommend additional training be provided.

### **Budget Variances**

We reviewed the ending fund balance during the 2014-15 audit and noted significant increase in the general fund, fund balance but less than budgeted. Budgeted revenue is \$199,000 less than budgeted. Given the importance of the budget and ending fund balance, we recommend increased efforts by both the accounting staff and the Board to ensure that budgeted revenue amounts are appropriately updated and approved when necessary.

### **Status**

We recommend to continue with increased efforts by both the accounting staff and Board to ensure the budgeted revenue amounts are appropriately updated and approved when necessary. We noted improvement in this area during the year.

### **Journal Entries**

During routine journal entry testing, we were unable to view the appropriate support and approval for the June 2015 journal entries. We recommend that all journal entries have the appropriate approval and support before being made and that the documentation be retained for an appropriate period of time.

### **Status**

During routine journal entry testing in 2015-16, we were able to view appropriate support and approval for June 2016 journal entries. We have no further recommendations.

### **Review of Federal Programs**

During the single audit testing, we noted that the Child Nutrition program was not reviewed in a timely manner. We recommend all Federal programs be reviewed by the appropriate staff member in a timely manner to ensure compliance with all requirements.

### **Status**

During the single audit testing in 2015-16, we noted that the Child Nutrition program was reviewed in a timely manner. We have no further recommendation.

### **Early Warning Legislation**

At June 30, 2015, the District's general fund balance was less than 5% of revenues. We recommend the District comply with the reporting requirements of the new legislation.

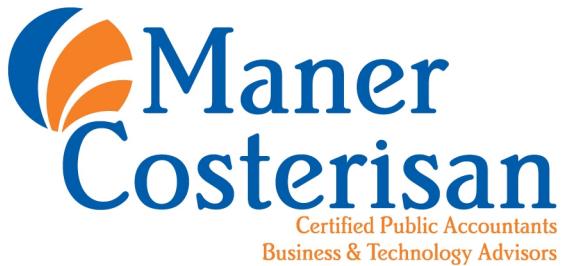
### **Status**

At June 30, 2016, the District's general fund balance was greater than 5% of revenues. We have no further recommendation. Continue to monitor your fund balance in the future.

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

Very truly yours,

*Maney Costerian PC*



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October 13, 2016

To the Board of Education  
Whitmore Lake Public Schools

We have audited the financial statements of Whitmore Lake Public Schools for the year ended June 30, 2016, and have issued our report thereon dated October 13, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)**

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 U.S. generally accepted accounting principles. 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

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 the Uniform Guidance, we examined, on a test basis, evidence about Whitmore Lake Public Schools' compliance with the types of compliance requirements described in the *OMB 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.

#### Significant Audit Findings

##### *1. Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Whitmore Lake Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. 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:

Estimates have been used to calculate the net pension liability.

Management's estimate in calculating the liability for employee compensated absences:

We evaluated key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated lives of capital assets:

We evaluated the key factors and assumptions used to develop the estimated life span of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We did not identify any sensitive disclosures.

*2. Difficulties Encountered in Performing the Audit*

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

*3. Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. There were adjustments to adjust cash to actual at year end. This amount was not material but was approximately \$30,000.

*4. Disagreements with Management*

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

*5. Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 13, 2016.

*6. Management Consultations with Other Independent Accountants*

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

7. *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.

8. *Other Matters*

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the 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,

*Maney Costerian PC*