WHITMORE LAKE PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2018

Maner Costerisan
Certified Public Accountants
Business & Technology Advisors

C O N T E N T S

C O N T E N T S

Maner Costerisan
Certified Public Accountants
Business & Technology Advisors

Maner Costerisan PC
2425 E. Grand River Ave.
Suite 1
Lansing, MI 48912-3291
T: 517 323 7500
F: 517 323 6346
www.manercpa.com

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, 2018, and the related notes to the financial statements, which collectively comprise the Whitmore Lake Public Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Whitmore Lake Public Schools as of June 30, 2018, 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.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 13 to the financial statements, Whitmore Lake Public Schools implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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 24, 2018 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.

Maner Costerisan PC

September 24, 2018

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, 2018.

For the year ended June 30, 2018, Whitmore Lake Public Schools implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These changes are significant at the government-wide level.

FINANCIAL HIGHLIGHTS

- Governmental funds revenues decreased to $14.3 million from $14.7 million. Expenditures increased to $19.7 million from $18.8 million. The large increase in expenditures was due to various capital expenditures during the year among other increases to operating expenditures.

- General Fund revenues were $10.4 million, $387 thousand less than General Fund expenditures and other financing sources (uses).

- State Aid Foundation allowance increased by $120 per student to $7,631.

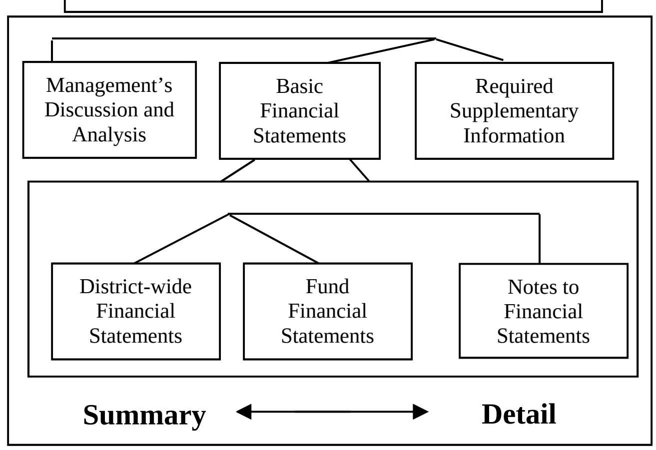
- The District's fall student count decreased to 787 pupils, a decrease of 55 students over last year.

- The District participates in the School Bond Loan Fund (SBLF) and the School Loan Revolving Fund (SLRF), which allows districts to maintain level debt millages throughout the life of a bond issue. This feature of the SBLF and SLRF can, however, create a net deficit in the district-wide financial statements in the short term, with future debt millages restoring the net position of the District once the bonded debt is reduced. The District issued bonds to pay down this debt during the previous fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Figure A-1
Organization of the Whitmore Lake Public Schools Annual Financial



- 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

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

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

DISTRICT-WIDE STATEMENTS

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

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

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

- ➢ To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

FUND FINANCIAL STATEMENTS

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

- ➢ Some funds are required by State law and by bond covenants.

- ➢ The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like food service).

The District has two kinds of funds:

- ➢ Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.

- ➢ Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net position results from participating for many years in the SBLF and SLRF programs. Their programs allow districts to levy the same debt service property tax millage rate over the life of a bond issue. During the early years of participation in the programs, the property tax levy is less than is required for debt service and districts in the program borrow from the SBLF and SLRF to make up the difference. During the later years of participation, the property tax levy remains level and is greater than is required for debt service. Districts use the excess to pay back the SBLF and SLRF. It is projected that the District will continue borrowing from the SBLF and SLRF for the foreseeable future. It is important to note that the Board of Education has full authority to levy the necessary taxes to meet bond issue debt service requirements.

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

Table A-3
Whitmore Lake Public Schools Net Position

	2018	2017
Current and other assets	$ 2,922,566	$ 3,634,642
Capital assets, net of depreciation	32,375,911	33,076,260
Total assets	35,298,477	36,710,902
Deferred outflows of resources	5,755,942	3,793,215
Noncurrent liabilities	56,936,380	58,194,426
Other liabilities	2,037,068	2,195,085
Net OPEB liability	5,636,336	-
Net pension liability	16,499,492	15,456,405
Total liabilities	81,109,276	75,845,916
Deferred inflows of resources	2,533,029	1,729,074
Net position:		
Net investment in capital assets	(20,272,566)	(19,955,057)
Restricted for capital projects - sinking fund	339,279	331,926
Unrestricted	(22,654,599)	(17,447,742)
Total net position	$ (42,587,886)	$ (37,070,873)

The 2017 figures have not been updated for the adoption of GASB 75.

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

Revenues:	2018	2017
Program revenues:		
Charges for services	$ 672,584	$ 689,316
Federal and state categorical grants	2,738,331	1,371,117
General revenues:		
Property taxes	5,331,577	5,508,145
State aid - unrestricted	3,840,032	5,288,770
Intermediate sources	1,462,925	1,590,714
Investment earnings	14,757	9,936
Other	186,880	153,518
Total revenues	14,247,086	14,611,516
Expenses:		
Instruction	5,377,048	4,919,087
Support services	5,020,480	4,709,627
Community services	433,735	445,461
Food services	405,779	405,913
Interest on long-term debt	1,631,645	1,555,330
Unallocated depreciation	1,253,661	1,288,758
Total expenses	14,122,348	13,324,176
Change in net position	$ 124,738	$ 1,287,340

The 2017 figures have not been updated for the adoption of GASB 75.

District Governmental Activities

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

- The state per pupil foundation increased $120 per student to $7,631.

- Food service revenues and transfers in exceeded expenditures by $329.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported *combined* fund balances of $1,151,061.

The General Fund's fund balance decreased from $1,025,166 to $638,418 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 2017-2018, these budget amendments included:

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

The District's original budget was adopted with a budget surplus of $10,402. The first budget amendment approved by the Board called for a budget deficit of ($163,110). The final budget amendment in June 2018 called for a budget deficit of ($356,426). Actual revenues were less than actual expenditures and other financing sources and uses by $386,748 at year-end.

- Actual general fund revenues were $57,000 higher than budgeted. This variance was due primarily to normal anticipated budget variances.

- Actual general fund expenditures were $97,427 higher than budgeted. This variance was due primarily to normal anticipated budget variances.

- Actual general fund other financing sources and uses were $10,000 lower than budgeted. This variance was due primarily to normal anticipated budget variances.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2018, the District had invested approximately $54.7 million in a broad range of capital assets, including school buildings, athletic and support facilities, computer and transportation equipment. This amount represents a net increase of $700 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 $1,253,661.

The District's capital assets are as follows:

Table A-5
Whitmore Lake Public Schools Capital Assets

	2018			2017
	Cost	Accumulated depreciation	Net book value	Net book value
Land	$ 1,218,065	$ -	$ 1,218,065	$ 1,218,065
Buildings and improvements	50,819,678	20,217,731	30,601,947	31,503,475
Buses and other vehicles	954,679	683,858	270,821	13,663
Furniture and equipment	1,674,079	1,389,001	285,078	341,057
Total	$ 54,666,501	$ 22,290,590	$ 32,375,911	$ 33,076,260

Long-term Debt

At year-end the District had $56.9 million in general obligation bonds and other long-term debt outstanding, a $1.5 million decrease when compared to the prior year. (More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.)

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

	2018	2017
General obligation debts (financed with property taxes)	$ 56.5	$ 58.0
Other	0.4	0.2
Total	$ 56.9	$ 58.2

- The District continued to pay down its debt, retiring $5.6 million of outstanding bonds.
- The District borrowed $4.8 million from the SLRF during the current year.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The State has passed its budget for 2017-2018 but the current economic conditions could cause schools to have to make additional cuts if a mid-year proration to the foundation allowance is necessary.

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

- *The State's contribution to the 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, 2018

	Governmental activities
ASSETS:	
Cash and cash equivalents	$ 623,588
Investments	813,584
Receivables:	
Accounts receivable	3,922
Intergovernmental receivables	1,414,351
Inventories	27,034
Prepaids	40,087
Capital assets not being depreciated	1,218,065
Capital assets, net of accumulated depreciation	31,157,846
TOTAL ASSETS	35,298,477
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding, net of accumulated amortization	1,448,557
Related to other postemployment benefit	407,003
Related to pensions	3,900,382
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,755,942
LIABILITIES:	
Accounts payable	51,252
Accrued salaries and related items	695,327
Accrued retirement	344,384
Accrued interest	270,324
Due to agency fund	6,884
Unearned revenue	1,079
Notes payable	667,818
Noncurrent liabilities:	
Due within one year	6,036,539
Due in more than one year	50,899,841
Net other postemployment benefit liability	5,636,336
Net pension liability	16,499,492
TOTAL LIABILITIES	81,109,276
DEFERRED INFLOWS OF RESOURCES:	
Related to pensions	1,669,213
Related to other postemployment benefit	199,889
Related to state aid funding for pensions and other postemployment benefits	663,927
TOTAL DEFERRED INFLOW OF RESOURCES	2,533,029
NET POSITION:	
Net investment in capital assets	(20,272,566)
Restricted for capital projects (sinking fund)	339,279
Unrestricted	(22,654,599)
TOTAL NET POSITION	$ (42,587,886)

See notes to financial statements.

WHITMORE LAKE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Functions/programs	Expenses	Program revenues: Charges for services	Program revenues: Operating grants	Governmental activities: Net (expense) revenue and changes in net position
Governmental activities:				
Instruction	$ 5,377,048	$ 40,021	$ 2,008,122	$ (3,328,905)
Support services	5,020,480	57,441	502,030	(4,461,009)
Community services	433,735	433,464	-	(271)
Food services	405,779	141,658	228,179	(35,942)
Interest on long-term debt	1,631,645	-	-	(1,631,645)
Unallocated depreciation	1,253,661	-	-	(1,253,661)
Total governmental activities	$ 14,122,348	$ 672,584	$ 2,738,331	(10,711,433)
General revenues:				
Property taxes, levied for general purposes				2,028,186
Property taxes, levied for debt service				2,763,482
Property taxes, levied for capital projects sinking fund				337,905
Property taxes, levied for special purposes				202,004
Investment earnings				14,757
State sources - unrestricted				3,840,032
Intermediate sources				1,462,925
Other				186,880
Total general revenues				10,836,171
CHANGE IN NET POSITION				124,738
NET POSITION, beginning of year, as restated				(42,712,624)
NET POSITION, end of year				$ (42,587,886)

See notes to financial statements.

WHITMORE LAKE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General fund	2015B Debt service fund	Sinking fund	Total nonmajor funds	Total governmental funds
ASSETS					
ASSETS:					
Cash and cash equivalents	$ 173,668	$ -	$ 320,060	$ 129,860	$ 623,588
Investments	813,584	-	-	-	813,584
Receivables:					
Accounts receivable	-	-	-	3,922	3,922
Intergovernmental	1,411,339	-	-	3,012	1,414,351
Due from other funds	-	117,149	19,219	45,310	181,678
Inventories	-	-	-	27,034	27,034
Prepaids	40,087	-	-	-	40,087
TOTAL ASSETS	$ 2,438,678	$ 117,149	$ 339,279	$ 209,138	$ 3,104,244
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	$ 50,451	$ -	-	$ 801	$ 51,252
Accrued salaries and related items	695,327	-	-	-	695,327
Accrued retirement	344,384	-	-	-	344,384
Accrued interest	4,761	-	-	-	4,761
Due to other funds	29,556	-	-	152,122	181,678
Due to agency fund	6,884	-	-	-	6,884
Notes payable	667,818	-	-	-	667,818
Unearned revenue	1,079	-	-	-	1,079
TOTAL LIABILITIES	1,800,260	-	-	152,923	1,953,183

See notes to financial statements.

	General fund	2015B Debt service fund	Sinking fund	Total nonmajor funds	Total governmental funds
FUND BALANCES:					
Nonspendable:					
Inventories	$ -	$ -	$ -	$ 27,034	$ 27,034
Prepaids	40,087	-	-	-	40,087
Restricted for:					
Debt service	-	117,149	-	45,336	162,485
Capital projects	-	-	339,279	-	339,279
Community recreation	-	-	-	10,023	10,023
Unassigned for - food service	-	-	-	(26,178)	(26,178)
Unassigned - general fund	598,331	-	-	-	598,331
TOTAL FUND BALANCES	638,418	117,149	339,279	56,215	1,151,061
TOTAL LIABILITIES AND FUND BALANCES	$ 2,438,678	$ 117,149	$ 339,279	$ 209,138	$ 3,104,244

Total governmental fund balances		$ 1,151,061
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		1,448,557
Deferred outflows of resources - related to other postemployment benefit		407,003
Deferred outflows of resources - related to pensions		3,900,382
Deferred inflows of resources - related to pensions		(1,669,213)
Deferred inflows of resources - related to other postemployment benefit		(199,889)
Deferred inflows of resources - related to state aid funding for pensions and other postemployment benefits		(663,927)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	$ 54,666,501	
Accumulated depreciation is	(22,290,590)	
		32,375,911
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Bonds and other debt liabilities		(56,850,434)
Compensated absences		(85,946)
Accrued interest is not included as a liability in government funds, it is recorded when paid		(265,563)
Net other postemployment benefit liability		(5,636,336)
Net pension liability		(16,499,492)
Net position of governmental activities		$ (42,587,886)

See notes to financial statements.

WHITMORE LAKE PUBLIC SCHOOLS
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	General fund	2015B Debt service fund	Sinking fund	Total nonmajor funds	Total governmental funds
REVENUES:					
Local sources:					
Property taxes	$ 2,028,186	$ 1,815,527	$ 337,905	$ 1,149,959	$ 5,331,577
Tuition	145,234	-	-	-	145,234
Investment earnings	13,567	724	273	193	14,757
Food and community recreation revenue	-	-	-	268,864	268,864
Athletics	40,232	-	-	-	40,232
Other	398,154	-	6,980	-	405,134
Total local revenues	2,625,373	1,816,251	345,158	1,419,016	6,205,798
State sources	5,632,920	34,448	-	34,653	5,702,021
Federal sources	668,906	-	-	211,660	880,566
Incoming transfers and other	1,462,925	-	-	-	1,462,925
Total revenues	10,390,124	1,850,699	345,158	1,665,329	14,251,310
EXPENDITURES:					
Current:					
Instruction	5,461,035	-	-	-	5,461,035
Supporting services	5,484,656	-	-	-	5,484,656
Food service activities	-	-	-	410,522	410,522
Community recreation activities	76,068	-	-	356,918	432,986
Capital outlay	-	-	337,805	5,475	343,280

See notes to financial statements.

	General fund	2015B Debt service fund	Sinking fund	Total nonmajor funds	Total governmental funds
EXPENDITURES (Concluded):					
Debt service:					
Redemption of bonds	$ -	$ 3,870,000	$ -	$ 1,955,000	$ 5,825,000
Interest on bonded debt	-	368,940	-	1,368,746	1,737,686
Other	-	3,169	-	2,151	5,320
Total expenditures	11,021,759	4,242,109	337,805	4,098,812	19,700,485
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(631,635)	(2,391,410)	7,353	(2,433,483)	(5,449,175)
OTHER FINANCING SOURCES (USES):					
Proceeds from school loan revolving fund	-	2,298,734	-	2,285,854	4,584,588
Proceeds from capital lease	285,887	-	-	-	285,887
Transfers in	-	7,564	-	41,000	48,564
Transfers out	(41,000)	-	-	(7,564)	(48,564)
Total other financing sources (uses)	244,887	2,306,298	-	2,319,290	4,870,475
NET CHANGE IN FUND BALANCES	(386,748)	(85,112)	7,353	(114,193)	(578,700)
FUND BALANCES:					
Beginning of year	1,025,166	202,261	331,926	170,408	1,729,761
End of year	$ 638,418	$ 117,149	$ 339,279	$ 56,215	$ 1,151,061

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, 2018

Net change in fund balances total governmental funds	$ (578,700)
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	(1,253,661)
Capital outlay	554,812
Loss on disposal	(1,500)
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	290,204
Accrued interest payable, end of the year	(265,563)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items are as follows:	
Proceeds from school loan revolving fund	(4,584,588)
Proceeds from capital lease	(285,887)
Payments on debt	5,825,000
Amortization of deferred loss on refunding	(138,100)
Amortization of bond premium	417,044
Accrued interest from school loan revolving fund	(197,544)
Payment on capital lease	77,944
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences, beginning of the year	92,023
Accrued compensated absences, end of the year	(85,946)
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	33,618
Pension related items	229,806
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period:	
Change in state aid funding for pension and other post employment benefits	(4,224)
Change in net position of governmental activities	$ 124,738

WHITMORE LAKE PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2018

	Agency fund
ASSETS:	
Cash and cash equivalents	$ 219,537
Due from Whitmore Lake Public Schools	6,884
TOTAL ASSETS	$ 226,421
LIABILITIES:	
Due to student and other groups	$ 226,421

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

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

B. Reporting Entity

The Whitmore Lake Public Schools (the "District") is governed by the Whitmore Lake Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

C. Basis of Presentation - Government-wide Financial Statements

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

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

D. Basis of Presentation - Fund Financial Statements

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

The District reports the following major governmental funds:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The *2015B Debt service fund* accounts for the resources accumulated and payments made for principal and interest on long term general obligation debt of governmental funds.

The Whitmore Public Schools *capital project sinking fund* records capital project activities funded with the Sinking Fund millage. For this fund, the District has complied with applicable provisions of §1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Other Nonmajor Funds

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

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

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

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

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

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

F. Budgetary Information

Budgetary basis of accounting:

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information (Concluded)

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2018. The District considered these amendments to be significant. See the budgetary comparison schedule for more information.

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

1. Cash and cash equivalents

   The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of 3 months or less from the date of acquisition.

2. Investments

   Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Investments (Concluded)

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

3. Inventories and prepaid items

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

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

4. Capital assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of 2 years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Capital assets (Concluded)

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

Capital asset classes	Lives
Buildings and additions	20 - 50
Equipment and furniture	5 - 20
Buses and other vehicles	5 - 10

5. Defined benefit plan

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

6. Deferred outflows

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Deferred inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

8. Net position flow assumption

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

In the computation of net investment in capital assets, school bond loan fund and school bond revolving fund principal proceeds of $9,614,116 are considered capital-related debt. Accrued interest on the school bond loan fund and school bond revolving fund of $261,716 is not considered capital related debt.

In addition, during the year ended June 30, 2016 the District issued bonded debt in the amount of $19,930,000 used to make principal and interest payments related to the School Loan Revolving Fund and the School Bond Loan Fund. 20% of these proceeds are not considered capital related debt as this amount was used to pay off accrued interest. The remaining allocation of this debt not considered capital related debt at June 30, 2018 is $2,491,684.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Fund balance flow assumptions

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

10. Fund balance policies

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

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

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

The District strives to maintain a secure financial position whereby the fund balance in the general fund does not fall below 5% of revenues. At June 30, 2018, the District's General Fund balance was greater than 5% of revenues.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Revenues and Expenditures/Expenses

1. Program revenues

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

2. Property taxes

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

For the year ended June 30, 2018, 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	8.0900
Capital projects fund (Sinking Fund):	
PRE, Non-PRE, Commercial Personal Property	0.9909
Special revenue fund:	
PRE and Non-PRE	0.5920

3. Compensated absences

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

H. Revenues and Expenditures/Expenses (Concluded)

4. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2018, the District had the following investments:

Investment type	Fair value	Weighted average maturity (years)	Standard & Poor's rating	%
MBIA Asset Management - CLASS	$ 657,143	0.0027	AAAm	80.8%
MILAF - MAX Class	52,190	0.0027	AAAm	6.4%
Uncategorized - Pooled investment funds				
Mid America - Employee Benefit Trust Fund (EBTF)	104,251	0.0027	AA-	12.8%
Total fair value	$ 813,584			100%
Portfolio weighted average maturity		0.0027		

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2018, the fair value of the District’s investments is the same as the value of the pooled shares.

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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

The other funds are MBIA and EBTF. MBIA is a local government investment pool investment fund of "qualified" investments for Michigan school districts. This fund is recorded at fair value and is subject to the fair value disclosures. MBIA is not regulated nor is it registered with the SEC and reports as of June 30, 2018, the fair value of the District's investments as the same as the value of the pooled shares. EBTF is considered a money market fund recorded at amortized cost.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

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

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2018, $453,473 of the District's bank balance of $956,335 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 $843,125

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.

NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)

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

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

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

The District's investments are not subject to fair value reporting.

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

The carrying amount of deposits and investments is as follows:

Deposits - including fiduciary funds of $219,537	$ 843,125
Investments - other	813,584
	$ 1,656,709

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

Cash and cash equivalents - District-wide	$ 623,588
Investments - District-wide	813,584
Cash and cash equivalents - fiduciary funds	219,537
	$ 1,656,709

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Receivables at June 30, 2018 consist of the following:

	Government wide
State aid	$ 1,004,580
Federal revenue	298,766
Intermediate sources	63,806
Other	47,199
	$ 1,414,351

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

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental activities:				
Capital assets, not being depreciated				
Land	$ 1,218,065	$ -	$ -	$ 1,218,065
Capital assets, being depreciated:				
Buildings and improvements	50,567,843	251,835	-	50,819,678
Buses and other vehicles	728,591	285,887	59,799	954,679
Furniture and equipment	1,656,989	17,090	-	1,674,079
Total capital assets, being depreciated	52,953,423	554,812	59,799	53,448,436
Accumulated depreciation:				
Buildings and improvements	19,064,368	1,153,363	-	20,217,731
Buses and other vehicles	714,928	27,229	58,299	683,858
Furniture and equipment	1,315,932	73,069	-	1,389,001
Total accumulated depreciation	21,095,228	1,253,661	58,299	22,290,590
Net capital assets being depreciated	31,858,195	(698,849)	1,500	31,157,846
Net governmental capital assets	$ 33,076,260	$ (698,849)	$ 1,500	$ 32,375,911

Depreciation for the fiscal year ended June 30, 2018 amounted to $1,253,661. 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 NOTE

At June 30, 2018, the District has issued state aid anticipation notes payable in amounts totaling $1,350,000, have interest rates ranging from 1.27% to 1.49%, and mature on July 20, 2018 and August 20, 2018, respectively. 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 $682,182 at June 30, 2018. At year end the balance of these payments are considered defeased debt and are not included in the year-end balance. Activity for the year ended June 30, 2018 is as follows:

Balance July 1, 2017	Additions	Payments	Balance June 30, 2018
$ 837,923	$ 1,350,000	$ 1,520,105	$ 667,818

NOTE 6 - LONG-TERM DEBT

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

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2018:

	Bonded debt	School bond loan and school revolving funds	Lease-purchase agreement	Accumulated compensated absences	Total
Balance July 1, 2017	$ 52,865,376	$ 5,093,700	$ 143,327	$ 92,023	$ 58,194,426
Addition	-	4,782,132	285,887	-	5,068,019
Deletions	(6,242,044)	-	(77,944)	(6,077)	(6,326,065)
Balance June 30, 2018	46,623,332	9,875,832	351,270	85,946	56,936,380
Due within one year	(5,950,000)	-	(77,944)	(8,595)	(6,036,539)
Due in more than one year	$ 40,673,332	$ 9,875,832	$ 273,326	$ 77,351	$ 50,899,841

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 3.10% at June 30, 2018 for the School Loan Revolving Fund and the School Bond Loan Fund. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.25 mills. Currently the District levies 8.09 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.

NOTE 6 - LONG-TERM DEBT (Continued)

Long-term obligation debt at June 30, 2018 is comprised of the following:

$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 $235,000 to $2,040,000 through May 1, 2026; interest at 4.00%, payable semi-annually.	8,900,000
$19,930,000 Refunding Bonds dated September 22, 2015, due in annual installments of $3,960,000 to $4,205,000 through May 1, 2021; interest at 2.155% to 2.749%, payable semi-annually.	12,280,000
$8,695,000 Refunding Bonds dated March 15, 2016, due in annual installments of $135,000 to $2,025,000 through May 1, 2028; interest at 4.00%, payable semi-annually.	8,425,000
Plus premium - net on bond issuance	1,818,332
Total bonded debt	46,623,332
Borrowing from the State of Michigan under the School Bond Loan Fund, including interest at 3.10% at June 30, 2018.	2,266
Borrowing from the State of Michigan under the School Loan Revolving Fund, including interest at 3.10% at June 30, 2018.	9,873,566
Lease-purchase agreement due in annual installments of $13,091 to $13,093, 0.0% interest, through July 1, 2020.	26,184
Lease-purchase agreement due in annual installments of $40,841, 0.0% interest, through October 4, 2023.	245,046
Lease-purchase agreement due in monthly installments of $2,001 0.0% interest, through October 31, 2021.	80,040
Obligation under contract for compensated absences	85,946
Total general long-term debt	$ 56,936,380

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, 2018, $52,355,000 of bonds outstanding are considered defeased.

NOTE 6 - LONG-TERM DEBT (Concluded)

The annual requirement to amortize debt outstanding as of June 30, 2018, including interest payments of are as follows:

Year ending June 30,	Principal	Interest	Total
2019	$ 6,027,944	$ 1,590,197	$ 7,618,141
2020	6,347,946	1,425,259	7,773,205
2021	6,104,853	1,241,529	7,346,382
2022	2,018,845	1,051,407	3,070,252
2023	2,050,841	972,607	3,023,448
2024 - 2028	10,540,841	3,624,635	14,165,476
2029 - 2033	12,065,000	1,435,862	13,500,862
	45,156,270	11,341,496	56,497,766
Due to the school bond loan fund	2,266	-	2,266
Due to the school loan revolving fund	9,873,566	-	9,873,566
Unamortized premium	1,818,332	-	1,818,332
Accumulated compensated absences	85,946	-	85,946
	$ 56,936,380	$ 11,341,496	$ 68,277,876

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2018 are as follows:

Receivable fund		Payable fund	
General	$ -	General	$ 29,556
Sinking	19,219	Sinking	-
Food service	-	Food service	152,122
Debt service - 2007	39,755	Debt service - 2007	-
Debt service - 2012	2,104	Debt service - 2012	-
Debt service - 2015 series A	2,049	Debt service - 2015 series A	-
Debt service - 2015 series B	117,149	Debt service - 2015 series B	-
Debt service - 2016	1,402	Debt service - 2016	-
	$ 181,678		$ 181,678

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 - RETIREMENT AND POST RETIREMENT 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 Treasurer serves as the investment officer and custodian of the System.

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:

Plan name	Plan type	Plan status
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.

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Benefits Provided - Pension (Concluded)

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.

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 terminate public school employment.

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

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Pension Reform 2012 (Concluded)

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 transient 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% person 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 (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.

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for 2 consecutive years. The law includes 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.

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Retiree Healthcare Reform of 2012 (Concluded)

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

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

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

Member Contributions

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

Employer Contributions

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

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

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2016 valuation will be amortized over a 22-year period for fiscal 2017.

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Employer Contributions (Concluded)

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:

	Pension	Other postemployment benefit
October 1, 2016 - September 30, 2017	15.27% - 19.03%	5.69% - 5.91%
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

The District's pension contributions for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately $1,679,000, with $1,647,000 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2018 were equal to the required contribution total. OPEB benefits were approximately $484,000, with $457,000 specifically for the Defined Benefit 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).

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

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

Pension Liabilities

At June 30, 2018, the District reported a liability of $16,499,492 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the District's proportion was 0.06367% and 0.06195%.

MPSERS (Plan) Non-university employers	September 30, 2017	September 30, 2016
Total pension liability	$ 72,407,218,688	$ 67,917,445,078
Plan fiduciary net position	$ 46,492,967,573	$ 42,968,263,308
Net pension liability	$ 25,914,251,115	$ 24,949,181,763
Proportionate share	0.06367%	0.06195%
Net pension liability for the District	$ 16,499,492	$ 15,456,405

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

For the year ended June 30, 2018, the District recognized pension expense of $1,417,000.

At June 30, 2018, 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	$ 1,807,650	$ -
Net difference between projected and actual plan investment earnings	-	788,784
Differences between expects and actual experience	143,392	80,960
Changes in proportion and difference between employer contributions and proportionate share of contributions	417,192	799,469
Reporting Unit's contributions subsequent to the measurement date	1,532,148	-
	$ 3,900,382	$ 1,669,213

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

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

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

$1,532,148, 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
2018	$ (34,107)
2019	370,450
2020	354,991
2021	7,687

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

OPEB Liabilities

At June 30, 2018, the District reported a liability of $5,636,336 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the District's proportion was 0.06365%.

MPSERS (Plan) Non-university employers	September 30, 2017
Total OPEB liability	$ 13,920,945,991
Plan fiduciary net position	$ 5,065,474,948
Net OPEB liability	$ 8,855,471,043
Proportionate share	0.06365%
Net OPEB liability for the District	$ 5,636,336

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

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

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

For the year ended June 30, 2018, the District recognized OPEB expense of $423,000.

At June 30, 2018, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual plan investment earnings	$ -	$ 130,539
Differences between expects and actual experience	-	60,010
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	9,340
Reporting Unit's contributions subsequent to the measurement date	407,003	-
	$ 407,003	$ 199,889

$407,003, 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:

Year ended September 30,	Amount
2018	$ (48,134)
2019	(48,134)
2020	(48,134)
2021	(48,134)
2022	(7,353)

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Actuarial Assumptions

Investment rate of return for pension - 7.5% a year, compounded annually net of investment and administrative expenses for the non-hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the hybrid group (Pension Plus Plan).

Investment rate of return for OPEB - 7.5% a year, compounded annually net of investment and administrative expenses.

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

Inflation - 3.0%.

Mortality assumptions - RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2025 using projection scale BB (for men, 80% of the table rates were used and for women, 70% of the table rates were used).

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2016. Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 7.5% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.5%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Healthcare cost trend rate for other postemployment benefit - 7.5% for year one and graded to 3.5% to 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.

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

Actuarial Assumptions (Continued)

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

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

The target asset allocation at September 30, 2017 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment category	Target allocation	Long-term expected real rate of return*
Domestic Equity Pools	28.00%	5.60%
Private Equity Pools	18.00%	8.70%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	(0.10)%
Real Estate and Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.00%
Short Term Investment Pools	2.00%	(0.90)%
	100.00%	

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

Pension discount rate - The discount rate used to measure the total pension liability was 7.5% (7.0% for Pension Plus Plan). This discount rate was based on the long-term rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that plan members 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.

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

OPEB discount rate - The discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. 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 the discount rate of 7.5% (7.0% for Pension Plus Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Pension		
	1% Decrease (6.0% - 6.5%)	Discount rate (7.0% - 7.5%)	1% Increase (8.0% - 8.5%)
Reporting Unit's proportionate share of the net pension liability	$ 21,493,351	$ 16,499,492	$ 12,294,982

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 the discount rate of 7.5%, 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 one percentage point lower or one percentage point higher than the current rate:

	Other postemployment benefit		
	1% Decrease (6.5%)	Discount rate (7.5%)	1% Increase (8.5%)
Reporting Unit's proportionate share of the net other postemployment benefit liability	$ 6,601,779	$ 5,636,336	$ 4,816,978

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Concluded)

Actuarial Assumptions (Concluded)

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), 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 one percentage point lower or one percentage point higher than the current rate:

	Other postemployment benefit		
	1% Decrease (6.5% decreasing to 2.5%)	Healthcare cost trend rates (7.5% decreasing to 3.5%)	1% Increase (8.5% decreasing to 4.5%)
Reporting Unit's proportionate share of the net other postemployment benefit liability	$ 4,773,219	$ 5,636,336	$ 6,616,346

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 2017 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).

Other Information

On December 20, 2017, the Michigan Supreme Court affirmed that Public Act 75 of 2010 is unconstitutional as it substantially impaired the employee's employment contracts by involuntarily reducing the employee's wages by 3%. As a result, the funds collected pursuant to Public Act 75 before the effective date of Public Act 300 of 2012, must be refunded to the employees in accordance with the Michigan Court of Claims judgment on the aforementioned court case. Effective September 30, 2017, the 3% contribution collected under Public Act 75, which amounted to approximately $554 million (including interest), was posted as a liability on the plan's CAFR report.

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 $41,000 to the food service fund during the current fiscal year to subsidize operations. $7,564 was transferred between debt service funds to close out the 2004 service fund.

NOTE 11 - SUBSEQUENT EVENTS

The District has approved borrowing $1,600,000 for fiscal year 2019 to replace the note payable as described in Note 5.

NOTE 12 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement 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:

Municipality	Taxes Abated
Northfield Township	$ 17,529

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 - NEW ACCOUNTING STANDARD

For the year ended June 30, 2018, the District implemented the following new pronouncement: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Summary:

GASB Statement No. 75 requires governments that participate in defined benefit Other Postemployment Benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The Statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

The restatement of the beginning of the year net position is as follows:

	Governmental activities
Net Position as previously stated July 1, 2017	$ (37,070,873)
Adoption of GASB Statement 75	
Net OPEB liability	(5,945,086)
Deferred outflows	482,246
Deferred inflows	(178,911)
Net position as restated July 1, 2017	$ (42,712,624)

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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

REQUIRED SUPPLEMENTARY INFORMATION

WHITMORE LAKE PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Local sources	$ 2,574,442	$ 2,604,146	$ 2,625,373	$ 21,227
State sources	5,669,241	5,575,185	5,632,920	57,735
Federal sources	645,591	668,930	668,906	(24)
Incoming transfers and other	1,382,642	1,484,758	1,462,925	(21,833)
Total revenues	10,271,916	10,333,019	10,390,124	57,105
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	4,255,650	4,610,025	4,648,056	(38,031)
Added needs	847,200	815,605	812,979	2,626
Total instruction	5,102,850	5,425,630	5,461,035	(35,405)
Supporting services:				
Pupil	1,436,439	1,411,949	1,408,458	3,491
Instructional staff	508,140	544,399	539,303	5,096
General administration	308,891	328,616	328,954	(338)
School administration	496,574	539,220	529,456	9,764
Business	360,877	381,162	399,621	(18,459)
Operation/maintenance	941,167	878,307	899,205	(20,898)
Pupil transportation	494,564	852,284	863,505	(11,221)
Central	265,102	253,672	283,026	(29,354)
Athletics	251,398	233,000	233,128	(128)
Total supporting services	5,063,152	5,422,609	5,484,656	(62,047)
Community services	95,512	76,093	76,068	25
Total expenditures	10,261,514	10,924,332	11,021,759	(97,427)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	10,402	(591,313)	(631,635)	(40,322)
OTHER FINANCING SOURCES (USES):				
Proceeds from capital lease	-	285,887	285,887	-
Transfers out	-	(51,000)	(41,000)	10,000
Total other financing sources (uses)	-	234,887	244,887	10,000
NET CHANGE IN FUND BALANCE	$ 10,402	$ (356,426)	(386,748)	$ (30,322)
FUND BALANCE:				
Beginning of year			1,025,166	
End of year			$ 638,418	

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

	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.06367%	0.06195%	0.06143%	0.07030%
Reporting Unit's proportionate share of net pension liability	$16,499,492	$15,456,405	$15,004,062	$15,483,907
Reporting Unit's covered-employee payroll	$ 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	305.59%	291.57%	287.01%	253.38%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	64.21%	63.27%	63.17%	66.20%

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

WHITMORE LAKE PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)

	2018	2017	2016	2015
Statutorily required pension contributions	$ 1,646,612	$ 1,485,977	$ 1,383,078	$ 1,081,882
Contributions in relation to statutorily required contributions	1,646,612	1,485,977	1,383,078	1,081,882
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll	$ 5,313,512	$ 5,495,807	$ 5,216,302	$ 5,470,291
Contributions as a percentage of covered-employee payroll	30.99%	27.04%	26.51%	19.78%

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

WHITMORE LAKE PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2017
Reporting Unit's proportion of net OPEB liability (%)	0.06365%
Reporting Unit's proportionate share of net OPEB liability	$ 5,636,336
Reporting Unit's covered-employee payroll	$ 5,399,247
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	104.39%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	36.39%

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

WHITMORE LAKE PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)

	2018
Statutorily required OPEB contributions	$ 456,627
Contributions in relation to statutorily required contributions	456,627
Contribution deficiency (excess)	$ -
Reporting Unit's covered-employee payroll	$ 5,313,512
Contributions as a percentage of covered-employee payroll	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.

Changes of benefits terms: There were no changes of benefits terms in 2017.

Changes of assumptions: There were no changes of benefits assumptions in 2017.

ADDITIONAL SUPPLEMENTARY INFORMATION

WHITMORE LAKE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2018

	Special revenue	Debt service	Total nonmajor funds
ASSETS			
ASSETS:			
Cash and cash equivalents	$ 129,834	$ 26	$ 129,860
Accounts receivable	3,922	-	3,922
Intergovernmental receivable	3,012	-	3,012
Due from other funds	-	45,310	45,310
Inventories	27,034	-	27,034
TOTAL ASSETS	$ 163,802	$ 45,336	$ 209,138
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 801	$ -	$ 801
Due to other funds	152,122	-	152,122
TOTAL LIABILITIES	152,923	-	152,923
FUND BALANCES:			
Nonspendable:			
Inventories	27,034	-	27,034
Restricted for:			
Debt service	-	45,336	45,336
Community recreation	10,023	-	10,023
Unassigned for - food service	(26,178)	-	(26,178)
TOTAL FUND BALANCES	10,879	45,336	56,215
TOTAL LIABILITIES AND FUND BALANCES	$ 163,802	$ 45,336	$ 209,138

WHITMORE LAKE PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2018

	Special revenue	Debt service	Total nonmajor funds
REVENUES:			
Local sources:			
Property taxes	$ 202,004	$ 947,955	$ 1,149,959
Investment earnings	90	103	193
Food sales and admissions	268,864	-	268,864
Total local sources	470,958	948,058	1,419,016
State sources	16,519	18,134	34,653
Federal sources	211,660	-	211,660
Total revenues	699,137	966,192	1,665,329
EXPENDITURES:			
Current:			
Food service activities	410,522	-	410,522
Community service activity	356,918	-	356,918
Capital outlay	5,475	-	5,475
Debt service:			
Principal repayment	-	1,955,000	1,955,000
Interest expense	-	1,368,746	1,368,746
Other expense	-	2,151	2,151
Total expenditures	772,915	3,325,897	4,098,812
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(73,778)	(2,359,705)	(2,433,483)
OTHER FINANCING SOURCES (USES):			
Proceeds from school loan revolving fund	-	2,285,854	2,285,854
Transfers in	41,000	-	41,000
Transfers out	-	(7,564)	(7,564)
Total other financing sources (uses)	41,000	2,278,290	2,319,290
NET CHANGE IN FUND BALANCES	(32,778)	(81,415)	(114,193)
FUND BALANCES:			
Beginning of year	43,657	126,751	170,408
End of year	$ 10,879	$ 45,336	$ 56,215

WHITMORE LAKE PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	Food service	Community recreation	Totals
ASSETS			
ASSETS:			
Cash and cash equivalents	$ 123,407	$ 6,427	$ 129,834
Accounts receivable	-	3,922	3,922
Intergovernmental receivable	3,012	-	3,012
Inventories	27,034	-	27,034
TOTAL ASSETS	$ 153,453	$ 10,349	$ 163,802
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 475	$ 326	$ 801
Due to other funds	152,122	-	152,122
TOTAL LIABILITIES	152,597	326	152,923
FUND BALANCES:			
Nonspendable:			
Inventories	27,034	-	27,034
Restricted for:			
Community recreation	-	10,023	10,023
Unassigned for - food service	(26,178)	-	(26,178)
TOTAL FUND BALANCES	856	10,023	10,879
TOTAL LIABILITIES AND FUND BALANCES	$ 153,453	$ 10,349	$ 163,802

WHITMORE LAKE PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018

	Food service	Community recreation	Totals
REVENUES:			
Sales	$ 140,598	$ -	$ 140,598
State aid	16,519	-	16,519
Federal aid	211,660	-	211,660
Property taxes	-	202,004	202,004
Investment earnings	14	76	90
Other	1,060	127,206	128,266
Total revenues	369,851	329,286	699,137
EXPENDITURES:			
Salaries	138,583	112,540	251,123
Benefits	84,390	55,157	139,547
Purchased services	2,101	10,031	12,132
Supplies and materials	181,471	176,772	358,243
Capital outlay	-	5,475	5,475
Other expenses	3,977	2,418	6,395
Total expenditures	410,522	362,393	772,915
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(40,671)	(33,107)	(73,778)
OTHER FINANCING SOURCES (USES):			
Transfers in	41,000	-	41,000
NET CHANGE IN FUND BALANCES	329	(33,107)	(32,778)
FUND BALANCES:			
Beginning of year	527	43,130	43,657
End of year	$ 856	$ 10,023	$ 10,879

WHITMORE LAKE PUBLIC SCHOOLS
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	2007	2012	2015A	2016	Total nonmajor
ASSETS					
ASSETS:					
Cash and cash equivalents	$ -	$ 25	$ -	$ 1	$ 26
Due from other funds	39,755	2,104	2,049	1,402	45,310
TOTAL ASSETS	$ 39,755	$ 2,129	$ 2,049	$ 1,403	$ 45,336
FUND BALANCES					
FUND BALANCES:					
Restricted for debt service	$ 39,755	$ 2,129	$ 2,049	$ 1,403	$ 45,336

WHITMORE LAKE PUBLIC SCHOOLS
NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018

	2004	2007	2012	2015A	2016	Total nonmajor
REVENUES:						
Local sources:						
Property taxes	$ 14,228	$ 821,353	$ 40,996	$ 40,795	$ 30,583	$ 947,955
Interest	66	-	-	18	19	103
State sources	260	15,729	780	780	585	18,134
Total revenues	14,554	837,082	41,776	41,593	31,187	966,192
EXPENDITURES:						
Redemption of bonds	255,000	1,565,000	-	-	135,000	1,955,000
Interest on bonded debt	10,181	189,545	470,620	356,000	342,400	1,368,746
Other	301	750	100	500	500	2,151
Total expenditures	265,482	1,755,295	470,720	356,500	477,900	3,325,897
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(250,928)	(918,213)	(428,944)	(314,907)	(446,713)	(2,359,705)
OTHER FINANCING SOURCES (USES):						
Proceeds from school loan revolving fund	247,898	897,736	397,684	310,205	432,331	2,285,854
Transfers out	(7,564)	-	-	-	-	(7,564)
Total other financing sources (uses)	240,334	897,736	397,684	310,205	432,331	2,278,290
NET CHANGE IN FUND BALANCES	(10,594)	(20,477)	(31,260)	(4,702)	(14,382)	(81,415)
FUND BALANCES:						
Beginning of year	10,594	60,232	33,389	6,751	15,785	126,751
End of year	$ -	$ 39,755	$ 2,129	$ 2,049	$ 1,403	$ 45,336

WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2018

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

Principal due May 1,	Interest due May 1,	Interest due November 1,	Debt service requirement for fiscal year June 30,	Debt service requirement for fiscal year Amount
$ 1,620,000	$ 63,472	$ 63,473	2019	$ 1,746,945
1,000,000	31,072	31,073	2020	1,062,145
-	11,072	11,073	2021	22,145
-	11,072	11,073	2022	22,145
-	11,072	11,073	2023	22,145
-	11,072	11,073	2024	22,145
-	11,072	11,073	2025	22,145
-	11,072	11,073	2026	22,145
-	11,072	11,073	2027	22,145
515,000	11,072	11,073	2028	537,145
$ 3,135,000	$ 183,120	$ 183,130		$ 3,501,250

WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2018

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

	Interest due		Debt service requirement for fiscal year	
Principal due May 1,	May 1,	November 1,	June 30,	Amount
$ -	$ 235,331	$ 235,331	2019	$ 470,662
-	235,331	235,331	2020	470,662
-	235,331	235,331	2021	470,662
-	235,331	235,331	2022	470,662
-	235,331	235,331	2023	470,662
-	235,331	235,331	2024	470,662
-	235,331	235,331	2025	470,662
-	235,331	235,331	2026	470,662
-	235,331	235,331	2027	470,662
-	235,331	235,331	2028	470,662
2,375,000	235,331	235,331	2029	2,845,662
2,400,000	190,800	190,800	2030	2,781,600
2,425,000	145,800	145,800	2031	2,716,600
2,430,000	97,300	97,300	2032	2,624,600
2,435,000	48,700	48,700	2033	2,532,400
$ 12,065,000	$ 3,071,241	$ 3,071,241		$ 18,207,482

WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2018

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

	Interest due		Debt service requirement for fiscal year	
Principal due May 1,	May 1,	November 1,	June 30,	Amount
$ 235,000	$ 178,000	$ 178,000	2019	$ 591,000
240,000	173,300	173,300	2020	586,600
1,925,000	168,500	168,500	2021	2,262,000
1,970,000	130,000	130,000	2022	2,230,000
2,010,000	90,600	90,600	2023	2,191,200
2,040,000	50,400	50,400	2024	2,140,800
240,000	9,600	9,600	2025	259,200
240,000	4,800	4,800	2026	249,600
$ 8,900,000	$ 805,200	$ 805,200		$ 10,510,400

WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2018

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

	Interest due		Debt service requirement for fiscal year	
Principal due May 1,	May 1,	November 1,	June 30,	Amount
$ 3,960,000	$ 149,795	$ 149,795	2019	$ 4,259,590
4,205,000	107,126	107,126	2020	4,419,252
4,115,000	56,561	56,561	2021	4,228,122
$ 12,280,000	$ 313,482	$ 313,482		$ 12,906,964

WHITMORE LAKE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2018

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

Principal due May 1,	Interest due May 1,	Interest due November 1,	Debt service requirement for fiscal year June 30,	Debt service requirement for fiscal year Amount
$ 135,000	$ 168,500	$ 168,500	2019	$ 472,000
825,000	165,800	165,800	2020	1,156,600
-	149,300	149,300	2021	298,600
-	149,300	149,300	2022	298,600
-	149,300	149,300	2023	298,600
-	149,300	149,300	2024	298,600
1,875,000	149,300	149,300	2025	2,173,600
1,950,000	111,800	111,800	2026	2,173,600
2,025,000	72,800	72,800	2027	2,170,600
1,615,000	32,300	32,300	2028	1,679,600
$ 8,425,000	$ 1,297,700	$ 1,297,700		$ 11,020,400

WHITMORE LAKE PUBLIC SCHOOLS
LEASE-PURCHASE AGREEMENT
JUNE 30, 2018

Lease-purchase agreement entered on March 23, 2015.

Principal due July 1,		Lease payment for fiscal year June 30,	Amount	
$	13,091	2019	$	13,091
	13,093	2020		13,093
$	26,184		$	26,184

WHITMORE LAKE PUBLIC SCHOOLS
LEASE-PURCHASE AGREEMENT
JUNE 30, 2018

Lease-purchase agreement entered on September 22, 2016.

	Lease payment for fiscal year	
Principal due	June 30,	Amount
$ 24,012	2019	$ 24,012
24,012	2020	24,012
24,012	2021	24,012
8,004	2022	8,004
$ 80,040		$ 80,040

WHITMORE LAKE PUBLIC SCHOOLS
LEASE-PURCHASE AGREEMENT
JUNE 30, 2018

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

	Lease payment for fiscal year	
Principal due	June 30,	Amount
$ 40,841	2019	$ 40,841
40,841	2020	40,841
40,841	2021	40,841
40,841	2022	40,841
40,841	2023	40,841
40,841	2024	40,841
$ 245,046		$ 245,046

WHITMORE LAKE PUBLIC SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
SCHOOL BOND LOAN PROGRAM
JUNE 30, 2018

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:

	SBLF			SLRF		
Year ended June 30th	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
Total	$ 2,075	$ 191	$ 2,266	$ 9,612,041	$ 261,525	$ 9,873,566

WHITMORE LAKE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass-through project number	Program or award amount	Accrued revenue 7/1/2017	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts	Accrued revenue 6/30/2018
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		$ 23,507	$ -	$ -	$ 21,714	$ 21,714	$ -
National School Lunch Program - Section 11	10.555	171960	130,591	-	117,814	12,777	12,777	-
National School Lunch Program - Section 11	10.555	181960	113,399	-	-	113,399	113,399	-
			243,990	-	117,814	126,176	126,176	-
Total CFDA #10.555			267,497	-	117,814	147,890	147,890	-
Cash Assistance:								
National School Lunch Program - Breakfast	10.553	171970	45,449	-	41,178	4,271	4,271	-
National School Lunch Program - Breakfast	10.553	181970	39,151	-	-	39,151	39,151	-
Total CFDA #10.553			84,600	-	41,178	43,422	43,422	-
Total Child Nutrition Cluster			352,097	-	158,992	191,312	191,312	-
Child Care Food Program	10.558	171920	18,927	226	17,665	1,262	1,488	-
Child Care Food Program	10.558	172010	991	13	934	57	70	-
Child Care Food Program	10.558	181920	18,180	-	-	18,180	17,584	596
Child Care Food Program	10.558	182010	849	-	-	849	822	27
Total CFDA #10.558			38,947	239	18,599	20,348	19,964	623
TOTAL U.S. DEPARTMENT OF AGRICULTURE			391,044	239	177,591	211,660	211,276	623

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, 2018

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass-through project number	Program or award amount	Accrued revenue 7/1/2017	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts	Accrued revenue 6/30/2018
U.S. DEPARTMENT OF EDUCATION								
Passed Through the Michigan Department of Education:								
Title I - Part A	84.010	171530-1617	$ 170,156	$ 166,868	$ 166,868	$ -	$ 166,868	$ -
Title I - Part A	84.010	181530-1718	148,796	-	-	148,796	43,865	104,931
Total CFDA #84.010			318,952	166,868	166,868	148,796	210,733	104,931
Title II - Part A	84.367	170520-1617	64,257	40,176	40,176	2,202	42,378	-
Title II - Part A	84.367	180520-1718	41,969	-	-	30,813	8,955	21,858
Total CFDA #84.367			106,226	40,176	40,176	33,015	51,333	21,858
Title IV - Part A	84.424	180750-1718	10,000	-	-	10,000	-	10,000
Total Passed Through the Michigan Department of Education			435,178	207,044	207,044	191,811	262,066	136,789
Passed Through Washtenaw Intermediate School District:								
Special Education Cluster:								
IDEA								
2016-17	84.027	170450-1617	327,428	100,147	325,638	-	100,147	-
2017-18	84.027	180450-1718	339,752	-	-	339,752	229,094	110,658
Total CFDA #84.027			667,180	100,147	325,638	339,752	329,241	110,658
Preschool Incentive								
2016-17	84.173	170460-1617	9,145	2,495	9,144	-	2,495	-
2017-18	84.173	180460-1718	11,678	-	-	11,678	6,025	5,653
Total CFDA #84.173			20,823	2,495	9,144	11,678	8,520	5,653
Total Special Education Cluster			688,003	102,642	334,782	351,430	337,761	116,311
Total Passed Through Washtenaw Intermediate School District			688,003	102,642	334,782	351,430	337,761	116,311
TOTAL U.S. DEPARTMENT OF EDUCATION			1,123,181	309,686	541,826	543,241	599,827	253,100

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, 2018

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass-through project number	Award amount	Accrued revenue 7/1/2017	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts	Accrued revenue 6/30/2018
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Passed through Washtenaw County:								
Head Start Program:								
Head Start 2015-16	93.600	N/A	$ 104,367	$ 12,572	$ 104,364	$ -	$ 12,572	$ -
Head Start 2016-17	93.600	N/A	125,665	-	-	125,665	80,622	45,043
Total CFDA #93.600			230,032	12,572	104,364	125,665	93,194	45,043
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			230,032	12,572	104,364	125,665	93,194	45,043
TOTAL FEDERAL AWARDS			$ 1,744,257	$ 322,497	$ 823,781	$ 880,566	$ 904,297	$ 298,766

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, 2018

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, 2018. 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	$ 668,906
Food service fund	211,660
Total federal expenditures reported on the SEFA	$ 880,566

Maner Costerisan PC
2425 E. Grand River Ave.
Suite 1
Lansing, MI 48912-3291
T: 517 323 7500
F: 517 323 6346
www.manercpa.com

Maner Costerisan
Certified Public Accountants
Business & Technology Advisors

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, 2018, 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 24, 2018.

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.

Maner Costerisan PC

September 24, 2018

Maner Costerisan
Certified Public Accountants
Business & Technology Advisors

Maner Costerisan PC
2425 E. Grand River Ave.
Suite 1
Lansing, MI 48912-3291
T: 517 323 7500
F: 517 323 6346
www.manercpa.com

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, 2018. 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, 2018.

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.

Maner Costerisan PC

September 24, 2018

WHITMORE LAKE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ____ Yes __X__ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified? ____ Yes __X__ None reported

Type of 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, 2018

There were no audit findings in the previous year.