

WHITMORE LAKE PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2020

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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, 2020, 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.

Opinion

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, 2020, 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 16, 2020 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 16, 2020

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, 2020.

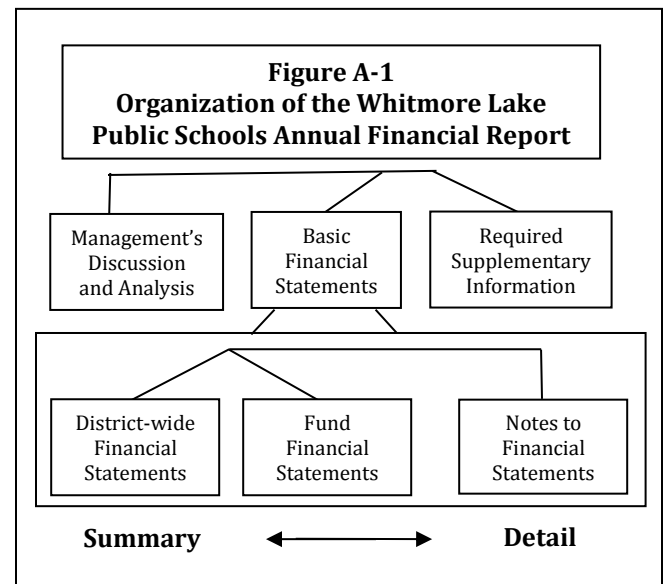
FINANCIAL HIGHLIGHTS

- Governmental funds revenues and other financing sources increased to \$36.2 million from \$18.8 million. Expenditures increased to \$36.1 million from \$18.8 million. The large increase in expenditures was due to the refunding of a portion of the school bond loan fund and the school loan revolving fund with the issuance of refunding bonds in the current year.
- General Fund revenues were \$9.8 million, \$57 thousand less than General Fund expenditures and other financing sources (uses).
- State Aid Foundation allowance increased by \$240 per student to \$8,111.
- The District's fall student count decreased to 697 pupils, a decrease of 48 students over last year.
- The District participates in the School Bond Loan Fund (SBLF) and the School Loan Revolving Fund (SLRF), which allows districts to maintain level debt millages throughout the life of a bond issue. This feature of the SBLF and SLRF can, however, create a net deficit in the district-wide financial statements in the short term, with future debt millages restoring the net position of the District once the bonded debt is reduced. The District issued bonds to pay down this debt during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. 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 and community recreation).

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		
	2020	2019
Current and other assets	\$ 3,174,523	\$ 3,041,265
Capital assets, net of depreciation	30,472,124	31,476,653
Total assets	33,646,647	34,517,918
Deferred outflows of resources	8,032,021	8,469,124
Noncurrent liabilities	54,104,926	55,629,177
Other liabilities	2,264,238	2,176,726
Net OPEB liability	4,245,425	4,997,785
Net pension liability	20,092,623	19,026,426
Total liabilities	80,707,212	81,830,114
Deferred inflows of resources	4,007,413	3,786,511
Net position		
Net investment in capital assets	(20,733,991)	(20,447,921)
Restricted for capital projects - sinking fund	259,996	251,227
Unrestricted	(22,561,962)	(22,432,889)
Total net position	\$ (43,035,957)	\$ (42,629,583)

Table A-4		
Changes in Whitmore Lake Public Schools Net Position		
Revenues	2020	2019
Program revenues		
Charges for services	\$ 605,421	\$ 818,086
Operating grants and contributions	2,666,684	2,520,194
General revenues		
Property taxes	6,031,899	5,588,691
State aid - unrestricted	3,237,757	3,727,348
Intermediate sources	1,498,843	1,405,439
Investment earnings	34,192	32,885
Other	95,043	103,799
Total revenues	14,169,839	14,196,442
Expenses		
Instruction	5,094,189	5,131,216
Support services	5,643,264	5,115,579
Community services	417,591	430,248
Food services	340,238	411,687
Interest on long-term debt	1,766,661	1,871,602
Unallocated depreciation	1,314,270	1,277,807
Total expenses	14,576,213	14,238,139
Change in net position	\$ (406,374)	\$ (41,697)

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 child nutrition programs seek to be self-supporting and cost effective.

- The state per pupil foundation increased \$240 per student to \$8,111.
- Food service revenues and transfers in were less than expenditures by \$553.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported *combined* fund balances of \$1,177,636.

The General Fund's fund balance decreased from \$653,613 to \$596,548 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 2019-2020, these budget amendments included:

- Reductions in revenues and expenditures due to the current year COVID-19 shutdown which resulted in a decrease in state revenue and fewer than expected expenditures.

The District's original budget was adopted with a budget surplus of \$19,083. The final budget amendment in June 2020 called for a budget deficit of (\$91,068). Actual revenues were less than actual expenditures and other financing sources and uses by \$57,065 at year-end.

- Actual general fund revenues were \$97,000 lower than budgeted. This variance was due primarily to less state revenue than expected with the \$175 per pupil reduction that was established by the state after the final budget was adopted.
- Actual general fund expenditures were \$157,000 lower than budgeted. This variance was due primarily to less than expected expenditures with the current year shutdown beginning in March.
- Actual general fund other financing uses were \$26,000 less than budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2020, 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 decrease of \$76 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 \$1,314,270.

The District's capital assets are as follows:

Table A-5 Whitmore Lake Public Schools Capital Assets				
	2020		2019	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 1,218,065	\$ -	\$ 1,218,065	\$ 1,218,065
Buildings and improvements	51,127,135	22,540,747	28,586,388	29,729,976
Buses and other vehicles	842,692	632,868	209,824	250,414
Furniture and equipment	1,657,055	1,199,208	457,847	278,198
Total	<u>\$ 54,844,947</u>	<u>\$ 24,372,823</u>	<u>\$ 30,472,124</u>	<u>\$ 31,476,653</u>

Long-term Obligations

At year-end the District had \$54.08 million in long-term obligations outstanding, a \$919 thousand 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>		
	2020	2019
General obligation bonds	\$ 49.65	\$ 40.48
Notes from Direct Borrowings and Direct Placements	4.36	14.45
Accumulated Compensated Absences	0.07	0.08
Total	<u>\$ 54.08</u>	<u>\$ 55.01</u>

- The District continued to pay down its debt, retiring \$6.0 million of outstanding bonds.
- The District issued refunding bonds to pay off its 2007 refunding bonds and to pay down its outstanding principal on the school bond loan fund and school loan revolving fund debt by a net amount of \$10,010,038.

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 MPSERS rate.* The source of funds used to pay down MPSERS retirement liability has been the School Aid Fund. As such, while the MPSERS 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, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 630,350
Investments	1,212,339
Receivables	
Intergovernmental receivables	1,267,185
Due from agency fund	6,780
Inventories	22,186
Prepays	35,683
Capital assets not being depreciated	1,218,065
Capital assets, net of accumulated depreciation	29,254,059
TOTAL ASSETS	33,646,647
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding, net of accumulated amortization	1,110,792
Related to other postemployment benefit	1,296,498
Related to pensions	5,624,731
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,032,021
LIABILITIES	
Accounts payable	31,133
Accrued salaries and related items	664,355
Accrued retirement	331,864
Accrued interest	288,151
Unearned revenue	3,222
Notes payable	945,513
Noncurrent liabilities	
Due within one year	6,111,691
Due in more than one year	47,968,716
Accrued interest due in more than one year	24,519
Net other postemployment benefit liability	4,245,425
Net pension liability	20,092,623
TOTAL LIABILITIES	80,707,212
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	1,369,465
Related to other postemployment benefit	1,985,310
Related to state aid funding for pensions	652,638
TOTAL DEFERRED INFLOW OF RESOURCES	4,007,413
NET POSITION	
Net investment in capital assets	(20,733,991)
Restricted for capital projects (sinking fund)	259,996
Unrestricted	(22,561,962)
TOTAL NET POSITION	\$ (43,035,957)

See notes to financial statements.

WHITMORE LAKE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 5,094,189	\$ 25,613	\$ 1,962,837	\$ (3,105,739)
Support services	5,643,264	50,905	490,709	(5,101,650)
Community services	417,591	442,795	-	25,204
Food services	340,238	86,108	213,138	(40,992)
Interest on long-term debt	1,766,661	-	-	(1,766,661)
Unallocated depreciation	1,314,270	-	-	(1,314,270)
Total governmental activities	<u>\$ 14,576,213</u>	<u>\$ 605,421</u>	<u>\$ 2,666,684</u>	<u>(11,304,108)</u>
General revenues				
Property taxes, levied for general purposes				2,161,610
Property taxes, levied for debt service				3,132,111
Property taxes, levied for capital projects sinking fund				362,627
Property taxes, levied for special purposes				375,551
Investment earnings				34,192
State sources - unrestricted				3,237,757
Intermediate sources				1,498,843
Other				95,043
Total general revenues				<u>10,897,734</u>
CHANGE IN NET POSITION				(406,374)
Net position, beginning of year				<u>(42,629,583)</u>
Net position, end of year				<u>\$ (43,035,957)</u>

See notes to financial statements.

**WHITMORE LAKE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General Fund	2015B Debt Service Fund	2019 Debt Service Fund	Sinking Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 262,226	\$ 1	\$ 1	\$ 243,245	\$ 124,877	\$ 630,350
Investments	1,212,339	-	-	-	-	1,212,339
Receivables						
Intergovernmental	1,247,282	-	-	-	19,903	1,267,185
Due from other funds	52,398	55,515	26,422	16,751	124,585	275,671
Due from agency fund	6,780	-	-	-	-	6,780
Inventories	-	-	-	-	22,186	22,186
Prepays	35,683	-	-	-	-	35,683
TOTAL ASSETS	\$ 2,816,708	\$ 55,516	\$ 26,423	\$ 259,996	\$ 291,551	\$ 3,450,194
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 31,133	\$ -	-	\$ -	\$ -	\$ 31,133
Accrued salaries and related items	664,355	-	-	-	-	664,355
Accrued retirement	331,864	-	-	-	-	331,864
Accrued interest	20,800	-	-	-	-	20,800
Due to other funds	223,273	-	-	-	52,398	275,671
Notes payable	945,513	-	-	-	-	945,513
Unearned revenue	3,222	-	-	-	-	3,222
TOTAL LIABILITIES	2,220,160	-	-	-	52,398	2,272,558

See notes to financial statements.

	<u>General Fund</u>	<u>2015B Debt Service Fund</u>	<u>2019 Debt Service Fund</u>	<u>Sinking Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
LIABILITIES AND FUND BALANCES (continued)						
FUND BALANCES						
Nonspendable						
Inventories	\$ -	\$ -	\$ -	\$ -	\$ 22,186	\$ 22,186
Prepays	35,683	-	-	-	-	35,683
Restricted for:						
Debt service	-	55,516	26,423	-	124,585	206,524
Capital projects	-	-	-	259,996	-	259,996
Community recreation	-	-	-	-	114,393	114,393
Unassigned - food service	-	-	-	-	(22,011)	(22,011)
Unassigned - general fund	560,865	-	-	-	-	560,865
	<u>596,548</u>	<u>55,516</u>	<u>26,423</u>	<u>259,996</u>	<u>239,153</u>	<u>1,177,636</u>
TOTAL FUND BALANCES	<u>596,548</u>	<u>55,516</u>	<u>26,423</u>	<u>259,996</u>	<u>239,153</u>	<u>1,177,636</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,816,708</u>	<u>\$ 55,516</u>	<u>\$ 26,423</u>	<u>\$ 259,996</u>	<u>\$ 291,551</u>	<u>\$ 3,450,194</u>

Total governmental fund balances

\$ 1,177,636

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	1,110,792
Deferred outflows of resources - related to other postemployment benefit	1,296,498
Deferred outflows of resources - related to pensions	5,624,731
Deferred inflows of resources - related to pensions	(1,369,465)
Deferred inflows of resources - related to other postemployment benefit	(1,985,310)
Deferred inflows of resources - related to state aid funding for pensions	(652,638)

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

The cost of the capital assets is	\$ 54,844,947
Accumulated depreciation is	<u>(24,372,823)</u>
	30,472,124

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

Bonds and other debt liabilities	(54,012,024)
Compensated absences	(68,383)
Accrued interest is not included as a liability in government funds, it is recorded when paid	(291,870)
Net other postemployment benefit liability	(4,245,425)
Net pension liability	<u>(20,092,623)</u>

Net position of governmental activities

\$ (43,035,957)

See notes to financial statements.

WHITMORE LAKE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>	<u>2015B Debt Service Fund</u>	<u>2019 Debt Service Fund</u>	<u>Sinking Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Local sources						
Property taxes	\$ 2,161,610	\$ 932,322	\$ 447,164	\$ 362,627	\$ 2,127,281	\$ 6,031,004
Investment earnings	33,820	82	-	167	123	34,192
Food and community recreation revenue	-	-	-	-	160,703	160,703
Athletics	25,616	-	-	-	-	25,616
Other	507,433	85	3,303	3,289	35	514,145
	<u>2,728,479</u>	<u>932,489</u>	<u>450,467</u>	<u>366,083</u>	<u>2,288,142</u>	<u>6,765,660</u>
Total local revenues	2,728,479	932,489	450,467	366,083	2,288,142	6,765,660
State sources	5,021,664	895	-	-	57,212	5,079,771
Federal sources	585,829	-	-	-	196,923	782,752
Incoming transfers and other	1,498,843	-	-	-	-	1,498,843
	<u>9,834,815</u>	<u>933,384</u>	<u>450,467</u>	<u>366,083</u>	<u>2,542,277</u>	<u>14,127,026</u>
TOTAL REVENUES	<u>9,834,815</u>	<u>933,384</u>	<u>450,467</u>	<u>366,083</u>	<u>2,542,277</u>	<u>14,127,026</u>
EXPENDITURES						
Current						
Instruction	4,626,795	-	-	-	-	4,626,795
Supporting services	5,143,434	-	-	-	-	5,143,434
Food service activities	-	-	-	-	322,490	322,490
Community recreation activities	95,651	-	-	-	316,285	411,936
Capital outlay	-	-	-	357,314	36,491	393,805

See notes to financial statements.

	<u>General Fund</u>	<u>2015B Debt Service Fund</u>	<u>2019 Debt Service Fund</u>	<u>Sinking Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
EXPENDITURES (continued)						
Debt service						
Redemption of bonds	\$ -	\$ 4,205,000	\$ 1,025,000	\$ -	\$ 1,065,000	\$ 6,295,000
Redemption of school loan revolving fund	-	-	14,703,026	-	-	14,703,026
Interest on bonded debt	-	214,252	185,548	-	1,148,692	1,548,492
Interest on school loan revolving fund	-	-	851,672	-	-	851,672
Bond issuance costs	-	-	174,421	-	-	174,421
Other	-	500	1,051	-	1,464	3,015
TOTAL EXPENDITURES	<u>9,865,880</u>	<u>4,419,752</u>	<u>16,940,718</u>	<u>357,314</u>	<u>2,890,422</u>	<u>34,474,086</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(31,065)</u>	<u>(3,486,368)</u>	<u>(16,490,251)</u>	<u>8,769</u>	<u>(348,145)</u>	<u>(20,347,060)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from school loan revolving fund	-	3,449,501	710,543	-	532,674	4,692,718
Proceeds from sale of refunding bonds	-	-	17,255,000	-	-	17,255,000
Payment to refunded bond escrow agent	-	-	(1,525,579)	-	-	(1,525,579)
Transfers in	-	6,997	76,710	-	26,081	109,788
Transfers out	<u>(26,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(83,788)</u>	<u>(109,788)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(26,000)</u>	<u>3,456,498</u>	<u>16,516,674</u>	<u>-</u>	<u>474,967</u>	<u>20,422,139</u>
NET CHANGE IN FUND BALANCES	(57,065)	(29,870)	26,423	8,769	126,822	75,079
FUND BALANCES						
Beginning of year	<u>653,613</u>	<u>85,386</u>	<u>-</u>	<u>251,227</u>	<u>112,331</u>	<u>1,102,557</u>
End of year	<u>\$ 596,548</u>	<u>\$ 55,516</u>	<u>\$ 26,423</u>	<u>\$ 259,996</u>	<u>\$ 239,153</u>	<u>\$ 1,177,636</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, 2020**

Net change in fund balances total governmental funds \$ 75,079

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	(1,314,270)
Capital outlay	342,895
Loss on disposal	(33,154)

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	238,018
Accrued interest payable, end of the year	(267,351)

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 refunding bonds	(17,255,000)
Payments to refunded escrow agent	1,525,579
Proceeds from school loan revolving fund and school bond loan fund	(4,692,718)
Payments on debt	6,295,000
Payments on school loan revolving fund and school bond loan fund	14,703,026
Amortization of deferred loss on refunding	(130,404)
Amortization of bond premium	188,090
Accrued interest from school loan revolving fund and school bond loan fund	(246,522)
Interest payments on school loan revolving fund and school bond loan fund	851,672
Payments on capital lease	77,946

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	76,300
Accrued compensated absences, end of the year	(68,383)

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	362,333
Pension related items	(1,177,323)

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period:

Change in state aid funding for pension	42,813
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Change in net position of governmental activities	\$ (406,374)
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**WHITMORE LAKE PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2020**

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 163,141</u>
LIABILITIES	
Due to Whitmore Lake Public Schools	\$ 6,780
Due to student and other groups	<u>156,361</u>
TOTAL LIABILITIES	<u>\$ 163,141</u>

See notes to financial statements.

WHITMORE LAKE PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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.

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.

The *2015B and 2019 Debt Service Funds* account 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

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.

Measurement Focus and Basis of Accounting

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

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

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

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

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

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information

Budgetary Basis of Accounting

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

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

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

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (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.
- d. 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.
- e. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2020. The District considered these amendments to be significant. See the budgetary comparison schedule for more information.

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

Cash and Cash Equivalents

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Investments

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. 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.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Capital Assets

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

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	15 - 50
Furniture and equipment	3 - 20
Buses and other vehicles	8

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.

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)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

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 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.

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 \$4,163,203 are considered capital-related debt. Accrued interest on the school bond loan fund and school bond revolving fund of \$24,519 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. Twenty percent of these proceeds are not considered capital related debt as this amount was used to pay off accrued interest. During the year ended June 30, 2020, the District issued bonded debt in the amount of \$17,255,000 of which \$15,710,000 is used to make principal and interest payments related to the School Loan Revolving Fund and School Bond Loan Fund. Five percent 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, 2020 is \$1,695,117.

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.

WHITMORE LAKE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

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, 2020, the District's General Fund balance was greater than 5% of revenues.

Revenues and Expenditures/Expenses

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.

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Property Taxes (continued)

For the year ended June 30, 2020, 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	0.9851
Special revenue fund	
PRE and Non-PRE	1.0000

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.

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.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2020, the District had the following investments:

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, 2020, \$425,930 of the District's bank balance of \$857,205 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 \$793,491.

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.

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.

Investment Type	Fair Value	Weighted Average Maturity (Years)
Michigan Class Investment Pool	\$ 1,050,805	0.1478
MILAF - MAX Class	54,245	N/A
Mid America - Employee Benefit Trust Fund (EBTF)	107,290	0.0272
Total fair value	<u>\$ 1,212,339</u>	
Portfolio weighted average maturity		<u>0.13663</u>

One day maturity equals 0.0027, one year equals 1.00

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
Michigan CLASS Investment Pool	\$ 1,050,805	AAAm	Standard & Poor's
MILAF - MAX Class	54,245	AAAm	Standard & Poor's
Mid America - Employee Benefit Trust Fund (EBTF)	107,290	NR - AAA	Standard & Poor's
Total	<u>\$ 1,212,339</u>		

Foreign Currency Risk

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

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.

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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 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.

Investment Type	Amortized Fair Value
MILAF - MAX Class	<u>\$ 54,245</u>

Investments in Entities that Calculate Net Asset Value per Share

The District holds shares or interests in the Michigan CLASS investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

The Michigan CLASS investment pool invest in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

The Mid America - Employee Benefit Trust (EBTF) investment pool is a stable value fund. A stable value fund is a portfolio of bonds that are insured to protect the investor against a decline in yield or loss of capital. The owner of a stable value fund will continue to receive the agreed-upon interest payments regardless of the state economy.

At the year ended June 30, 2020, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Michigan CLASS Investment Pool	\$ 1,050,805	\$ -	No restrictions	None
Mid America - Employee Benefit Trust Fund (EBTF)	<u>107,290</u>	<u>-</u>	No restrictions	None
	<u>\$ 1,158,095</u>	<u>\$ -</u>		

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as June 30, 2020:

	Primary Government	Agency Fund	Total
Cash and cash equivalents	\$ 630,350	\$ 163,141	\$ 793,491
Investments	<u>1,212,339</u>	<u>-</u>	<u>1,212,339</u>
	<u><u>\$ 1,842,689</u></u>	<u><u>\$ 163,141</u></u>	<u><u>\$ 2,005,830</u></u>

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Receivables at June 30, 2020 consist of the following:

	Government- wide
State aid	\$ 844,281
Federal revenue	308,111
Intermediate sources	61,116
Other	<u>53,677</u>
	<u><u>\$ 1,267,185</u></u>

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

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

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 1,218,065	\$ -	\$ -	\$ 1,218,065
Capital assets, being depreciated				
Buildings and improvements	51,116,586	38,162	27,613	51,127,135
Buses and other vehicles	974,179	-	131,487	842,692
Furniture and equipment	1,611,693	304,733	259,371	1,657,055
Total capital assets, being depreciated	53,702,458	342,895	418,471	53,626,882
Accumulated depreciation				
Buildings and improvements	21,386,610	1,172,546	18,409	22,540,747
Buses and other vehicles	723,765	40,590	131,487	632,868
Furniture and equipment	1,333,495	101,134	235,421	1,199,208
Total accumulated depreciation	23,443,870	1,314,270	385,317	24,372,823
Net capital assets being depreciated	30,258,588	(971,375)	33,154	29,254,059
Net governmental capital assets	\$ 31,476,653	\$ (971,375)	\$ 33,154	\$ 30,472,124

Depreciation for the fiscal year ended June 30, 2020 amounted to \$1,314,270. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - NOTES PAYABLE - STATE AID ANTICIPATION NOTES

At June 30, 2020, the District has issued state aid anticipation notes payable in amounts totaling \$1,600,000, have interest rates of 1.3%, 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 \$654,487 at June 30, 2020. 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, 2020 is as follows:

Balance July 1, 2019	Additions	Payments	Balance June 30, 2020
\$ 914,286	\$ 1,600,000	\$ 1,568,773	\$ 945,513

WHITMORE LAKE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

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, 2020:

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Accumulated Compensated Absences	Total
Balance July 1, 2019	\$ 40,476,371	\$ 14,446,837	\$ 76,300	\$ 54,999,508
Addition	17,255,000	4,692,718	-	21,947,718
Deletions	<u>(8,077,930)</u>	<u>(14,780,972)</u>	<u>(7,917)</u>	<u>(22,866,819)</u>
Balance June 30, 2020	49,653,441	4,358,583	68,383	54,080,407
Due within one year	<u>(6,040,000)</u>	<u>(64,853)</u>	<u>(6,838)</u>	<u>(6,111,691)</u>
Due in more than one year	<u>\$ 43,613,441</u>	<u>\$ 4,293,730</u>	<u>\$ 61,545</u>	<u>\$ 47,968,716</u>

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$4,358,583 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, 2020 is comprised of the following:

General Obligation Bonds

\$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.	8,425,000
\$19,930,000 Refunding Bonds dated September 22, 2015, due an annual installment of \$4,115,000 through May 1, 2021; interest at 2.155% to 2.749%, payable semi-annually.	4,115,000
\$8,695,000 Refunding Bonds dated March 15, 2016, due in annual installments of \$1,615,000 to \$2,025,000 through May 1, 2028; interest at 4.00%, payable semi-annually.	7,465,000
\$17,255,000 Refunding Bonds dated December 12, 2019, due in annual installments of \$1,660,000 to \$2,795,000 through May 1, 2029; interest at 1.962% to 2.807%, payable semi-annually.	16,230,000
Plus on issuance of bonds	<u>1,353,441</u>
Total general obligation bonds	<u>49,653,441</u>

Notes from Direct Borrowings and Direct Placements

Borrowing from the State of Michigan under the School Loan Revolving Fund, excluding interest at 3.12% at June 30, 2020.	4,163,203
Lease-purchase agreement due in annual installments of \$40,841, 0.0% interest, through October 4, 2023.	163,364
Lease-purchase agreement due in monthly installments of \$2,001 0.0% interest, through October 31, 2021.	<u>32,016</u>
Total notes from direct borrowings and direct placements	<u>4,358,583</u>
Total general obligation bonds and notes from direct borrowings and direct placements	54,012,024
Compensated absences	<u>68,383</u>
Total general long-term obligations	<u><u>\$ 54,080,407</u></u>

WHITMORE LAKE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

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, 2020, \$47,160,000 of bonds outstanding are considered defeased.

On December 12, 2019, the District issued general obligation bonds of \$17,255,000 with interest rates ranging from 1.962% to 2.807% and made a payment of \$7,207,171 to advance refund a portion of the District's outstanding 2007 refunding bonds with an interest rate of 2.75% to 5.25% and School Bond Loan Fund and School Loan Revolving Fund debt with an interest rate of 3.11%. The bonds mature at various times through May 1, 2029. The general obligation bonds were issued, after paying issuance costs of \$174,421, with net proceeds of \$28,383,878. A portion of the net proceeds from the issuance of the 2019 refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements. The remaining portion of the net proceeds from the issuance of the 2019 refunding bonds were used to pay down the School Bond Loan Fund and School Loan Revolving Fund debt.

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 3.12% at June 30, 2020 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, 2020, 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		
2021	\$ 6,040,000	\$ 1,600,903	\$ 64,853	\$ -	\$ -	\$ 7,705,756
2022	3,630,000	1,792,299	48,845	-	-	5,471,144
2023	3,745,000	1,648,361	40,841	-	-	5,434,202
2024	3,865,000	1,496,999	40,841	-	-	5,402,840
2025	3,990,000	1,337,107	-	-	-	5,327,107
2026 - 2030	17,340,000	3,294,275	-	-	-	20,634,275
2031 - 2033	9,690,000	965,200	-	-	-	10,655,200
	48,300,000	12,135,143	195,380	-	-	60,630,523
Premium on bonds	1,353,441	-	-	-	-	1,353,441
Compensated absences	-	-	-	-	68,383	68,383
School loan revolving fund	-	-	4,163,203	24,519	-	4,187,722
	<u>\$ 49,653,441</u>	<u>\$ 12,135,143</u>	<u>\$ 4,358,583</u>	<u>\$ 24,519</u>	<u>\$ 68,383</u>	<u>\$ 66,240,069</u>

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

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2020 are as follows:

Receivable Fund		Payable Fund	
General	\$ 52,398	General	\$ 223,273
Sinking	16,751	Food service	52,398
Debt service - 2019	26,422	Debt service - 2019	-
Debt service - 2012	33,089	Debt service - 2012	-
Debt service - 2015 series A	28,411	Debt service - 2015 series A	-
Debt service - 2015 series B	55,515	Debt service - 2015 series B	-
Debt service - 2016	63,085	Debt service - 2016	-
	<u>\$ 275,671</u>		<u>\$ 275,671</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 (MPSERS) (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. MPSERS 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 of Michigan Investment Board serves as the investment fiduciary and custodian for 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 (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

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.

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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.

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.

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 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 Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

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.

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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.

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 pension benefits and 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 normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2019 were determined as of the September 30, 2016 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2016 are amortized over a 20-year period beginning October 1, 2018 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, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

The District's pension contributions for the year ended June 30, 2020 were equal to the required contribution total. Total pension contributions were approximately \$1,598,000. Of the total pension contributions, approximately \$1,560,000 was contributed to fund the Defined Benefit Plan and approximately \$38,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2020 were equal to the required contribution total. Total OPEB contributions were approximately \$457,000. Of the total OPEB contributions, approximately \$429,000 was contributed to fund the Defined Benefit Plan and approximately \$28,000 was contributed to fund the Defined Contribution Plan.

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

The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2018 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.

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Total pension liability	\$ 83,442,507,212	\$ 79,863,694,444
Plan fiduciary net position	\$ 50,325,869,388	\$ 49,801,889,205
Net pension liability	\$ 33,116,637,824	\$ 30,061,805,239
Proportionate share	0.06067%	0.06329%
Net pension liability for the District	\$ 20,092,623	\$ 19,026,426

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

For the year ended June 30, 2020, the District recognized pension expense of \$2,737,505.

At June 30, 2020, 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	\$ 3,934,150	\$ -
Net difference between projected and actual plan investment earnings	-	643,934
Differences between expects and actual experience	90,062	83,784
Changes in proportion and difference between employer contributions and proportionate share of contributions	161,258	641,747
Reporting Unit's contributions subsequent to the measurement date	1,439,261	-
	<u>\$ 5,624,731</u>	<u>\$ 1,369,465</u>

\$1,439,261, 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:

Year Ended September 30,	Amount
2020	\$ 1,227,810
2021	893,921
2022	501,708
2023	192,566

**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

The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2018 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.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Total OPEB liability	\$ 13,925,860,688	\$ 13,932,170,264
Plan fiduciary net position	\$ 6,748,112,668	\$ 5,983,218,473
Net OPEB liability	\$ 7,177,748,020	\$ 7,948,951,791
Proportionate share	0.05915%	0.06287%
Net OPEB liability for the District	\$ 4,245,425	\$ 4,997,785

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$66,387.

At June 30, 2020, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 919,898	\$ -
Net difference between projected and actual plan investment earnings	-	73,830
Differences between expects and actual experience	-	1,557,766
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	353,714
Reporting Unit's contributions subsequent to the measurement date	376,600	-
	<u>\$ 1,296,498</u>	<u>\$ 1,985,310</u>

**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 (continued)

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

\$376,600, 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>
2020	\$ (277,441)
2021	(277,441)
2022	(239,468)
2023	(174,962)
2024	(96,100)

Actuarial Assumptions

Investment Rate of Return for Pension - 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for Pension Plus 2 Plan.

Investment Rate of Return for OPEB - 6.95% 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, 2018. 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.

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, 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 and OPEB 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 3.5% in year twelve.

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, 2019 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%	5.50%
Private Equity Pools	18.00%	8.60%
International Equity	16.00%	7.30%
Fixed Income Pools	10.50%	1.20%
Real Estate and Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.40%
Short Term Investment Pools	2.00%	0.80%
	<u>100.00%</u>	

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

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Rate of Return - For fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.14% and 5.37% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate - A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (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.

OPEB Discount Rate - A single discount rate of 6.95% 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 6.95%. 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 6.80% (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	\$ 26,121,695	\$ 20,092,623	\$ 15,094,314

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 6.95%, 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	\$ 5,207,651	\$ 4,245,425	\$ 3,437,422

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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 3.5%), 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	Current Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 3,403,166	\$ 4,245,425	\$ 5,207,537

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 2019 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.

NOTE 10 - TRANSFERS

The general fund transferred \$26,000 to the food service fund during the current fiscal year to subsidize operations. \$83,788 was transferred between debt service funds for operating purposes.

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

NOTE 11 - SUBSEQUENT EVENTS

The District has approved borrowing \$1,900,000 for fiscal year 2021 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 are as follows:

<u>Municipality</u>	<u>Taxes Abated</u>
Northfield Township	<u>\$ 33,830</u>

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.

The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the impact on the state economy, taxpayers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition and results of operations is uncertain.

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 2021 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.

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

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

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 2022 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
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 2,741,093	\$ 2,745,912	\$ 2,728,479	\$ (17,433)
State sources	5,294,448	5,105,102	5,021,664	(83,438)
Federal sources	627,453	586,967	585,829	(1,138)
Incoming transfers and other	1,335,833	1,493,617	1,498,843	5,226
TOTAL REVENUES	9,998,827	9,931,598	9,834,815	(96,783)
EXPENDITURES				
Current				
Instruction				
Basic programs	3,929,632	3,947,617	3,918,707	28,910
Added needs	791,156	717,056	708,088	8,968
Total instruction	4,720,788	4,664,673	4,626,795	37,878
Supporting services				
Pupil	1,423,934	1,465,517	1,446,763	18,754
Instructional staff	492,930	551,801	546,685	5,116
General administration	295,913	344,825	336,654	8,171
School administration	510,884	457,877	446,717	11,160
Business	385,030	352,275	348,150	4,125
Operation/maintenance	844,660	938,462	890,438	48,024
Pupil transportation	635,745	573,666	557,191	16,475
Central	311,043	339,611	333,208	6,403
Athletics	262,465	237,630	237,628	2
Total supporting services	5,162,604	5,261,664	5,143,434	118,230
Community services	96,352	96,329	95,651	678
TOTAL EXPENDITURES	9,979,744	10,022,666	9,865,880	156,786
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	19,083	(91,068)	(31,065)	60,003
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(26,000)	(26,000)
NET CHANGE IN FUND BALANCE	\$ 19,083	\$ (91,068)	(57,065)	\$ 34,003
FUND BALANCE				
Beginning of year			653,613	
End of year			<u>\$ 596,548</u>	

**WHITMORE LAKE PUBLIC SCHOOLS
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)**

	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.06067%	0.06329%	0.06367%	0.06195%	0.06143%	0.07030%
Reporting Unit's proportionate share of net pension liability	\$ 20,092,623	\$ 19,026,426	\$ 16,499,492	\$ 15,456,405	\$ 15,004,062	\$ 15,483,907
Reporting Unit's covered-employee payroll	\$ 5,176,498	\$ 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	388.15%	354.82%	305.59%	291.57%	287.01%	253.38%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	60.31%	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
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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 1,560,182	\$ 1,588,302	\$ 1,646,612	\$ 1,485,977	\$ 1,383,078	\$ 1,081,882
Contributions in relation to statutorily required contributions	<u>1,560,182</u>	<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>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 5,004,438	\$ 5,238,129	\$ 5,313,512	\$ 5,495,807	\$ 5,216,302	\$ 5,470,291
Contributions as a percentage of covered-employee payroll	31.18%	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
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>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net OPEB liability (%)	0.05915%	0.06287%	0.06365%
Reporting Unit's proportionate share of net OPEB liability	\$ 4,245,425	\$ 4,997,785	\$ 5,636,336
Reporting Unit's covered-employee payroll	\$ 5,176,498	\$ 5,362,305	\$ 5,399,247
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	82.01%	93.20%	104.39%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	48.46%	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
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>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 428,720	\$ 426,036	\$ 456,627
Contributions in relation to statutorily required contributions	<u>428,720</u>	<u>426,036</u>	<u>456,627</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 5,004,438	\$ 5,238,129	\$ 5,313,512
Contributions as a percentage of covered-employee payroll	8.57%	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, 2020**

NOTE 1 - PENSION INFORMATION

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

Discount rate for MIP and Basic plans decreased to 6.80% from 7.05%.

Discount rate for Pension Plus decreased to 6.80% from 7.00%.

NOTE 2 - OPEB INFORMATION

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

Discount rate for decreased to 6.95% from 7.15%.

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

ADDITIONAL SUPPLEMENTARY INFORMATION

**WHITMORE LAKE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2020**

	Special Revenue	Debt Service	Total Nonmajor Funds
ASSETS			
Cash and cash equivalents	\$ 124,877	\$ -	\$ 124,877
Intergovernmental receivable	19,903	-	19,903
Due from other funds	-	124,585	124,585
Inventories	22,186	-	22,186
	<u>22,186</u>	<u>-</u>	<u>22,186</u>
 TOTAL ASSETS	 <u>\$ 166,966</u>	 <u>\$ 124,585</u>	 <u>\$ 291,551</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ 52,398	\$ -	\$ 52,398
	<u>52,398</u>	<u>-</u>	<u>52,398</u>
FUND BALANCES			
Nonspendable			
Inventories	22,186	-	22,186
Restricted for:			
Debt service	-	124,585	124,585
Community recreation	114,393	-	114,393
Unassigned - food service	(22,011)	-	(22,011)
	<u>(22,011)</u>	<u>-</u>	<u>(22,011)</u>
 TOTAL FUND BALANCES	 <u>114,568</u>	 <u>124,585</u>	 <u>239,153</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 166,966</u>	 <u>\$ 124,585</u>	 <u>\$ 291,551</u>

WHITMORE LAKE PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2020

	Special Revenue	Debt Service	Total Nonmajor Funds
REVENUES			
Local sources			
Property taxes	\$ 375,551	\$ 1,751,730	\$ 2,127,281
Investment earnings	112	11	123
Food sales and admissions	160,703	-	160,703
Other	-	35	35
Total local sources	536,366	1,751,776	2,288,142
State sources	12,833	44,379	57,212
Federal sources	196,923	-	196,923
TOTAL REVENUES	746,122	1,796,155	2,542,277
EXPENDITURES			
Current			
Food service activities	322,490	-	322,490
Community service activity	316,285	-	316,285
Capital outlay	36,491	-	36,491
Debt service			
Principal repayment	-	1,065,000	1,065,000
Interest expense	-	1,148,692	1,148,692
Other expense	-	1,464	1,464
TOTAL EXPENDITURES	675,266	2,215,156	2,890,422
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	70,856	(419,001)	(348,145)
OTHER FINANCING SOURCES (USES)			
Proceeds from school loan revolving fund	-	532,674	532,674
Transfers in	26,000	81	26,081
Transfers out	-	(83,788)	(83,788)
TOTAL OTHER FINANCING SOURCES (USES)	26,000	448,967	474,967
NET CHANGE IN FUND BALANCES	96,856	29,966	126,822
FUND BALANCES			
Beginning of year	17,712	94,619	112,331
End of year	\$ 114,568	\$ 124,585	\$ 239,153

**WHITMORE LAKE PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2020**

	<u>Food Service</u>	<u>Community Recreation</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 10,484	\$ 114,393	\$ 124,877
Intergovernmental receivable	19,903	-	19,903
Inventories	<u>22,186</u>	<u>-</u>	<u>22,186</u>
 TOTAL ASSETS	 <u><u>\$ 52,573</u></u>	 <u><u>\$ 114,393</u></u>	 <u><u>\$ 166,966</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	<u>\$ 52,398</u>	<u>\$ -</u>	<u>\$ 52,398</u>
 TOTAL LIABILITIES	 <u>52,398</u>	 <u>-</u>	 <u>52,398</u>
FUND BALANCES			
Nonspendable			
Inventories	22,186	-	22,186
Restricted for:			
Community recreation	-	114,393	114,393
Unassigned - food service	<u>(22,011)</u>	<u>-</u>	<u>(22,011)</u>
 TOTAL FUND BALANCES	 <u>175</u>	 <u>114,393</u>	 <u>114,568</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u><u>\$ 52,573</u></u>	 <u><u>\$ 114,393</u></u>	 <u><u>\$ 166,966</u></u>

**WHITMORE LAKE PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2020**

	Food Service	Community Recreation	Total
REVENUES			
Sales	\$ 83,609	\$ -	\$ 83,609
State aid	12,833	-	12,833
Federal aid	196,923	-	196,923
Property taxes	-	375,551	375,551
Investment earnings	73	39	112
Other	2,499	74,595	77,094
	<u>295,937</u>	<u>450,185</u>	<u>746,122</u>
TOTAL REVENUES			
EXPENDITURES			
Salaries	135,266	82,654	217,920
Benefits	47,380	40,496	87,876
Purchased services	1,875	29,509	31,384
Supplies and materials	137,369	139,880	277,249
Capital outlay	-	36,491	36,491
Other expenses	600	23,746	24,346
	<u>322,490</u>	<u>352,776</u>	<u>675,266</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(26,553)	97,409	70,856
OTHER FINANCING SOURCES (USES)			
Transfers in	26,000	-	26,000
	<u>26,000</u>	<u>-</u>	<u>26,000</u>
TOTAL OTHER FINANCING SOURCES (USES)			
	<u>26,000</u>	<u>-</u>	<u>26,000</u>
NET CHANGE IN FUND BALANCES	(553)	97,409	96,856
FUND BALANCES			
Beginning of year	728	16,984	17,712
	<u>728</u>	<u>16,984</u>	<u>17,712</u>
End of year	\$ 175	\$ 114,393	\$ 114,568
	<u>\$ 175</u>	<u>\$ 114,393</u>	<u>\$ 114,568</u>

**WHITMORE LAKE PUBLIC SCHOOLS
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2020**

	<u>2012</u>	<u>2015A</u>	<u>2016</u>	<u>Total Nonmajor Debt Service</u>
ASSETS				
Due from other funds	<u>\$ 33,089</u>	<u>\$ 28,411</u>	<u>\$ 63,085</u>	<u>\$ 124,585</u>
FUND BALANCES				
Restricted for debt service	<u>\$ 33,089</u>	<u>\$ 28,411</u>	<u>\$ 63,085</u>	<u>\$ 124,585</u>

**WHITMORE LAKE PUBLIC SCHOOLS
NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2020**

	2007	2012	2015A	2016	Total Nonmajor Debt Service
REVENUES					
Local sources					
Property taxes	\$ -	\$ 244,804	\$ 448,695	\$ 1,058,231	\$ 1,751,730
Interest	-	-	11	-	11
Other	-	-	12	23	35
State sources	-	-	-	44,379	44,379
TOTAL REVENUES	-	244,804	448,718	1,102,633	1,796,155
EXPENDITURES					
Redemption of bonds	-	-	240,000	825,000	1,065,000
Interest on bonded debt	-	470,492	346,600	331,600	1,148,692
Other	-	383	581	500	1,464
TOTAL EXPENDITURES	-	470,875	587,181	1,157,100	2,215,156
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(226,071)	(138,463)	(54,467)	(419,001)
OTHER FINANCING SOURCES (USES)					
Proceeds from school loan revolving fund	-	248,771	125,485	158,418	532,674
Transfers in	-	-	81	-	81
Transfers out	(27,845)	(831)	(6,996)	(48,116)	(83,788)
TOTAL OTHER FINANCING SOURCES (USES)	(27,845)	247,940	118,570	110,302	448,967
NET CHANGE IN FUND BALANCES	(27,845)	21,869	(19,893)	55,835	29,966
FUND BALANCES					
Beginning of year	27,845	11,220	48,304	7,250	94,619
End of year	\$ -	\$ 33,089	\$ 28,411	\$ 63,085	\$ 124,585

**WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2020**

\$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	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>\$ 2,600,579</u>	<u>\$ 2,600,579</u>		<u>\$ 17,266,158</u>

**WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2020**

\$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
\$ 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>\$ 8,425,000</u>	<u>\$ 453,900</u>	<u>\$ 453,900</u>		<u>\$ 9,332,800</u>

**WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2020**

\$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
<u>\$ 4,115,000</u>	<u>\$ 56,561</u>	<u>\$ 56,561</u>	2021	<u>\$ 4,228,122</u>

**WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2020**

\$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
\$ -	\$ 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>\$ 7,465,000</u>	<u>\$ 963,400</u>	<u>\$ 963,400</u>		<u>\$ 9,391,800</u>

**WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2020**

\$17,255,000 Refunding Bonds issued December 12, 2019.

Principal Due May 1,	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1,	November 1,	June 30,	Amount
\$ -	\$ 190,759	\$ 190,759	2021	\$ 381,519
1,660,000	190,759	190,759	2022	2,041,519
1,735,000	174,475	174,475	2023	2,083,949
1,825,000	156,734	156,734	2024	2,138,469
1,875,000	137,161	137,161	2025	2,149,322
1,935,000	115,430	115,430	2026	2,165,860
2,235,000	92,036	92,036	2027	2,419,072
2,795,000	64,020	64,020	2028	2,923,040
2,170,000	28,286	28,286	2029	2,226,572
<u>\$ 16,230,000</u>	<u>\$ 1,149,660</u>	<u>\$ 1,149,660</u>		<u>\$ 18,529,320</u>

**WHITMORE LAKE PUBLIC SCHOOLS
LEASE-PURCHASE AGREEMENT
JUNE 30, 2020**

Lease-purchase agreement entered on September 22, 2016.

Principal Due	Lease Payment for Fiscal Year	
	June 30,	Amount
\$ 24,012	2021	\$ 24,012
8,004	2022	8,004
<u>\$ 32,016</u>		<u>\$ 32,016</u>

**WHITMORE LAKE PUBLIC SCHOOLS
LEASE-PURCHASE AGREEMENT
JUNE 30, 2020**

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

Principal Due	Lease Payment for Fiscal Year	
	June 30,	Amount
\$ 40,841	2021	\$ 40,841
40,841	2022	40,841
40,841	2023	40,841
<u>40,841</u>	2024	<u>40,841</u>
<u>\$ 163,364</u>		<u>\$ 163,364</u>

**WHITMORE LAKE PUBLIC SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
SCHOOL BOND LOAN PROGRAMS
JUNE 30, 2020**

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 30,	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
2020	-	34	34	4,692,718	246,488	4,939,206
2020	(2,075)	(301)	(2,376)	(14,700,951)	(851,371)	(15,552,322)
Total	\$ -	\$ -	\$ -	\$ 4,163,203	\$ 24,519	\$ 4,187,722

**WHITMORE LAKE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Project Number	Program or Award Amount	Accrued Revenue 7/1/2019	Prior Year Expenditures (Memorandum Only)	Current Year Expenditures	Current Year Receipts	Accrued Revenue 6/30/2020
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	N/A	\$ 16,847	\$ -	\$ 21,770	\$ 16,847	\$ 16,847	\$ -
National School Lunch Program	10.555	191960	109,020	-	109,020	14,479	14,479	-
National School Lunch Program		201960	65,088	-	-	65,088	65,088	-
COVID-19 - National School Lunch Program		200902	58,030	-	-	58,030	40,282	17,748
			232,138	-	109,020	137,597	119,849	17,748
Total CFDA #10.555			248,985	-	130,790	154,444	136,696	17,748
Cash Assistance								
School Breakfast Program	10.553	191970	35,113	-	35,113	4,717	4,717	-
		201970	21,759	-	-	21,759	21,759	-
Total CFDA #10.553			56,872	-	35,113	26,476	26,476	-
Total Child Nutrition Cluster			305,857	-	165,903	180,920	163,172	17,748
Child and Adult Care Food Program	10.558	191920	16,867	404	16,867	2,427	2,831	-
		192010	882	16	882	96	112	-
		201920	12,952	-	-	12,952	12,952	-
		202010	528	-	-	528	528	-
Total CFDA #10.558			31,229	420	17,749	16,003	16,423	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			337,086	420	183,652	196,923	179,595	17,748

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, 2020

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Project Number	Program or Award Amount	Accrued Revenue 7/1/2019	Prior Year Expenditures (Memorandum Only)	Current Year Expenditures	Current Year Receipts	Accrued Revenue 6/30/2020
U.S. DEPARTMENT OF EDUCATION								
Passed Through the Michigan Department of Education								
Title I - Part A	84.010	191530-1819 201530-1920	\$ 136,919 134,125	\$ 44,465 -	\$ 137,870 -	\$ - 132,824	\$ 44,465 -	\$ - 132,824
Total CFDA #84.010			271,044	44,465	137,870	132,824	44,465	132,824
Title II - Part A	84.367	190520-1819 200520-1920	44,459 31,353	6,121 -	21,140 -	- 18,763	6,121 -	- 18,763
Total CFDA #84.367			75,812	6,121	21,140	18,763	6,121	18,763
Title IV - Part A	84.424	190750-1819 200750-1920	10,000 10,000	5,214 -	10,000 -	- 10,000	5,214 -	- 10,000
Total CFDA #84.424			20,000	5,214	10,000	10,000	5,214	10,000
Total Passed Through the Michigan Department of Education			366,856	55,800	169,010	161,587	55,800	161,587
Passed Through Washtenaw Intermediate School District								
Special Education Cluster								
Special Education - IDEA Flow-Through	84.027	190450-1819 200450-1920	315,937 314,508	152,935 -	315,937 -	- 314,511	152,935 207,979	- 106,532
Total CFDA #84.027			630,445	152,935	315,937	314,511	360,914	106,532
Special Education - IDEA Preschool								
	84.173	190460-1819 200460-1920	13,034 15,806	7,844 -	13,034 -	- 15,756	7,844 10,640	- 5,116
Total CFDA #84.173			28,840	7,844	13,034	15,756	18,484	5,116
Total Special Education Cluster			659,285	160,779	328,971	330,267	379,398	111,648
Total Passed Through Washtenaw Intermediate School District			659,285	160,779	328,971	330,267	379,398	111,648
TOTAL U.S. DEPARTMENT OF EDUCATION			1,026,141	216,579	497,981	491,854	435,198	273,235

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, 2020

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Project Number	Program or Award Amount	Accrued Revenue 7/1/2019	Prior Year Expenditures (Memorandum Only)	Current Year Expenditures	Current Year Receipts	Accrued Revenue 6/30/2020
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>								
Passed through Washtenaw County								
Head Start	93.600	N/A	\$ 81,774	\$ 11,651	\$ 81,774	\$ -	\$ 11,651	\$ -
	93.600	N/A	93,976	-	-	93,975	76,847	17,128
Total CFDA #93.600			175,750	11,651	81,774	93,975	88,498	17,128
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			175,750	11,651	81,774	93,975	88,498	17,128
TOTAL FEDERAL AWARDS			\$ 1,538,977	\$ 228,650	\$ 763,407	\$ 782,752	\$ 703,291	\$ 308,111

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, 2020**

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, 2020. 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	\$ 585,829
Food service fund	<u>196,923</u>
Total federal revenue in the fund financial statements	<u><u>\$ 782,752</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, 2020, 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 16, 2020.

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 16, 2020

**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, 2020. 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, 2020.

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 Costeian PC

September 16, 2020

**WHITMORE LAKE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principals:

Unmodified

Internal control over financial reporting:

- | | | | | |
|---|-------|-----|----------------------|---------------|
| ➤ Material weakness(es) identified? | _____ | Yes | _____ <u>X</u> _____ | No |
| ➤ Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ | Yes | _____ <u>X</u> _____ | None reported |

Noncompliance material to financial statements noted?

_____ Yes _____ X _____ No

Federal Awards

Internal control over major programs:

- | | | | | |
|---|-------|-----|----------------------|---------------|
| ➤ Material weakness(es) identified? | _____ | Yes | _____ <u>X</u> _____ | No |
| ➤ Significant deficiency(ies) identified? | _____ | Yes | _____ <u>X</u> _____ | None reported |

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?

_____ Yes _____ X _____ No

Identification of major programs:

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

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

\$750,000

Auditee qualified as low-risk auditee?

_____ X _____ Yes _____ 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, 2020**

There were no audit findings in the previous year.

September 16, 2020

To the Board of Education
Whitmore Lake Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Whitmore Lake Public Schools for the year ended June 30, 2020. 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.

Significant Audit Matters

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. During fiscal year 2020, the District implemented Governmental Accounting Standard No. 84, *Fiduciary Activities*. The application of existing policies was not changed during fiscal year 2020. 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:

We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.

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.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all 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.

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.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 16, 2020.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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.

Restriction on Use

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,

Manes Costeiran PC