

WHITMORE LAKE PUBLIC SCHOOLS

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional
supplementary information)

YEAR ENDED JUNE 30, 2019

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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, 2019, and the related notes to the financial statements, which collectively comprise the Whitmore Lake Public Schools' 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, 2019, 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 September 20, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Whitmore Lake Public Schools' 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 Costeiran PC

September 20, 2019

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, 2019.

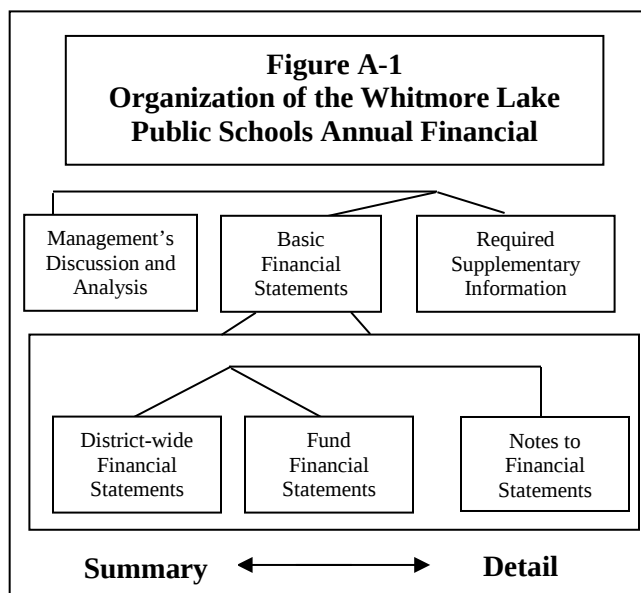
FINANCIAL HIGHLIGHTS

- Governmental funds revenues and other financing sources decreased to \$18.8 million from \$19.1 million. Expenditures decreased to \$18.8 million from \$19.7 million. The large decrease in expenditures was due to decreases in operating expenditures due to reductions in the student count and cost control measures.
- General Fund revenues were \$10.2 million, \$15 thousand greater than General Fund expenditures and other financing sources (uses).
- State Aid Foundation allowance increased by \$240 per student to \$7,871.
- The District’s fall student count decreased to 744 pupils, a decrease of 42 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 previous 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. 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

Net position - The District's net position (deficit) changed as follows:

Table A-3		
Whitmore Lake Public Schools Net Position		
	2019	2018
Current and other assets	\$ 3,041,265	\$ 2,922,566
Capital assets, net of depreciation	31,476,653	32,375,911
Total assets	34,517,918	35,298,477
Deferred outflows of resources	8,469,124	5,755,942
Noncurrent liabilities	55,629,177	56,936,380
Other liabilities	2,176,726	2,037,068
Net OPEB liability	4,997,785	5,636,336
Net pension liability	19,026,426	16,499,492
Total liabilities	81,830,114	81,109,276
Deferred inflows of resources	3,786,511	2,533,029
Net position:		
Net investment in capital assets	(20,447,921)	(20,272,566)
Restricted for capital projects - sinking fund	251,227	339,279
Unrestricted	(22,432,889)	(22,654,599)
Total net position	\$ (42,629,583)	\$ (42,587,886)

Table A-4		
Changes in Whitmore Lake Public Schools Net Position		
	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 818,086	\$ 672,584
Federal and state categorical grants	2,520,194	2,738,331
General revenues:		
Property taxes	5,588,691	5,331,577
State aid - unrestricted	3,727,348	3,840,032
Intermediate sources	1,405,439	1,462,925
Investment earnings	32,885	14,757
Other	103,799	186,880
Total revenues	14,196,442	14,247,086
Expenses:		
Instruction	5,131,216	5,377,048
Support services	5,115,579	5,020,480
Community services	430,248	433,735
Food services	411,687	405,779
Interest on long-term debt	1,871,602	1,631,645
Unallocated depreciation	1,277,807	1,253,661
Total expenses	14,238,139	14,122,348
Change in net position	\$ (41,697)	\$ 124,738

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 \$240 per student to \$7,871.
- Food service revenues and transfers in were less than expenditures by \$128.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported *combined* fund balances of \$1,102,557.

The General Fund's fund balance increased from \$638,418 to \$653,613 in the current year.

General Fund Budgetary Highlights

The District is required to adopt an operating budget prior to the start of the fiscal year. Certain information is not known at the time of budget adoption, such as the amount of state aid, the actual number of students and the cost of employee contracts, and must be estimated or projected. Over the course of the budget year, the District revised the annual operating budget two times. For fiscal year 2018-2019, 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 \$11,623. The final budget amendment in June 2019 called for a budget deficit of (\$26,121). Actual revenues were greater than actual expenditures and other financing sources and uses by \$15,195 at year-end.

- Actual general fund revenues were \$51,000 higher than budgeted. This variance was due primarily to normal anticipated budget variances.
- Actual general fund expenditures were \$4,000 higher than budgeted. This variance was due primarily to normal anticipated budget variances.
- Actual general fund other financing uses were \$5,000 higher than budgeted. This variance was due to additional transfers to the food service fund to cover operating expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019, the District had invested approximately \$54.9 million in a broad range of capital assets, including school buildings, athletic and support facilities, computer and transportation equipment. This amount represents a net increase of \$200 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 \$1,277,807.

The District's capital assets are as follows:

Table A-5 Whitmore Lake Public Schools Capital Assets				
	2019			2018
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 1,218,065	\$ -	\$ 1,218,065	\$ 1,218,065
Buildings and improvements	51,116,586	21,386,610	29,729,976	30,601,947
Buses and other vehicles	974,179	723,765	250,414	270,821
Furniture and equipment	1,611,693	1,333,495	278,198	285,078
Total	<u>\$ 54,920,523</u>	<u>\$ 23,443,870</u>	<u>\$ 31,476,653</u>	<u>\$ 32,375,911</u>

Long-term Obligations

At year-end the District had \$55.6 million in long-term obligations outstanding, a \$1.30 million 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 Obligations <i>(in millions of dollars)</i>		
	2019	2018
General obligation bonds	\$ 40.48	\$ 46.62
Notes from direct borrowings and direct placements	15.08	10.23
Accumulated compensated absences	0.08	0.09
Total	<u>\$ 55.64</u>	<u>\$ 56.94</u>

- The District continued to pay down its debt, retiring \$6.0 million of outstanding bonds.
- The District borrowed \$4.6 million from the SLRF during the current year.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The State has passed its budget for 2019 - 2020 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 factor 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. The challenge that potentially limits 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.

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, 2019

	Governmental activities
ASSETS:	
Cash and cash equivalents	\$ 442,799
Investments	992,630
Receivables:	
Accounts receivable	3,783
Intergovernmental receivables	1,546,114
Due from agency fund	4,252
Inventories	16,004
Prepays	35,683
Capital assets not being depreciated	1,218,065
Capital assets, net of accumulated depreciation	30,258,588
TOTAL ASSETS	34,517,918
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding, net of accumulated amortization	1,310,457
Related to other postemployment benefit	903,369
Related to pensions	6,255,298
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,469,124
LIABILITIES:	
Accounts payable	11,506
Accrued salaries and related items	668,453
Accrued retirement	321,846
Accrued interest	260,018
Unearned revenue	617
Notes payable	914,286
Noncurrent liabilities:	
Due within one year	6,355,576
Due in more than one year	48,643,932
Accrued interest due in more than one year	629,669
Net other postemployment benefit liability	4,997,785
Net pension liability	19,026,426
TOTAL LIABILITIES	81,830,114
DEFERRED INFLOWS OF RESOURCES:	
Related to pensions	1,888,906
Related to other postemployment benefit	1,202,154
Related to state aid funding for pensions and other postemployment benefits	695,451
TOTAL DEFERRED INFLOW OF RESOURCES	3,786,511
NET POSITION:	
Net investment in capital assets	(20,447,921)
Restricted for capital projects (sinking fund)	251,227
Unrestricted	(22,432,889)
TOTAL NET POSITION	\$ (42,629,583)

WHITMORE LAKE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net position
Governmental activities:				
Instruction	\$ 5,131,216	\$ 51,161	\$ 1,839,115	\$ (3,240,940)
Support services	5,115,579	60,629	459,778	(4,595,172)
Community services	430,248	568,707	-	138,459
Food services	411,687	137,589	221,301	(52,797)
Interest on long-term debt	1,871,602	-	-	(1,871,602)
Unallocated depreciation	1,277,807	-	-	(1,277,807)
Total governmental activities	<u>\$ 14,238,139</u>	<u>\$ 818,086</u>	<u>\$ 2,520,194</u>	<u>(10,899,859)</u>
General revenues:				
Property taxes, levied for general purposes				2,038,562
Property taxes, levied for debt service				2,977,856
Property taxes, levied for capital projects sinking fund				354,359
Property taxes, levied for special purposes				217,914
Investment earnings				32,885
State sources - unrestricted				3,727,348
Intermediate sources				1,405,439
Other				103,799
Total general revenues				<u>10,858,162</u>
CHANGE IN NET POSITION				(41,697)
NET POSITION , beginning of year				<u>(42,587,886)</u>
NET POSITION , end of year				<u><u>\$ (42,629,583)</u></u>

**WHITMORE LAKE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

		General fund	2015B Debt service fund	Sinking fund	Total nonmajor funds	Total governmental funds
ASSETS						
ASSETS:						
Cash and cash equivalents	\$	159,891	\$ 2	\$ 222,814	\$ 60,092	\$ 442,799
Investments		992,630	-	-	-	992,630
Receivables:						
Accounts receivable		-	-	-	3,783	3,783
Intergovernmental		1,543,185	-	-	2,929	1,546,114
Due from other funds		-	85,384	28,413	70,350	184,147
Due from agency fund		4,252	-	-	-	4,252
Inventories		-	-	-	16,004	16,004
Prepays		35,683	-	-	-	35,683
TOTAL ASSETS	\$	2,735,641	\$ 85,386	\$ 251,227	\$ 153,158	\$ 3,225,412
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$	10,392	\$ -	\$ -	\$ 1,114	\$ 11,506
Accrued salaries and related items		668,453	-	-	-	668,453
Accrued retirement		321,846	-	-	-	321,846
Accrued interest		22,000	-	-	-	22,000
Due to other funds		144,434	-	-	39,713	184,147
Notes payable		914,286	-	-	-	914,286
Unearned revenue		617	-	-	-	617
TOTAL LIABILITIES		2,082,028	-	-	40,827	2,122,855

See notes to financial statements.

	<u>General fund</u>	<u>2015B Debt service fund</u>	<u>Sinking fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
FUND BALANCES:					
Nonspendable:					
Inventories	\$ -	\$ -	\$ -	\$ 16,004	\$ 16,004
Prepays	35,683	-	-	-	35,683
Restricted for:					
Debt service	-	85,386	-	94,619	180,005
Capital projects	-	-	251,227	-	251,227
Community recreation	-	-	-	16,984	16,984
Unassigned - food service	-	-	-	(15,276)	(15,276)
Unassigned - general fund	617,930	-	-	-	617,930
TOTAL FUND BALANCES	<u>653,613</u>	<u>85,386</u>	<u>251,227</u>	<u>112,331</u>	<u>1,102,557</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,735,641</u>	<u>\$ 85,386</u>	<u>\$ 251,227</u>	<u>\$ 153,158</u>	<u>\$ 3,225,412</u>
Total governmental fund balances					\$ 1,102,557
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, net of accumulated amortization					1,310,457
Deferred outflows of resources - related to other postemployment benefit					903,369
Deferred outflows of resources - related to pensions					6,255,298
Deferred inflows of resources - related to pensions					(1,888,906)
Deferred inflows of resources - related to other postemployment benefit					(1,202,154)
Deferred inflows of resources - related to state aid funding for pensions and other postemployment benefits					(695,451)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:					
The cost of the capital assets is				\$ 54,920,523	
Accumulated depreciation is				<u>(23,443,870)</u>	
					31,476,653
Long-term liabilities are not due and payable in the current period and are not reported in the funds:					
Bonds and other debt liabilities					(54,923,208)
Compensated absences					(76,300)
Accrued interest is not included as a liability in government funds, it is recorded when paid					(867,687)
Net other postemployment benefit liability					(4,997,785)
Net pension liability					<u>(19,026,426)</u>
Net position of governmental activities					<u>\$ (42,629,583)</u>

See notes to financial statements.

**WHITMORE LAKE PUBLIC SCHOOLS
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019**

	<u>General fund</u>	<u>2015B Debt service fund</u>	<u>Sinking fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
REVENUES:					
Local sources:					
Property taxes	\$ 2,038,562	\$ 1,633,266	\$ 354,359	\$ 1,562,504	\$ 5,588,691
Investment earnings	32,563	-	156	166	32,885
Food and community recreation revenue	-	-	-	249,974	249,974
Athletics	19,819	-	-	-	19,819
Other	652,092	-	-	-	652,092
Total local revenues	2,743,036	1,633,266	354,515	1,812,644	6,543,461
State sources	5,435,765	22,864	-	18,507	5,477,136
Federal sources	599,136	-	-	202,794	801,930
Incoming transfers and other	1,405,439	-	-	-	1,405,439
Total revenues	10,183,376	1,656,130	354,515	2,033,945	14,227,966
EXPENDITURES:					
Current:					
Instruction	4,925,372	-	-	-	4,925,372
Supporting services	5,094,895	-	-	-	5,094,895
Food service activities	-	-	-	406,114	406,114
Community recreation activities	100,914	-	-	323,399	424,313
Capital outlay	-	-	442,567	-	442,567

See notes to financial statements.

	<u>General fund</u>	<u>2015B Debt service fund</u>	<u>Sinking fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
EXPENDITURES (Concluded):					
Debt service:					
Redemption of bonds	\$ -	\$ 3,960,000	\$ -	\$ 1,990,000	\$ 5,950,000
Interest on bonded debt	-	299,590	-	1,290,465	1,590,055
Other	-	500	-	2,049	2,549
Total expenditures	<u>10,121,181</u>	<u>4,260,090</u>	<u>442,567</u>	<u>4,012,027</u>	<u>18,835,865</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>62,195</u>	<u>(2,603,960)</u>	<u>(88,052)</u>	<u>(1,978,082)</u>	<u>(4,607,899)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from school loan revolving fund	-	2,572,347	-	1,987,048	4,559,395
Transfers in	-	-	-	47,200	47,200
Transfers out	<u>(47,000)</u>	<u>(150)</u>	<u>-</u>	<u>(50)</u>	<u>(47,200)</u>
Total other financing sources (uses)	<u>(47,000)</u>	<u>2,572,197</u>	<u>-</u>	<u>2,034,198</u>	<u>4,559,395</u>
NET CHANGE IN FUND BALANCES	15,195	(31,763)	(88,052)	56,116	(48,504)
FUND BALANCES:					
Beginning of year	<u>638,418</u>	<u>117,149</u>	<u>339,279</u>	<u>56,215</u>	<u>1,151,061</u>
End of year	<u>\$ 653,613</u>	<u>\$ 85,386</u>	<u>\$ 251,227</u>	<u>\$ 112,331</u>	<u>\$ 1,102,557</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, 2019

Net change in fund balances total governmental funds	\$ (48,504)
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	(1,277,807)
Capital outlay	378,549
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	265,563
Accrued interest payable, end of the year	(238,018)
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	(4,559,395)
Payments on debt	5,950,000
Amortization of deferred loss on refunding	(138,100)
Amortization of bond premium	196,961
Accrued interest from school loan revolving fund and school bond loan fund	(367,953)
Payment on capital lease	77,944
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, beginning of the year	85,946
Accrued compensated absences, end of the year	(76,300)
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:	
Other postemployment benefits related items	132,652
Pension related items	(391,711)
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period:	
Change in state aid funding for pension and other post employment benefits	(31,524)
Change in net position of governmental activities	<u><u>\$ (41,697)</u></u>

**WHITMORE LAKE PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2019**

	<u>Agency fund</u>
ASSETS:	
Cash and cash equivalents	\$ 172,234
LIABILITIES:	
Due to Whitmore Lake Public Schools	\$ 4,252
Due to student and other groups	<u>167,982</u>
TOTAL LIABILITIES	<u>\$ 172,234</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 *2015B 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 Whitmore Public Schools *capital project sinking fund* records capital project activities funded with the Sinking Fund millage. For this fund, the District has complied with applicable provisions of §1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Other Nonmajor 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.

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 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.

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).

**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 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.

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information (Concluded)

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
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, 2019. 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 3 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 2 years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition 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	10 - 50
Furniture and equipment	3 - 20
Buses and other vehicles	8

5. Defined benefit plan

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

6. 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 three items that qualify for reporting in this category. They are the deferred charge on refunding, pension and other postemployment benefits 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. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year 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)

7. 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 is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

8. 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 \$14,173,511 are considered capital-related debt. Accrued interest on the school bond loan fund and school bond revolving fund of \$629,669 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, 2019 is \$1,688,177.

**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)

9. 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.

10. 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 5% of revenues. At June 30, 2019, the District's General Fund balance was greater than 5% of revenues.

**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, 2019, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund:	
Non-Principal Residence Exemption (Non-PRE)	18.0000
Commercial Personal Property	6.0000
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	8.3900
Capital projects fund (Sinking Fund):	
PRE, Non-PRE, Commercial Personal Property	1.0000
Special revenue fund:	
PRE and Non-PRE	0.5883

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, 2019, the District had the following investments:

Investment type	Fair value	Weighted average maturity (years)	Standard & Poor's rating	%
MBIA Asset Management - CLASS	\$ 833,402	0.0027	AAAm	83.9%
MILAF - MAX Class	53,393	0.0027	AAAm	5.4%
Uncategorized - Pooled investment funds				
Mid America - Employee Benefit Trust Fund (EBTF)	<u>105,835</u>	0.0027	AA-	<u>10.7%</u>
Total fair value	<u>\$ 992,630</u>			<u>100%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2019, 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, 2019, 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, 2019, \$203,044 of the District’s bank balance of \$670,549 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 \$615,033.

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 (Concluded)

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 investments are not subject to fair value reporting.

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

The carrying amount of deposits and investments is as follows:

Deposits - including fiduciary funds of \$172,234	\$ 615,033
Investments - other	992,630
	<u>\$ 1,607,663</u>

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

Cash and cash equivalents - District-wide	\$ 442,799
Investments - District-wide	992,630
Cash and cash equivalents - fiduciary funds	172,234
	<u>\$ 1,607,663</u>

WHITMORE LAKE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Receivables at June 30, 2019 consist of the following:

	Government wide
State aid	\$ 984,652
Federal revenue	228,650
Intermediate sources	240,916
Other	91,896
	<u>\$ 1,546,114</u>

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

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 1,218,065	\$ -	\$ -	\$ 1,218,065
Capital assets, being depreciated:				
Buildings and improvements	50,819,678	296,908	-	51,116,586
Buses and other vehicles	954,679	19,500	-	974,179
Furniture and equipment	1,674,079	62,141	124,527	1,611,693
Total capital assets, being depreciated	53,448,436	378,549	124,527	53,702,458
Accumulated depreciation:				
Buildings and improvements	20,217,731	1,168,879	-	21,386,610
Buses and other vehicles	683,858	39,907	-	723,765
Furniture and equipment	1,389,001	69,021	124,527	1,333,495
Total accumulated depreciation	22,290,590	1,277,807	124,527	23,443,870
Net capital assets being depreciated	31,157,846	(899,258)	-	30,258,588
Net governmental capital assets	<u>\$ 32,375,911</u>	<u>\$ (899,258)</u>	<u>\$ -</u>	<u>\$ 31,476,653</u>

Depreciation for the fiscal year ended June 30, 2019 amounted to \$1,277,807. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

WHITMORE LAKE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - NOTES PAYABLE - STATE AID ANTICIPATION NOTES

At June 30, 2019, the District has issued state aid anticipation notes payable in amounts totaling \$1,600,000, have interest rates ranging from 1.75% to 2.50%, and mature on August 20, 2020. Proceeds of the notes were used to fund school operations. The notes are secured by the full faith and credit of the District as well as pledged state aid. One of the notes required payments to an irrevocable set-aside account of \$685,714 at June 30, 2019. At year end the balance of these payments are considered defeased debt and are not included in the year-end balance. In an event of a default on the notes, the state may impose a penalty interest rate and at the state's discretion, accelerate the repayment terms. Activity for the year ended June 30, 2019 is as follows:

Balance July 1, 2018	Additions	Payments	Balance June 30, 2019
\$ 667,818	\$ 1,600,000	\$ 1,353,532	\$ 914,286

NOTE 6 - LONG-TERM OBLIGATIONS

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 obligations of the District for the year ended June 30, 2019:

	General obligation bonds	Notes from direct borrowings and direct placements	Accumulated compensated absences	Total
Balance July 1, 2018	\$ 46,623,332	\$ 9,965,386	\$ 85,946	\$ 56,674,664
Addition	-	4,559,395	-	4,559,395
Deletions	(6,146,961)	(77,944)	(9,646)	(6,234,551)
Balance June 30, 2019	40,476,371	14,446,837	76,300	54,999,508
Due within one year	(6,270,000)	(77,946)	(7,630)	(6,355,576)
Due in more than one year	\$ 34,206,371	\$ 14,368,891	\$ 68,670	\$ 48,643,932

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$14,368,891 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

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

NOTE 6 - LONG-TERM OBLIGATIONS (Continued)

Long-term obligations at June 30, 2019 is comprised of the following:

General obligation bonds:

\$6,455,000 Refunding Bonds dated November 9, 2007, due in annual installments of \$515,000 to \$1,000,000 through May 1, 2028; interest at 4.65% to 5.25%, payable semi-annually.	\$ 1,515,000
\$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 3.75% to 4.00%, payable semi-annually.	12,065,000
\$8,900,000 Refunding Bonds dated September 22, 2015, due in annual installments of \$240,000 to \$2,040,000 through May 1, 2026; interest at 4.00%, payable semi-annually.	8,665,000
\$19,930,000 Refunding Bonds dated September 22, 2015, due in annual installments of \$4,115,000 to \$4,205,000 through May 1, 2021; interest at 2.155% to 2.749%, payable semi-annually.	8,320,000
\$8,695,000 Refunding Bonds dated March 15, 2016, due in annual installments of \$825,000 to \$2,025,000 through May 1, 2028; interest at 4.00%, payable semi-annually.	8,290,000
Plus premium - net on bond issuance	1,621,371
Total general obligation bonds	<u>40,476,371</u>
<u>Notes from direct borrowings and direct placements:</u>	
Borrowing from the State of Michigan under the School Bond Loan Fund, excluding interest at 3.44% at June 30, 2019.	2,075
Borrowing from the State of Michigan under the School Loan Revolving Fund, excluding interest at 3.44% at June 30, 2019.	14,171,436
Lease-purchase agreement due in an annual installment of \$13,093, 0.0% interest, through July 1, 2020.	13,093
Lease-purchase agreement due in annual installments of \$40,841, 0.0% interest, through October 4, 2023.	204,205
Lease-purchase agreement due in monthly installments of \$2,001 0.0% interest, through October 31, 2021.	56,028
Total notes from direct borrowings and direct placements	<u>14,446,837</u>
Total general obligation bonds and notes from direct borrowings and direct placements	54,923,208
Compensated absences	76,300
Total general long-term obligations	<u><u>\$ 54,999,508</u></u>

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

NOTE 6 - LONG-TERM OBLIGATIONS (Concluded)

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, 2019, \$50,150,000 of bonds outstanding are considered defeased.

Borrowing from the State of Michigan - The school bond loan and school revolving funds 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 3.44% at June 30, 2019 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 8.39 mills. Currently the District levies 8.39 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. The state may apply a default late charge on the note if the District does not make the repayments, or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

The annual requirement to amortize general obligations outstanding as of June 30, 2019, including interest payments are as follows:

Year ending June 30,	General obligation bonds		Notes from direct borrowings and direct placements		Compensated absences	Total
	Principal	Interest	Principal	Interest		
2020	\$ 6,270,000	\$ 1,425,259	\$ 77,946	\$ -	\$ -	\$ 7,773,205
2021	6,040,000	1,241,529	64,853	-	-	7,346,382
2022	1,970,000	1,051,407	48,845	-	-	3,070,252
2023	2,010,000	972,607	40,841	-	-	3,023,448
2024	2,040,000	892,207	40,841	-	-	2,973,048
2025 - 2029	10,835,000	3,203,090	-	-	-	14,038,090
2030 - 2033	9,690,000	965,200	-	-	-	10,655,200
	38,855,000	9,751,299	273,326	-	-	48,879,625
Premium on bonds	1,621,371	-	-	-	-	1,621,371
Compensated absences	-	-	-	-	76,300	76,300
School bond loan fund	-	-	2,075	267	-	2,342
School loan revolving fund	-	-	14,171,436	629,402	-	14,800,838
	<u>\$ 40,476,371</u>	<u>\$ 9,751,299</u>	<u>\$ 14,446,837</u>	<u>\$ 629,669</u>	<u>\$ 76,300</u>	<u>\$ 65,380,476</u>

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

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2019 are as follows:

Receivable fund		Payable fund	
General	\$ -	General	\$ 144,434
Sinking	28,413	Sinking	-
Food service	-	Food service	28,611
Community recreation	-	Community recreation	11,102
Debt service - 2007	27,843	Debt service - 2007	-
Debt service - 2012	11,137	Debt service - 2012	-
Debt service - 2015 series A	24,130	Debt service - 2015 series A	-
Debt service - 2015 series B	85,384	Debt service - 2015 series B	-
Debt service - 2016	7,240	Debt service - 2016	-
	<u>\$ 184,147</u>		<u>\$ 184,147</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.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) (System) 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. MPERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.michigan.gov/ors schools.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian of the System.

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the 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	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

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 (MPERS) who became a member of MPERS 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 - PENSION AND OTHER POSTEMPLOYMENT 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.

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

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution.

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 - Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Reform 2012 (Concluded)

Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

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.

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (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.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided - Other Postemployment Benefit (OPEB)

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, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, 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.

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 February 1, 2013.

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.

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at 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 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the Defined Contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Postemployment 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.

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

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:

	<u>Pension</u>	<u>Other Postemployment Benefit</u>
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%

The District's pension contributions for the year ended June 30, 2019 were equal to the required contribution total. Pension contributions were approximately \$1,619,000, with \$1,588,000 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2019 were equal to the required contribution total. OPEB benefits were approximately \$453,000, with \$426,000 specifically for the Defined Benefit Plan.

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Employer Contributions (Concluded)

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

Pension Liabilities

At June 30, 2019, the District reported a liability of \$19,026,426 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2017 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, 2018 and 2017, the District's proportion was 0.06329% and 0.06367%.

<u>MPSERS (Plan) Non-university employers</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Total pension liability	\$ 79,863,694,444	\$ 72,407,218,688
Plan fiduciary net position	\$ 49,801,889,205	\$ 46,492,967,573
Net pension liability	\$ 30,061,805,239	\$ 25,914,251,115
Proportionate share	0.06329%	0.06367%
Net pension liability for the District	\$ 19,026,426	\$ 16,499,492

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

For the year ended June 30, 2019, the District recognized pension expense of \$1,980,013.

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded)

At June 30, 2019, 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	\$ 4,406,505	\$ -
Net difference between projected and actual plan investment earnings	-	1,300,924
Differences between expects and actual experience	88,286	138,262
Changes in proportion and difference between employer contributions and proportionate share of contributions	289,225	449,720
Reporting Unit's contributions subsequent to the measurement date	1,471,282	-
	<u>\$ 6,255,298</u>	<u>\$ 1,888,906</u>

\$1,471,282, 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 subsequent fiscal year.

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

<u>Year ended September 30,</u>	<u>Amount</u>
2019	\$ 1,008,729
2020	995,177
2021	649,568
2022	241,636

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Liabilities

At June 30, 2019, the District reported a liability of \$4,997,785 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2017 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the District's proportion was 0.06287% and 0.06365%.

<u>MPERS (Plan) Non-university employers</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Total OPEB liability	\$ 13,932,170,264	\$ 13,920,945,991
Plan fiduciary net position	\$ 5,983,218,473	\$ 5,065,474,948
Net OPEB liability	\$ 7,948,951,791	\$ 8,855,471,043
Proportionate share	0.06287%	0.06365%
Net OPEB liability for the District	\$ 4,997,785	\$ 5,636,336

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$293,384.

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Concluded)

At June 30, 2019, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	\$ 529,268	\$ -
Net difference between projected and actual plan investment earnings	-	192,077
Differences between expects and actual experience	-	930,216
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	79,861
Reporting Unit's contributions subsequent to the measurement date	374,101	-
	<u>\$ 903,369</u>	<u>\$ 1,202,154</u>

\$374,101, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

<u>Year ended September 30,</u>	<u>Amount</u>
2019	\$ (164,318)
2020	(164,318)
2021	(164,318)
2022	(124,022)
2023	(55,910)

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions

Investment rate of return for pension - 7.05% 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).

Investment rate of return for OPEB - 7.15% a year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 2.75%.

Inflation - 3.0%.

Mortality assumptions:

Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Active: RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Disabled Retirees: RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2017. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2017 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 7.05% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.15%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Cost of living pension adjustments - 3.0% annual non-compounded for MIP members.

Healthcare cost trend rate for other postemployment benefit - 7.5% for year one and graded to 3.0% in year twelve.

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

Additional assumptions for other postemployment benefit only - applies to individuals hired before September 4, 2012:

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death.

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

The target asset allocation at September 30, 2018 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment category</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Domestic Equity Pools	28.00%	5.70%
Private Equity Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.50%
Real Estate and Infrastructure Pools	10.00%	3.90%
Absolute Return Pools	15.50%	5.20%
Short Term Investment Pools	2.00%	0.00%
	<u>100.00%</u>	

* Long term rate of return are net of administrative expenses and 2.3% inflation.

Pension discount rate - A single discount rate of 7.05% was used to measure the total pension liability (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan). This discount rate was based on the long-term rate of return on pension plan investments of 7.05% (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

OPEB discount rate - A single discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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 a single discount rate of 7.05% (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 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:

	Pension		
	1% Decrease	Discount rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	<u>\$ 24,980,228</u>	<u>\$ 19,026,426</u>	<u>\$ 14,079,785</u>

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 7.15%, as well as what the Reporting Unit's proportionate share of the net OPEB 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:

	Other postemployment benefit		
	1% Decrease	Discount rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	<u>\$ 5,999,739</u>	<u>\$ 4,997,785</u>	<u>\$ 4,155,019</u>

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Concluded)

Actuarial Assumptions (Concluded)

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.0%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other postemployment benefit		
	1% Decrease	Healthcare cost trend rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	<u>\$ 4,110,623</u>	<u>\$ 4,997,785</u>	<u>\$ 6,015,541</u>

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2018 Comprehensive Annual Financial Report.

Payable to the pension and OPEB plan - At year end the School District is current on all required pension and other postemployment benefit 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 from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

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.

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

NOTE 10 - TRANSFERS

The general fund transferred \$47,000 to the food service fund during the current fiscal year to subsidize operations. \$200 was transferred between debt service funds for operating purposes.

NOTE 11 - SUBSEQUENT EVENTS

The District has approved borrowing \$1,600,000 for fiscal year 2020 to replace the notes payable as described in Note 5.

NOTE 12 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77, *Tax Abatements*.

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all funds by municipality under these programs were not material to these financial statements.

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

NOTE 13 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

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

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the District's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2021 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

WHITMORE LAKE PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2019

	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Local sources	\$ 2,738,197	\$ 2,689,435	\$ 2,743,036	\$ 53,601
State sources	5,277,654	5,437,042	5,435,765	(1,277)
Federal sources	658,283	597,453	599,136	1,683
Incoming transfers and other	<u>1,440,513</u>	<u>1,408,921</u>	<u>1,405,439</u>	<u>(3,482)</u>
Total revenues	<u>10,114,647</u>	<u>10,132,851</u>	<u>10,183,376</u>	<u>50,525</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	4,169,438	4,111,726	4,111,197	529
Added needs	<u>862,899</u>	<u>819,418</u>	<u>814,175</u>	<u>5,243</u>
Total instruction	<u>5,032,337</u>	<u>4,931,144</u>	<u>4,925,372</u>	<u>5,772</u>
Supporting services:				
Pupil	1,404,272	1,423,811	1,421,568	2,243
Instructional staff	498,209	496,205	499,364	(3,159)
General administration	293,474	291,340	291,971	(631)
School administration	495,270	508,678	512,101	(3,423)
Business	377,563	385,896	394,996	(9,100)
Operation/maintenance	877,077	852,261	853,414	(1,153)
Pupil transportation	539,174	583,280	580,783	2,497
Central	258,008	280,366	275,263	5,103
Athletics	<u>254,346</u>	<u>264,105</u>	<u>265,435</u>	<u>(1,330)</u>
Total supporting services	<u>4,997,393</u>	<u>5,085,942</u>	<u>5,094,895</u>	<u>(8,953)</u>
Community services	<u>73,294</u>	<u>99,886</u>	<u>100,914</u>	<u>(1,028)</u>
Total expenditures	<u>10,103,024</u>	<u>10,116,972</u>	<u>10,121,181</u>	<u>(4,209)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	11,623	15,879	62,195	46,316
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>-</u>	<u>(42,000)</u>	<u>(47,000)</u>	<u>(5,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 11,623</u>	<u>\$ (26,121)</u>	15,195	<u>\$ 41,316</u>
FUND BALANCE:				
Beginning of year			<u>638,418</u>	
End of year			<u>\$ 653,613</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 (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting Unit's proportion of net pension liability (%)	0.06329%	0.06367%	0.06195%	0.06143%	0.07030%
Reporting Unit's proportionate share of net pension liability	\$ 19,026,426	\$16,499,492	\$15,456,405	\$15,004,062	\$15,483,907
Reporting Unit's covered-employee payroll	\$ 5,362,305	\$ 5,399,247	\$ 5,301,126	\$ 5,227,690	\$ 6,110,911
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	354.82%	305.59%	291.57%	287.01%	253.38%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	62.36%	64.21%	63.27%	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 PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 1,588,302	\$ 1,646,612	\$ 1,485,977	\$ 1,383,078	\$ 1,081,882
Contributions in relation to statutorily required contributions	<u>1,588,302</u>	<u>1,646,612</u>	<u>1,485,977</u>	<u>1,383,078</u>	<u>1,081,882</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 5,238,129	\$ 5,313,512	\$ 5,495,807	\$ 5,216,302	\$ 5,470,291
Contributions as a percentage of covered-employee payroll	30.32%	30.99%	27.04%	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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net OPEB liability (%)	0.06287%	0.06365%
Reporting Unit's proportionate share of net OPEB liability	\$ 4,997,785	\$ 5,636,336
Reporting Unit's covered-employee payroll	\$ 5,362,305	\$ 5,399,247
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	93.20%	104.39%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	42.95%	36.39%

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 OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 426,036	\$ 456,627
Contributions in relation to statutorily required contributions	<u>426,036</u>	<u>456,627</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 5,238,129	\$ 5,313,512
Contributions as a percentage of covered-employee payroll	8.13%	8.59%

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
YEAR ENDED JUNE 30, 2019**

Pension Information

Benefit changes - there were no changes of benefit terms in 2018.

Changes of assumptions - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

Discount rate for MIP and Basic plans decreased to 7.05% from 7.50%.

Projected salary increases decreased to 2.75%-11.55%, including wage inflation at 2.75% from 3.50-12.30%, including wage inflation of 3.50%.

Mortality assumptions were updated to the RP-2014 Male and Female Healthy Annuitant table from the RP-2000 Combined Healthy Life Mortality table.

OPEB Information

Benefit changes - there were no changes of benefit terms in 2018.

Changes of assumptions - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

Discount rate decreased to 7.15% from 7.50%.

Projected salary increases decreased to 2.75%-11.55%, including wage inflation at 2.75% from 3.50-12.30%, including wage inflation of 3.50%.

Healthcare cost trend rate decreased to 7.50% Year 1 graded to 3.00% Year 12 from 7.50% Year 1 graded to 3.50% Year 12.

Mortality assumptions were updated to the RP-2014 Male and Female Healthy Annuitant table from the RP-2000 Combined Healthy Life Mortality table.

ADDITIONAL SUPPLEMENTARY INFORMATION

**WHITMORE LAKE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2019**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Total nonmajor funds</u>
ASSETS			
ASSETS:			
Cash and cash equivalents	\$ 35,823	\$ 24,269	\$ 60,092
Accounts receivable	3,783	-	3,783
Intergovernmental receivable	2,929	-	2,929
Due from other funds	-	70,350	70,350
Inventories	16,004	-	16,004
TOTAL ASSETS	<u><u>\$ 58,539</u></u>	<u><u>\$ 94,619</u></u>	<u><u>\$ 153,158</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 1,114	\$ -	\$ 1,114
Due to other funds	39,713	-	39,713
TOTAL LIABILITIES	<u>40,827</u>	<u>-</u>	<u>40,827</u>
FUND BALANCES:			
Nonspendable:			
Inventories	16,004	-	16,004
Restricted for:			
Debt service	-	94,619	94,619
Community recreation	16,984	-	16,984
Unassigned - food service	(15,276)	-	(15,276)
TOTAL FUND BALANCES	<u>17,712</u>	<u>94,619</u>	<u>112,331</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 58,539</u></u>	<u><u>\$ 94,619</u></u>	<u><u>\$ 153,158</u></u>

WHITMORE LAKE PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2019

	<u>Special revenue</u>	<u>Debt service</u>	<u>Total nonmajor funds</u>
REVENUES:			
Local sources:			
Property taxes	\$ 217,914	\$ 1,344,590	\$ 1,562,504
Investment earnings	157	9	166
Food sales and admissions	249,974	-	249,974
Total local sources	468,045	1,344,599	1,812,644
State sources	18,507	-	18,507
Federal sources	202,794	-	202,794
Total revenues	689,346	1,344,599	2,033,945
EXPENDITURES:			
Current:			
Food service activities	406,114	-	406,114
Community service activity	323,399	-	323,399
Debt service:			
Principal repayment	-	1,990,000	1,990,000
Interest expense	-	1,290,465	1,290,465
Other expense	-	2,049	2,049
Total expenditures	729,513	3,282,514	4,012,027
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(40,167)	(1,937,915)	(1,978,082)
OTHER FINANCING SOURCES (USES):			
Proceeds from school loan revolving fund	-	1,987,048	1,987,048
Transfers in	47,000	200	47,200
Transfers out	-	(50)	(50)
Total other financing sources (uses)	47,000	1,987,198	2,034,198
NET CHANGE IN FUND BALANCES	6,833	49,283	56,116
FUND BALANCES:			
Beginning of year	10,879	45,336	56,215
End of year	\$ 17,712	\$ 94,619	\$ 112,331

**WHITMORE LAKE PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019**

ASSETS	<u>Food service</u>	<u>Community recreation</u>	<u>Totals</u>
ASSETS:			
Cash and cash equivalents	\$ 10,406	\$ 25,417	\$ 35,823
Accounts receivable	-	3,783	3,783
Intergovernmental receivable	2,929	-	2,929
Inventories	16,004	-	16,004
	<u>16,004</u>	<u>-</u>	<u>16,004</u>
TOTAL ASSETS	<u>\$ 29,339</u>	<u>\$ 29,200</u>	<u>\$ 58,539</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ -	\$ 1,114	\$ 1,114
Due to other funds	28,611	11,102	39,713
	<u>28,611</u>	<u>11,102</u>	<u>39,713</u>
TOTAL LIABILITIES	<u>28,611</u>	<u>12,216</u>	<u>40,827</u>
FUND BALANCES:			
Nonspendable:			
Inventories	16,004	-	16,004
Restricted for:			
Community recreation	-	16,984	16,984
Unassigned - food service	(15,276)	-	(15,276)
	<u>(15,276)</u>	<u>-</u>	<u>(15,276)</u>
TOTAL FUND BALANCES	<u>728</u>	<u>16,984</u>	<u>17,712</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 29,339</u>	<u>\$ 29,200</u>	<u>\$ 58,539</u>

**WHITMORE LAKE PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2019**

	Food service	Community recreation	Totals
REVENUES:			
Sales	\$ 134,821	\$ -	\$ 134,821
State aid	18,507	-	18,507
Federal aid	202,794	-	202,794
Property taxes	-	217,914	217,914
Investment earnings	96	61	157
Other	2,768	112,385	115,153
Total revenues	358,986	330,360	689,346
EXPENDITURES:			
Salaries	141,360	88,673	230,033
Benefits	85,239	41,533	126,772
Purchased services	1,992	12,994	14,986
Supplies and materials	175,697	178,909	354,606
Other expenses	1,826	1,290	3,116
Total expenditures	406,114	323,399	729,513
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(47,128)	6,961	(40,167)
OTHER FINANCING SOURCES (USES):			
Transfers in	47,000	-	47,000
NET CHANGE IN FUND BALANCES	(128)	6,961	6,833
FUND BALANCES:			
Beginning of year	856	10,023	10,879
End of year	\$ 728	\$ 16,984	\$ 17,712

**WHITMORE LAKE PUBLIC SCHOOLS
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019**

	<u>2007</u>	<u>2012</u>	<u>2015A</u>	<u>2016</u>	<u>Total nonmajor debt service</u>
ASSETS					
ASSETS:					
Cash and cash equivalents	\$ 2	\$ 83	\$ 24,174	\$ 10	\$ 24,269
Due from other funds	27,843	11,137	24,130	7,240	70,350
TOTAL ASSETS	<u>\$ 27,845</u>	<u>\$ 11,220</u>	<u>\$ 48,304</u>	<u>\$ 7,250</u>	<u>\$ 94,619</u>
FUND BALANCES					
FUND BALANCES:					
Restricted for debt service	<u>\$ 27,845</u>	<u>\$ 11,220</u>	<u>\$ 48,304</u>	<u>\$ 7,250</u>	<u>\$ 94,619</u>

**WHITMORE LAKE PUBLIC SCHOOLS
NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2019**

	<u>2007</u>	<u>2012</u>	<u>2015A</u>	<u>2016</u>	<u>Total nonmajor debt service</u>
REVENUES:					
Local sources:					
Property taxes	\$ 532,160	\$ 212,864	\$ 461,205	\$ 138,361	\$ 1,344,590
Interest	-	-	-	9	9
Total revenues	<u>532,160</u>	<u>212,864</u>	<u>461,205</u>	<u>138,370</u>	<u>1,344,599</u>
EXPENDITURES:					
Redemption of bonds	1,620,000	-	235,000	135,000	1,990,000
Interest on bonded debt	126,945	470,520	356,000	337,000	1,290,465
Other	750	300	500	499	2,049
Total expenditures	<u>1,747,695</u>	<u>470,820</u>	<u>591,500</u>	<u>472,499</u>	<u>3,282,514</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,215,535)</u>	<u>(257,956)</u>	<u>(130,295)</u>	<u>(334,129)</u>	<u>(1,937,915)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from school loan revolving fund	1,203,675	266,847	176,550	339,976	1,987,048
Transfers in	-	200	-	-	200
Transfers out	(50)	-	-	-	(50)
Total other financing sources (uses)	<u>1,203,625</u>	<u>267,047</u>	<u>176,550</u>	<u>339,976</u>	<u>1,987,198</u>
NET CHANGE IN FUND BALANCES	<u>(11,910)</u>	<u>9,091</u>	<u>46,255</u>	<u>5,847</u>	<u>49,283</u>
FUND BALANCES:					
Beginning of year	39,755	2,129	2,049	1,403	45,336
End of year	<u>\$ 27,845</u>	<u>\$ 11,220</u>	<u>\$ 48,304</u>	<u>\$ 7,250</u>	<u>\$ 94,619</u>

WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2019

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

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 1,000,000	\$ 31,072	\$ 31,073	2020	\$ 1,062,145
-	11,072	11,073	2021	22,145
-	11,072	11,073	2022	22,145
-	11,072	11,073	2023	22,145
-	11,072	11,073	2024	22,145
-	11,072	11,073	2025	22,145
-	11,072	11,073	2026	22,145
-	11,072	11,073	2027	22,145
515,000	11,072	11,073	2028	537,145
<u>\$ 1,515,000</u>	<u>\$ 119,648</u>	<u>\$ 119,657</u>		<u>\$ 1,754,305</u>

WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2019

\$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	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
<u>\$ 12,065,000</u>	<u>\$ 2,835,910</u>	<u>\$ 2,835,910</u>		<u>\$ 17,736,820</u>

WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2019

\$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
\$ 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
<u>\$ 8,665,000</u>	<u>\$ 627,200</u>	<u>\$ 627,200</u>		<u>\$ 9,919,400</u>

**WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2019**

\$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
\$ 4,205,000	\$ 107,126	\$ 107,126	2020	\$ 4,419,252
4,115,000	56,561	56,561	2021	4,228,122
<u>\$ 8,320,000</u>	<u>\$ 163,687</u>	<u>\$ 163,687</u>		<u>\$ 8,647,374</u>

WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2019

\$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
\$ 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
<u>\$ 8,290,000</u>	<u>\$ 1,129,200</u>	<u>\$ 1,129,200</u>		<u>\$ 10,548,400</u>

**WHITMORE LAKE PUBLIC SCHOOLS
LEASE-PURCHASE AGREEMENT
JUNE 30, 2019**

Lease-purchase agreement entered on March 23, 2015.

Principal due July 1,	Lease payment for fiscal year	
	June 30,	Amount
<u>\$ 13,093</u>	<u>2020</u>	<u>\$ 13,093</u>

**WHITMORE LAKE PUBLIC SCHOOLS
LEASE-PURCHASE AGREEMENT
JUNE 30, 2019**

Lease-purchase agreement entered on September 22, 2016.

Principal due	Lease payment for fiscal year	
	June 30,	Amount
\$ 24,012	2020	\$ 24,012
24,012	2021	24,012
8,004	2022	8,004
<u>\$ 56,028</u>		<u>\$ 56,028</u>

**WHITMORE LAKE PUBLIC SCHOOLS
LEASE-PURCHASE AGREEMENT
JUNE 30, 2019**

Lease-purchase agreements entered on August 4, 2017 and October 4, 2017.

Principal due		Lease payment for fiscal year	
		June 30,	Amount
\$	40,841	2020	\$ 40,841
	40,841	2021	40,841
	40,841	2022	40,841
	40,841	2023	40,841
	40,841	2024	40,841
\$	204,205		\$ 204,205

WHITMORE LAKE PUBLIC SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
SCHOOL BOND LOAN PROGRAMS
JUNE 30, 2019

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)
2017	-	68	68	4,587,047	53,753	4,640,800
2018	-	68	68	4,584,588	197,476	4,782,064
2019	-	76	76	4,559,395	367,877	4,927,272
Total	<u>\$ 2,075</u>	<u>\$ 267</u>	<u>\$ 2,342</u>	<u>\$ 14,171,436</u>	<u>\$ 629,402</u>	<u>\$ 14,800,838</u>

WHITMORE LAKE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through project number	Program or award amount	Accrued revenue 7/1/2018	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts	Accrued revenue 6/30/2019
U.S. DEPARTMENT OF AGRICULTURE								
Passed Through the Michigan Department of Education:								
Child Nutrition Cluster:								
Non-Cash Assistance (Donated Foods):								
National School Program - non-bonus	10.555		\$ 21,770	\$ -	\$ 21,714	\$ 21,770	\$ 21,770	\$ -
National School Lunch Program - Section 11	10.555	181960	113,399	-	113,399	13,259	13,259	-
		191960	109,020	-	-	109,020	109,020	-
			222,419	-	113,399	122,279	122,279	-
Total CFDA #10.555			244,189	-	135,113	144,049	144,049	-
Cash Assistance:								
National School Lunch Program - Breakfast	10.553	181970	39,151	-	39,151	4,312	4,312	-
		191970	35,113	-	-	35,113	35,113	-
Total CFDA #10.553			74,264	-	39,151	39,425	39,425	-
Total Child Nutrition Cluster			318,453	-	174,264	183,474	183,474	-
Child Care Food Program	10.558	181920	18,180	596	18,180	1,492	2,088	-
		182010	849	27	849	79	106	-
		191920	16,867	-	-	16,867	16,463	404
		192010	882	-	-	882	866	16
Total CFDA #10.558			36,778	623	19,029	19,320	19,523	420
TOTAL U.S. DEPARTMENT OF AGRICULTURE			355,231	623	193,293	202,794	202,997	420

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, 2019**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through project number	Program or award amount	Accrued revenue 7/1/2018	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts	Accrued revenue 6/30/2019
U.S. DEPARTMENT OF EDUCATION								
Passed Through the Michigan Department of Education:								
Title I - Part A	84.010	181530-1718	\$ 148,796	\$ 104,931	\$ 166,868	\$ -	\$ 104,931	\$ -
		191530-1819	136,919	-	-	137,870	93,405	44,465
Total CFDA #84.010			285,715	104,931	166,868	137,870	198,336	44,465
Title II - Part A	84.367	180520-1718	41,969	21,858	30,813	11,156	33,014	-
		190520-1819	44,459	-	-	21,140	15,019	6,121
Total CFDA #84.367			86,428	21,858	30,813	32,296	48,033	6,121
Title IV - Part A	84.424	180750-1718	10,000	10,000	10,000	-	10,000	-
		190750-1819	10,000	-	-	10,000	4,786	5,214
Total CFDA #84.424			20,000	10,000	10,000	10,000	14,786	5,214
Total Passed Through the Michigan Department of Education			392,143	136,789	207,681	180,166	261,155	55,800
Passed Through Washtenaw Intermediate School District:								
Special Education Cluster:								
Special Education - IDEA Flow-Through	84.027	180450-1718	339,752	110,658	339,752	-	110,658	-
		190450-1819	315,937	-	-	315,937	163,002	152,935
Total CFDA #84.027			655,689	110,658	339,752	315,937	273,660	152,935
Special Education - IDEA Preschool:								
	84.173	180460-1718	11,678	5,653	11,678	-	5,653	-
		190460-1819	13,034	-	-	13,034	5,190	7,844
Total CFDA #84.173			24,712	5,653	11,678	13,034	10,843	7,844
Total Special Education Cluster			680,401	116,311	351,430	328,971	284,503	160,779
Total Passed Through Washtenaw Intermediate School District			680,401	116,311	351,430	328,971	284,503	160,779
TOTAL U.S. DEPARTMENT OF EDUCATION			1,072,544	253,100	559,111	509,137	545,658	216,579

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, 2019**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through project number	Award amount	Accrued revenue 7/1/2018	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts	Accrued revenue 6/30/2019
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>								
Passed through Washtenaw County:								
Head Start	93.600	N/A	\$ 133,890	\$ 45,043	\$ 125,665	\$ 8,225	\$ 53,268	\$ -
	93.600	N/A	81,774	-	-	81,774	70,123	11,651
Total CFDA #93.600			<u>215,664</u>	<u>45,043</u>	<u>125,665</u>	<u>89,999</u>	<u>123,391</u>	<u>11,651</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>215,664</u>	<u>45,043</u>	<u>125,665</u>	<u>89,999</u>	<u>123,391</u>	<u>11,651</u>
TOTAL FEDERAL AWARDS			<u>\$ 1,643,439</u>	<u>\$ 298,766</u>	<u>\$ 878,069</u>	<u>\$ 801,930</u>	<u>\$ 872,046</u>	<u>\$ 228,650</u>

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, 2019**

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, 2019. 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 change 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, 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	\$ 599,136
Food service fund	<u>202,794</u>
Total federal expenditures reported on the SEFA	<u><u>\$ 801,930</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, 2019, 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 September 20, 2019.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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.

Maney Costeiran PC

September 20, 2019

**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, 2019. 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 unmodified opinion on compliance for major federal programs. 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, 2019.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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.

Manes Costeiran PC

September 20, 2019

**WHITMORE LAKE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<i>Unmodified</i>		
Internal control over financial reporting:			
➤ Material weakness(es) identified?	<u> </u>	Yes <u> X </u>	No
➤ Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> </u>	Yes <u> X </u>	None reported
Noncompliance material to financial statements noted?	<u> </u>	Yes <u> X </u>	No

Federal Awards

Internal control over major programs:			
➤ Material weakness(es) identified?	<u> </u>	Yes <u> X </u>	No
➤ Significant deficiency(ies) identified?	<u> </u>	Yes <u> X </u>	None reported
Type of auditor's report issued on compliance for major programs:	<i>Unmodified</i>		
Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?	<u> </u>	Yes <u> X </u>	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 & 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs:

	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u> X </u> Yes <u> </u> No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**WHITMORE LAKE PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no audit findings in the previous year.

September 20, 2019

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, 2019, and have issued our report thereon dated September 20, 2019. 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.

Our responsibility for the supplementary information accompanying the financial statement, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

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 2019. 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 and the net other postemployment benefit liability.

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

We evaluated the 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 life span of the capital assets:

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

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. We did not detect any corrected or uncorrected misstatements.

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 September 20, 2019.

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.

A separate management letter was not issued.

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 Costeiran PC