

Warren Woods Public Schools

**Financial Report
with Supplemental Information
June 30, 2014**

Warren Woods Public Schools

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Independent Auditor's Report

To the Board of Education
Warren Woods 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 Warren Woods Public Schools (the "School District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Warren Woods 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.

To the Board of Education
Warren Woods Public Schools

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Warren Woods Public Schools as of June 30, 2014 and the respective changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the major fund budgetary comparison schedules, 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, which 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 supplemental 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 Warren Woods Public Schools' basic financial statements. The nonmajor governmental funds combining balance sheet and combining statement of revenue, expenditures, and changes in fund balance and the schedule of bonded indebtedness are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

To the Board of Education
Warren Woods Public Schools

The nonmajor governmental funds combining balance sheet and combining statement of revenue, expenditures, and changes in fund balance and the schedule of bonded indebtedness are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic 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 nonmajor governmental funds combining balance sheet and combining statement of revenue, expenditures, and changes in fund balance and the schedule of bonded indebtedness are fairly stated in all material respects in relation to the basic 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 August 11, 2014 on our consideration of Warren Woods Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Warren Woods Public Schools' internal control over financial reporting and compliance.

Plante & Morse, PLLC

August 11, 2014

Warren Woods Public Schools

Management's Discussion and Analysis

This section of Warren Woods Public Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2014. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Warren Woods Public Schools' financial operations. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund, which includes the SMTEC Vocational Education Consortium, and the Special Education Center Program Fund - with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for Major Funds

Other Supplemental Information

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the School District's net position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided, the breadth of curriculum offered, the condition of school facilities, and the safety of the schools, to assess the overall health of the School District.

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, food services, enrichment, student stores, debt retirement, and internal services. Property taxes, unrestricted state aid, and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Services and Special Education Center Program Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

- **Governmental Funds** - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table I provides a summary of the School District's net position as of June 30, 2014 and 2013:

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

Table I

	Governmental Activities	
	June 30	
	2014	2013
	(in millions)	
Assets		
Current and other assets	\$ 14.0	\$ 14.9
Capital assets - Net	<u>48.4</u>	<u>50.9</u>
Total assets	62.4	65.8
Deferred Outflow of Resources - Deferred charges on bond refunding	<u>0.3</u>	<u>-</u>
Total assets and deferred outflows of resources	62.7	65.8
Liabilities		
Current liabilities	8.0	8.4
Long-term liabilities	<u>36.8</u>	<u>39.2</u>
Total liabilities	<u>44.8</u>	<u>47.6</u>
Net Position		
Net investment in capital assets	9.4	9.5
Restricted	0.4	0.4
Unrestricted	<u>8.1</u>	<u>8.3</u>
Total net position	<u><u>\$ 17.9</u></u>	<u><u>\$ 18.2</u></u>

The above analysis focuses on the net position (see Table I). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was \$17.9 million at June 30, 2014. The net investment in capital assets reflects a balance of \$9.4 million. This figure compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use the net position for day-to-day operations. The remaining amount of net position, \$8.1 million, was unrestricted.

The \$8.1 million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the statement of activities (Table 2), which shows the changes in net position for the fiscal years ended June 30, 2014 and 2013.

Table 2

	Governmental Activities	
	Year Ended June 30	
	2014	2013
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 1.4	\$ 1.3
Operating grants and contributions	10.8	10.8
General revenue:		
Property taxes	6.5	6.5
State aid not restricted to specific purpose	23.6	23.2
Other	0.1	0.2
Total revenue	<u>42.4</u>	<u>42.0</u>
Functions/Program Expenses		
Instruction	20.5	20.6
Support services	14.4	14.4
Child care	0.7	0.7
Food services	1.5	1.5
Athletics	0.5	0.5
Debt issuance costs	0.1	-
Interest on long-term debt	1.9	1.9
Depreciation (unallocated)	3.2	3.0
Total functions/program expenses*	<u>42.7</u>	<u>42.6</u>
Decrease in Net Position	(0.3)	(0.6)
Net Position - Beginning of year	<u>18.2</u>	<u>18.8</u>
Net Position - End of year	<u>\$ 17.9</u>	<u>\$ 18.2</u>

*Footing is off due to rounding

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

As reported in the statement of activities, the cost of all of the School District's governmental activities this year was \$42.7 million. Of the School District's total revenues available to operate the School District, 3.3 percent or approximately \$1.4 million came from fees charged to those who benefited from the programs. Revenues from other governments and organizations that subsidized certain programs with grants and contributions accounted for 25.5 percent or approximately \$10.8 million.

The School District paid for the remaining "public benefit" portion of the governmental activities with \$6.5 million in local property taxes. Property tax revenue remained stable due to a minimal change in the taxable values in the district. The property tax revenue comes mainly from the 18 mills on all non-homestead property, which the School District is required to levy by the State in order to receive the full state foundation allowance. The state foundation allowance and other state aid not restricted to specific purposes accounted for \$23.6 million. The School District also generated \$0.1 million of other revenue (i.e., interest and general entitlements).

The expense portion of the table above shows the financial support of each function required during the year. The largest expenses incurred in instruction, which accounted for approximately \$20.5 million or 48.0 percent of the total expenses. Support services cost approximately \$14.4 million or 33.7 percent of the total expenses, which includes items such as transportation, maintenance, security, supervision, counseling, and a variety of similar services that support the School District's mission of educating children.

Overall, the cost of activities exceeded the amount of revenue from funding sources by \$0.3 million, resulting in a corresponding decrease in net position.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with available funding resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being held accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As of June 30, 2014, the governmental funds reported a combined fund balance of \$9.1 million, which is a decrease of \$405,000 from last year.

In the General Fund, the School District's principal operating fund, the fund balance decreased by \$104,000 to \$7.4 million. The fund balance remained relatively stable compared to the prior year. This amount helps to provide for cash flow needs during the months when state aid is not received from the State.

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

Special revenue funds include the Special Education Center Program, Food Services, Child Care Program, and Bookstore Activities. The combined special revenue funds fund balance increased by \$32,000. The balance of the Food Services Fund decreased by \$34,000 due to the reinvestment of fund balance into capital improvements. The Bookstore Activities fund balance decreased by \$1,000, and the Child Care Program fund balance increased by \$68,000. The Special Education Center Program Fund did not carry a fund balance at either June 30, 2014 or 2013.

Combined, the debt service funds showed a fund balance decrease of \$11,000. Warren Woods Public Schools determines millage rates annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service funds fund balances are reserved since they can only be used to pay debt service obligations.

The Capital Projects Building and Site Fund fund balance also decreased by \$199,000 as the School District continued to invest in technology in accordance with its technology plan, as well as replace buses and other aging equipment in accordance with its replacement schedules. The 2012 Energy Bond Fund ended the year with a fund balance of \$29,000.

General Fund Budgetary Highlights

By state law, the Warren Woods Board of Education must approve a budget, effective July 1 of each year. At the same time, the State Legislature's fiscal year does not begin until October 1 of the same year. This discrepancy makes it difficult to approve a budget without all of the necessary information.

Over the course of the year, the School District must revise its budget as additional information becomes available; this information includes student enrollment, unanticipated changes in costs, and state funding. These revisions, known as budget amendments, are again required by state law to ensure that expenditures do not exceed the Board's authorized budget.

The School District made two budget amendments during the 2013-2014 year, the second of which was approved by the Board of Education in June 2014. A schedule showing the School District's original and final budget amounts compared to actual amounts is provided in the required supplemental information in these financial statements.

The first amendment was approved on January 27, 2014 and adjusted revenues for an increase of 36 students from projected enrollment included in the original budget, but still accounted for an overall loss of 34 students from the previous year. Revenue adjustments also included an adjustment for the updated MPERS unfunded actuarial accrued liability allocation, a decrease in state special education reimbursement funds, and increased pre-school funding. Expenses were amended to include staff changes in addition to retirements and resignations from the summer of 2013, as well as changes in health benefits.

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

During the second budget amendment, budgeted revenue was increased by \$175,000 mainly due to the addition of Best Practice Incentive funds. Budgeted expenditures were also decreased during the second amendment to account for changes in salaries and midyear staffing changes.

The final budget was approved in June 2014 and included a decrease in revenues due to adjustments for state and federal grant awards not being spent in the time frame anticipated. The final expenses were also adjusted down to reflect the state and federal awards not being spent in the time frame anticipated. End of year staff changes and some additional midyear retirements and resignations were also taken into account along with any unspent building supply account allocations.

When comparing the final amended budget to actual for both revenue and expenditures:

- Revenue was \$23,000 under projected revenue (< 0.01 percent).
- Expenditures were \$518,000 under projected expenditures (1.6 percent).

The School District's final actual General Fund fund balance decreased by approximately \$104,000 to \$7.4 million; as a percentage of actual expenditures, the 2013-2014 fund balance is 20.93 percent.

There were no significant variances between the final budget and actual amounts.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2014, the School District had \$48.4 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$2.6 million from last year.

This year's additions of \$0.8 million, inclusive of construction-in-progress assets that were put in service in the current year, included cafeteria equipment, technology, building renovations, land renovations, replacement furniture and equipment, a new bus and technology van, and energy conservation improvements. The energy conservation improvements were funded with a 2012 energy conservation bond.

Major capital projects planned for the 2014-2015 fiscal year include technology upgrades, bus replacement, and parking lot improvements. The School District presents more detailed information about capital assets in the notes to the financial statements.

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

Debt

At the end of this year, the School District had \$39.0 million in bonds outstanding versus \$41.6 million in the previous year - a decrease of 6.25 percent. The decrease in the outstanding debt was the result of the principal payments made on the outstanding bond issues of \$10.1 million, including the partial refunding of the 2005 bond issue, and the issuance of \$7.5 million in new refunding bonds.

Those bonds consisted of the following:

	2014	2013
General obligation bonds	<u>\$ 39,020,000</u>	<u>\$ 41,625,000</u>

The School District's general obligation bond rating is AA-. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. The School District's outstanding unqualified general obligation debt of \$39.0 million is significantly below this statutorily imposed limit of 15 percent (\$72.2 million) of the assessed value of all taxable property within the School District's boundaries.

Other obligations include accrued vacation pay and sick leave. The School District presents more detailed information about its long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following factors will affect the School District in the future and were considered in preparing the School District's budget for fiscal year 2015:

Economic conditions and the ability of the State of Michigan to adequately fund K-12 education continue to be a concern for Warren Woods Public Schools and all school districts in Michigan. One of the most important factors affecting the budget is student enrollment. The other is the state foundation revenue determined by multiplying the blended student count by the foundation allowance per pupil. The 2014-2015 budget was adopted in June 2014, based on an estimated number of students who will be enrolled from September 2014 through February 2015. Based on early enrollment projections at the end of the 2013-2014 school year, the School District anticipates that the fall student count will be down by approximately 68 students and that number was used to create the 2015 budget. In an effort to sustain student enrollment and maximize funding from the State, Warren Woods Public Schools continues to provide opportunities to students throughout Macomb County through Schools of Choice.

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

The School District continues to find ways to deal with a reduced funding per student from the foundation allowance level of \$8,489 per student during the 2008-2009 fiscal year to the reported 2014-2015 level of \$7,829 per student. Due to the state's own overall economic decline, Michigan school districts have been allocated funding at less than inflationary increases over the past 10 years. This decrease is due to job losses, reductions in consumer spending, and reductions in property values which, in turn, resulted in lower revenue from income, sales, and property taxes. As a result, this limits funding available to public schools from its primary revenue source, the State of Michigan. Additionally, the School District has been challenged by increased fixed costs such as retirement and healthcare.

The State School Aid Act for 2014-2015 was approved prior to the start of the fiscal year with a \$50 per pupil increase in the foundation allowance for Warren Woods Public Schools. The budget, as adopted, also included \$50 per pupil in Best Practice Incentive funding, a reduction of \$2 per pupil from 2013-2014. The School District had also been receiving \$40 per pupil in performance funding the past couple of years, but that revenue has been removed from this budget because the School District no longer qualifies for the funding in 2014-2015. The pass through of the MPERS UAAL funding through the School District also continues to affect the School District's financial statements and, at the time of the original budget adoption, the rate was assumed to be increasing from 4.56 percent to 8.84 percent, creating additional revenue and expenditures to be reported.

The impact of the 2014-2015 State School Aid Act, along with a projected decrease in enrollment of 68 students, shows revenues increasing by \$364,000, from \$31.1 million in 2013-2014 to \$31.5 million in 2014-2015. Expenditures for 2014-2015 are estimated to be \$33.0 million and include a decrease of 4.0 teaching positions due to enrollment, as well as an increase in the caps on the amount the School District pays toward employee healthcare costs, and an increase in the normal retirement contribution rate.

In a declining enrollment environment, the School District will continue to face challenges to contain operational costs with the added complexity of reducing the School District's programs to match the size of the student body. Prudent fiscal responsibility and cost containment remain critical to the School District's ability to effectively operate in this volatile and difficult economic climate. Opportunities to enhance revenue and control costs will be monitored on an ongoing basis. During the past six years, the School District has made a series of budget adjustments to protect the financial future of its schools. To balance the budget, an estimated \$1.5 million contribution from fund balance will be used as a strategy to further reduce impact to programs and services.

Contacting the School District's Management

This financial report is intended to provide the School District's citizens, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office at 12900 Frazho Road, Warren, MI 48089.

Warren Woods Public Schools

Statement of Net Position June 30, 2014

	<u>Governmental Activities</u>
Assets	
Cash and investments (Note 3)	\$ 7,398,998
Receivables:	
Accounts receivable	228,810
Due from other governmental units	5,920,237
Inventories	26,566
Prepaid costs and other assets	87,003
Restricted assets (Note 1)	333,946
Capital assets - Net (Note 5)	<u>48,384,502</u>
Total assets	62,380,062
Deferred Outflows of Resources - Deferred charges on bond refunding (Note 7)	
	<u>336,588</u>
Total assets and deferred outflows of resources	62,716,650
Liabilities	
Accounts payable	159,752
Accrued payroll-related liabilities	3,877,236
Other accrued liabilities	536,139
Due to other governmental units	217,982
Unearned revenue (Note 4)	393,649
Noncurrent liabilities (Note 7):	
Due within one year:	
Compensated absences less than one year	31,598
Long-term debt less than one year	2,816,396
Due in more than one year:	
Compensated absences greater than one year	284,380
Long-term debt greater than one year	<u>36,493,964</u>
Total liabilities	<u>44,811,096</u>
Net Position	
Net investment in capital assets	9,439,837
Restricted:	
Debt service	8,305
Food services	380,450
Unrestricted	<u>8,076,962</u>
Total net position	<u><u>\$ 17,905,554</u></u>

Warren Woods Public Schools

Statement of Activities Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue		Governmental Activities - Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Primary government - Governmental activities:				
Instruction	\$ 20,460,182	\$ 50,300	\$ 9,681,695	\$ (10,728,187)
Support services	14,387,972	-	-	(14,387,972)
Bookstores	22,399	20,951	-	(1,448)
Athletics	517,394	35,612	-	(481,782)
Food services	1,464,222	502,630	1,030,252	68,660
Child care	722,460	796,469	-	74,009
Interest	1,858,233	-	55,789	(1,802,444)
Debt issuance costs	117,568	-	-	(117,568)
Depreciation expense (unallocated)	3,180,364	-	-	(3,180,364)
Total primary government	<u>\$ 42,730,794</u>	<u>\$ 1,405,962</u>	<u>\$ 10,767,736</u>	(30,557,096)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				2,641,891
Property taxes, levied for debt service				3,887,997
State aid not restricted to specific purposes				23,587,571
Interest and investment earnings				5,373
Loss on the sale of capital assets				(2,359)
Other				113,834
Total general revenues				<u>30,234,307</u>
Change in Net Position				(322,789)
Net Position - Beginning of year				<u>18,228,343</u>
Net Position - End of year				<u>\$ 17,905,554</u>

Warren Woods Public Schools

Governmental Funds Balance Sheet June 30, 2014

	General Fund	Special Education Center Program Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and cash equivalents (Note 3)	\$ 883,914	\$ -	\$ 483,546	\$ 1,367,460
Investments (Note 3)	5,529,762	-	501,776	6,031,538
Receivables:				
Accounts receivable	-	-	219,438	219,438
Due from other governmental units	5,920,237	-	-	5,920,237
Due from other funds (Note 6)	139,004	85,882	282,946	507,832
Inventories	-	-	26,566	26,566
Prepaid costs and other assets	87,003	-	-	87,003
Restricted assets (Note 1)	-	-	333,946	333,946
Total assets	\$ 12,559,920	\$ 85,882	\$ 1,848,218	\$ 14,494,020
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 132,726	\$ -	\$ 27,026	\$ 159,752
Accrued payroll-related liabilities:				
Salaries payable	2,931,717	-	-	2,931,717
Payroll-related liabilities	945,519	-	-	945,519
Other accrued liabilities	265,797	-	59	265,856
Due to other governmental units	217,982	-	-	217,982
Due to other funds (Note 6)	332,043	15,882	150,535	498,460
Unearned revenue (Note 4)	317,241	70,000	6,408	393,649
Total liabilities	5,143,025	85,882	184,028	5,412,935
Deferred Inflows of Resources - Unavailable revenue (Note 4)	5,916	-	-	5,916
Total liabilities and deferred inflows of resources	5,148,941	85,882	184,028	5,418,851
Fund Balances				
Nonspendable:				
Inventories	-	-	26,566	26,566
Prepaid costs	87,003	-	-	87,003
Restricted:				
Capital projects	-	-	29,107	29,107
Debt service	-	-	278,588	278,588
Food services	-	-	367,529	367,529
Committed:				
Tax tribunals	100,000	-	-	100,000
Compensated absences	315,978	-	-	315,978
Child care	-	-	409,377	409,377
Assigned:				
Working capital	2,927,581	-	-	2,927,581
Subsequent year budget shortfall	1,554,554	-	-	1,554,554
Capital replacements	-	-	562,754	562,754
Unassigned	2,425,863	-	(9,731)	2,416,132
Total fund balances	7,410,979	-	1,664,190	9,075,169
Total liabilities, deferred inflows of resources, and fund balances	\$ 12,559,920	\$ 85,882	\$ 1,848,218	\$ 14,494,020

The Notes to Financial Statements are an
Integral Part of this Statement.

Warren Woods Public Schools

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2014

Fund Balance Reported in Governmental Funds \$ 9,075,169

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

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

Cost of capital assets	\$ 88,058,698	
Accumulated depreciation	<u>(39,674,196)</u>	48,384,502

Grants and other receivables collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds		5,916
--	--	-------

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

Bonds payable including premium, net of refunding charges	(38,973,772)	
Compensated absences	<u>(315,978)</u>	(39,289,750)

Accrued interest payable is not included as a liability in governmental funds		<u>(270,283)</u>
---	--	------------------

Net Position of Governmental Activities **\$ 17,905,554**

Warren Woods Public Schools

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2014

	General Fund	Special Education Center Program Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	\$ 2,843,185	\$ -	\$ 5,216,075	\$ 8,059,260
State sources	25,871,590	1,457,787	41,352	27,370,729
Federal sources	1,446,365	-	1,101,269	2,547,634
Interdistrict and other sources	961,430	3,434,710	41,278	4,437,418
Total revenue	31,122,570	4,892,497	6,399,974	42,415,041
Expenditures				
Current:				
Instruction	18,232,624	2,272,964	-	20,505,588
Support services:				
Pupil	2,610,028	1,516,121	-	4,126,149
Instructional staff	1,456,809	283,047	-	1,739,856
General administration	441,350	-	-	441,350
School administration	1,971,429	-	-	1,971,429
Business	575,790	-	-	575,790
Operations and maintenance	3,553,886	-	-	3,553,886
Pupil transportation services	687,334	3,805	-	691,139
Central	762,136	-	-	762,136
Other	456,481	-	-	456,481
Bookstores	-	-	22,399	22,399
Athletics	517,394	-	-	517,394
Food services	-	-	1,464,222	1,464,222
Child care	-	-	716,451	716,451
Debt service	-	-	4,648,274	4,648,274
Capital outlay	79,106	111,371	445,138	635,615
Total expenditures	31,344,367	4,187,308	7,296,484	42,828,159
Excess of Revenue (Under) Over Expenditures	(221,797)	705,189	(896,510)	(413,118)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	3,035	3,035
Payment to escrow agent (Note 7)	-	-	(7,827,187)	(7,827,187)
Transfers in (Note 6)	805,189	-	800,817	1,606,006
Transfers out (Note 6)	(687,817)	(705,189)	(213,000)	(1,606,006)
Face value of debt issued (Note 7)	-	-	7,515,000	7,515,000
Premium on debt issued (Note 7)	-	-	316,756	316,756
Total other financing sources (uses)	117,372	(705,189)	595,421	7,604
Net Change in Fund Balances	(104,425)	-	(301,089)	(405,514)
Fund Balances - Beginning of year	7,515,404	-	1,965,279	9,480,683
Fund Balances - End of year	<u>\$ 7,410,979</u>	<u>\$ -</u>	<u>\$ 1,664,190</u>	<u>\$ 9,075,169</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

Warren Woods Public Schools

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ (405,514)

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	\$ (3,180,364)	
Capitalized capital outlay	<u>615,247</u>	(2,565,117)

Governmental funds report proceeds from sale of assets as revenue; in the statement of activities, these are recorded net of carrying value of the disposed assets (5,394)

Revenue is reported in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end (474)

Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of activities (7,515,000)

Underwriter's discount/premium and deferred charges are reported as expenditures/revenue in the funds and amortized in the statement of activities 46,228

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 10,120,000

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid 12,473

Liabilities for compensated absences are recorded when earned in the statement of activities. In the current year, more was paid out than was earned (9,991)

Change in Net Position of Governmental Activities \$ (322,789)

Warren Woods Public Schools

Fiduciary Funds - Agency Fund (Student Activities) Statement of Fiduciary Assets and Liabilities June 30, 2014

Assets - Cash and investments (Note 3)	<u>\$ 443,219</u>
Liabilities	
Due to student activities	\$ 433,847
Due to other funds (Note 6)	<u>9,372</u>
Total liabilities	<u>\$ 443,219</u>

Warren Woods Public Schools

Notes to Financial Statements June 30, 2014

Note I - Nature of Business and Significant Accounting Policies

The accounting policies of Warren Woods Public Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

Government-wide and Fund 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 primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Warren Woods Public Schools

Notes to Financial Statements June 30, 2014

Note I - Nature of Business and Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the School District's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the School District's policy to spend funds in this order: committed, assigned, and unassigned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenue not meeting this definition is classified as a deferred inflow of resources. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

Warren Woods Public Schools

Notes to Financial Statements June 30, 2014

Note I - Nature of Business and Significant Accounting Policies (Continued)

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

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

Special Education Center Program Fund - The Special Education Center Program Fund is used to record special education millage revenue from the Intermediate School District, state revenue related to special education, and disbursements associated with special education center programs administered by the School District on behalf of the Intermediate School District.

Additionally, the School District reports the following fund types:

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's nonmajor special revenue funds include the Bookstore Activities, Food Services, and Child Care Program Funds. Revenue sources for the Bookstore Activities and Food Services Funds include sales to customers, and the Food Services Fund receives dedicated grants from state and federal sources. Revenue of the Child Care Program Fund consists primarily of tuition and fees charged to users. Any operating deficit generated by these activities is the responsibility of the General Fund.

Debt Service Funds - Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

Capital Projects Funds - Capital projects funds are used to record proceeds from the sale of bonds and other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The School District's capital projects funds are the 2012 Capital Projects Fund and the Building and Site Fund.

Agency Fund (Student Activities) - The School District maintains an agency fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

Assets, Liabilities, and Net Position or Equity

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Warren Woods Public Schools

Notes to Financial Statements June 30, 2014

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1 for approximately 50 percent of the taxes and on December 1 for the remainder of the property taxes. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

Inventories and Prepaid Costs - Inventories are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased, including United States Department of Agriculture commodities inventory received by the Food Services Fund. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

Restricted Assets - The unspent bond proceeds and related interest of the 2012 Capital Projects Fund require amounts to be set aside for construction. In addition, unspent property taxes levied in the debt service funds are required to be set aside for future bond principal and interest payments. These amounts have been classified as restricted assets.

Capital Assets - Capital assets, which include land, buildings, land improvements, equipment, and vehicles, are reported in the applicable governmental financial activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$1,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Warren Woods Public Schools

Notes to Financial Statements June 30, 2014

Note I - Nature of Business and Significant Accounting Policies (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building additions	20 to 50 years
Land improvements	20 years
Buses and other vehicles	5 to 10 years
Furniture and other equipment	5 to 10 years

Compensated Absences (Vacation and Sick Leave) - The liability for compensated absences reported in the government-wide financial statements consists of earned but unused accumulated vacation and sick leave benefits. In the fund financial statements, a liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

In the fund financial statements, 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 are reported as other financing uses.

Fund Balance - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the Board of Education for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- **Assigned:** Amounts for which there is intent to spend resources on specific purposes expressed by the Board of Education or superintendent, who is authorized by policy approved by the Board of Education to make assignments

Warren Woods Public Schools

Notes to Financial Statements June 30, 2014

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

- Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

The Board of Education has adopted a fund balance policy. The fund balance policy prescribes the fund balance goal as 15 percent of expenditures in the General Fund. This is deemed to be the prudent amount to maintain the School District's ability to meet obligations as they come due throughout the year. If the total fund balance of the General Fund falls below the goal, it shall be recovered at a rate of at least 1 percent each year.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with GAAP and state law for the General Fund and special revenue funds, except that transfers in and transfers out are reported net and capital outlay expenditures are reported in other expenditure categories. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the School District amended the General Fund and Special Education Center Program Fund budgets to reflect changes in funding from state and federal sources.

The required supplementary information - budgetary comparison schedules are presented on the same basis of accounting used to prepare the budget, which includes certain items having classifications that differ from the statement of revenue, expenditures, and changes in fund balances.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds - The School District did not have significant expenditure budget variances.

Note 3 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated three financial institutions for the deposit of its funds.

The School District's cash and investments are subject to several types of risk, which are discussed in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk of bank deposits is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District's deposit balance of \$2,782,895 included \$2,032,895 of bank deposits (money market, checking, and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the School 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 School District does not have an investment policy for custodial credit risk.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity.

Warren Woods Public Schools

Notes to Financial Statements June 30, 2014

Note 3 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

At June 30, 2014, the maturities of investments and the credit quality ratings of debt securities (other than U.S. government securities) are as follows:

Investment	Fair Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund	\$ 5,863,703	n/a 2a7 like pool	AAAm	S&P

Concentration of Credit Risk - The School District places no limit on the amount the School District may invest in any one issuer.

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investment in foreign currency.

Note 4 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned and unavailable revenue are as follows:

	Governmental Funds	
	Deferred Inflows - Unavailable	Liability - Unearned Revenue
Grant receivables unavailable for use in the current period	\$ 5,916	\$ -
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	393,649
Total	\$ 5,916	\$ 393,649

Warren Woods Public Schools

Notes to Financial Statements June 30, 2014

Note 5 - Capital Assets

Capital asset activity of the School District was as follows:

Governmental Activities	Balance July 1, 2013	Additions	Transfers	Disposals and Adjustments	Balance June 30, 2014
Capital assets not being depreciated:					
Land	\$ 4,000	\$ -	\$ -	\$ -	\$ 4,000
Construction in progress	188,408	267,640	(456,048)	-	-
Subtotal	192,408	267,640	(456,048)	-	4,000
Capital assets being depreciated:					
Land improvements	4,851,952	17,722	-	-	4,869,674
Buildings and improvements	68,399,874	118,539	456,048	-	68,974,461
Furniture and equipment	12,854,472	104,825	-	(92,688)	12,866,609
Buses and other vehicles	1,289,275	106,521	-	(51,842)	1,343,954
Subtotal	87,395,573	347,607	456,048	(144,530)	88,054,698
Accumulated depreciation:					
Land improvements	1,799,294	206,175	-	-	2,005,469
Buildings and improvements	23,514,049	2,365,002	-	-	25,879,051
Furniture and equipment	10,469,111	513,300	-	(87,294)	10,895,117
Buses and other vehicles	850,514	95,887	-	(51,842)	894,559
Subtotal	36,632,968	3,180,364	-	(139,136)	39,674,196
Net capital assets being depreciated	50,762,605	(2,832,757)	456,048	(5,394)	48,380,502
Net capital assets	\$ 50,955,013	\$ (2,565,117)	\$ -	\$ (5,394)	\$ 48,384,502

Depreciation expense was not charged to activities, as the School District considers its assets to impact multiple activities and allocation is not practical.

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due From	Fund Due To			Total
	General Fund	Special Education Center Program Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 70,512	\$ 261,531	\$ 332,043
Special Education Center Program Fund	-	-	15,882	15,882
Nonmajor governmental funds	133,028	15,370	2,137	150,535
Agency Fund	5,976	-	3,396	9,372
Total	\$ 139,004	\$ 85,882	\$ 282,946	\$ 507,832

Warren Woods Public Schools

Notes to Financial Statements June 30, 2014

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund balances resulted 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.

Interfund Transfers

Fund Advanced To	Transfers Out			Total
	General Fund	Special Education Center Program Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 705,189	\$ 100,000	\$ 805,189
Nonmajor governmental funds	687,817	-	113,000	800,817
Total	\$ 687,817	\$ 705,189	\$ 213,000	\$ 1,606,006

Transfers from the General Fund to the debt service funds related to the allocation of property tax revenue to designated funds. Transfers to the General Fund consist of reimbursement by the Special Education Center Program, Child Care Program, and Food Services Funds for certain indirect expenses.

Note 7 - Long-term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences.

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental Activities					
Bonds	\$ 41,625,000	\$ 7,515,000	\$ 10,120,000	\$ 39,020,000	\$ 2,790,000
Less deferred amounts:					
Bond premium	-	316,756	26,396	290,360	26,396
Deferred outflows - Deferred charges on bond refunding	-	(367,187)	(30,599)	(336,588)	(30,599)
Total bonds payable	41,625,000	7,464,569	10,115,797	38,973,772	2,785,797
Compensated absences	305,987	40,590	30,599	315,978	31,598
Total governmental activities	\$ 41,930,987	\$ 7,505,159	\$ 10,146,396	\$ 39,289,750	\$ 2,817,395

Warren Woods Public Schools

Notes to Financial Statements June 30, 2014

Note 7 - Long-term Debt (Continued)

Years Ending June 30	Governmental Activities				
	Principal	Interest	Maximum Interest Subsidy	Net Interest	Total - Net
2015	\$ 2,790,000	\$ 1,378,530	\$ (56,568)	\$ 1,321,962	\$ 4,111,962
2016	2,935,000	1,269,630	(52,068)	1,217,562	4,152,562
2017	3,050,000	1,163,629	(46,667)	1,116,962	4,166,962
2018	3,165,000	1,053,280	(41,268)	1,012,012	4,177,012
2019	3,295,000	937,330	(35,868)	901,462	4,196,462
2020-2024	17,845,000	3,446,630	(94,292)	3,352,338	21,197,338
2025-2026	5,940,000	371,700	-	371,700	6,311,700
Total	<u>\$ 39,020,000</u>	<u>\$ 9,620,729</u>	<u>\$ (326,731)</u>	<u>\$ 9,293,998</u>	<u>\$ 48,313,998</u>

Governmental Activities

General obligation bonds consist of the following at June 30, 2014:

\$17,775,000 2005 general obligation unlimited tax and refunding bonds due in one annual installment of \$625,000 at maturity on May 1, 2015; interest at 4.00 percent	\$ 625,000
\$34,365,000 2006 general obligation unlimited tax and refunding bonds due in annual installments of \$1,625,000 to \$2,600,000 through May 1, 2026; interest at 4.00 percent to 5.00 percent	25,100,000
\$5,500,000 2007 general obligation limited tax bonds due in annual installments of \$360,000 to \$515,000 through May 1, 2023; interest at 4.00 percent	3,960,000
\$2,000,000 2012 general obligation limited tax bonds due in annual installments of \$180,000 to \$185,000 through May 1, 2024; fully subsidized interest at 2.50 percent to 3.60 percent	1,820,000
\$7,515,000 2014 general obligation unlimited tax and refunding bonds due in annual installments of \$665,000 to \$840,000 through May 1, 2025; interest at 2.00 percent to 3.00 percent	<u>7,515,000</u>
Total bonded debt	<u>\$ 39,020,000</u>

Warren Woods Public Schools

Notes to Financial Statements June 30, 2014

Note 7 - Long-term Debt (Continued)

Advance and Current Refundings - During May 2014, the School District issued \$7,515,000 in general obligation bonds with an average interest rate of 2.0 to 3.0 percent. The proceeds of these bonds were used to partially advance refund \$7,460,000 of outstanding 2005 bonds with an average interest rate of 5.0 percent. The net proceeds of \$7,714,188 (after payment of \$117,568 in underwriting fees and issuance costs and a net premium of \$316,756), plus an additional \$113,000 of 2005 debt service fund monies, were used to purchase U.S. Treasury obligations. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. At June 30, 2014, \$7,460,000 is considered to be defeased. Subsequent to the refunding, the non-refunded principal of the original bonds totaled \$1,225,000, of which \$625,000 remains outstanding at June 30, 2014. The advance partial refunding reduced total debt service payments by approximately \$976,000, which represents an economic gain of approximately \$898,000.

Note 8 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement Services at 7150 Harris Drive, P.O. Box 30171, Lansing MI 48909.

Warren Woods Public Schools

Notes to Financial Statements June 30, 2014

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

Pension Benefits - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. For the period from July 1, 2013 through September 30, 2013, employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP with Premium Subsidy	Pension Plus with Premium Subsidy	Pension Plus PHF*	Pension Plus to DC with PHF*	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	15.21 %	15.02 %	15.02 %	12.78 %	12.78 %	12.78 %	15.21 %
Health contributions	9.11 %	9.11 %	8.18 %	8.18 %	9.11 %	8.18 %	8.18 %
Defined contribution plan employer contributions:							
DC employer contributions	0.00 %	1.00 %	1.00 %	3.00 %	4.00 %	4.00 %	0.00 %
Personal Healthcare Fund	0.00 %	0.00 %	2.00 %	2.00 %	0.00 %	2.00 %	2.00 %

* First worked September 4, 2012 or later

For the period from October 1, 2013 through June 30, 2014, employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP with Premium Subsidy	Pension Plus with Premium Subsidy	Pension Plus PHF*	Pension Plus to DC with PHF*	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	18.34 %	18.11 %	18.11 %	15.44 %	15.44 %	15.44 %	18.34 %
Health contributions	6.45 %	6.45 %	5.52 %	5.52 %	6.45 %	5.52 %	5.52 %
Defined contribution plan employer contributions:							
DC employer contributions	0.00 %	1.00 %	1.00 %	3.00 %	4.00 %	4.00 %	0.00 %
Personal Healthcare Fund	0.00 %	0.00 %	2.00 %	2.00 %	0.00 %	2.00 %	2.00 %

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The School District's required and actual contributions to the plan for the years ended June 30, 2014, 2013, and 2012 were approximately \$4,771,000, \$3,570,000, and \$3,250,000, respectively.

Postemployment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent or 20 percent for those not Medicare eligible of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate ranged from 8.18 percent to 9.11 percent of covered payroll for the period from July 1, 2013 through September 30, 2013, and from 5.52 percent to 6.45 percent of covered payroll for the period from October 1, 2013 through June 30, 2014, dependent upon the employee's date of hire and plan election as noted above. Members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit, or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 401(k) account.

The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2014, 2013, and 2012 were approximately \$1,321,000, \$1,906,000, and \$1,730,000, respectively.

Warren Woods Public Schools

Notes to Financial Statements June 30, 2014

Note 10 - Upcoming Accounting Pronouncement

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement will be effective for the School District's financial statements for the year ending June 30, 2015.

Required Supplemental Information

Warren Woods Public Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2014

	Original Budget	Final Amended Budget	Actual
Revenue			
Local sources	\$ 2,825,607	\$ 2,837,505	\$ 2,843,185
State sources	25,394,436	25,894,088	25,871,590
Federal sources	1,543,699	1,454,331	1,446,365
Interdistrict and other sources	929,004	960,072	961,430
Total revenue	30,692,746	31,145,996	31,122,570
Expenditures - Current			
Instruction:			
Basic program	15,680,910	15,031,189	14,955,237
Added needs	3,323,104	3,169,132	3,119,881
Adult and continuing education	243,597	228,740	216,772
Support services:			
Pupil	2,799,435	2,628,857	2,610,028
Instructional staff	1,576,034	1,484,879	1,456,809
General administration	504,589	488,244	451,915
School administration	2,020,714	1,981,324	1,971,429
Business services	604,195	602,262	575,790
Operations and maintenance	3,684,266	3,721,926	3,563,161
Transportation	736,504	725,315	687,334
Central support services	764,767	779,999	762,136
Other support services	379,342	463,526	456,481
Athletics	570,884	557,182	517,394
Total expenditures	32,888,341	31,862,575	31,344,367
Excess of Expenditures Over Revenue	(2,195,595)	(716,579)	(221,797)
Other Financing Sources - Transfers in and other - Net	117,503	142,182	117,372
Net Change in Fund Balance	(2,078,092)	(574,397)	(104,425)
Fund Balance - Beginning of year	7,515,404	7,515,404	7,515,404
Fund Balance - End of year	<u>\$ 5,437,312</u>	<u>\$ 6,941,007</u>	<u>\$ 7,410,979</u>

Warren Woods Public Schools

Required Supplemental Information Budgetary Comparison Schedule - Special Education Center Program Fund Year Ended June 30, 2014

	Original Budget	Final Amended Budget	Actual
Revenue			
State sources	\$ 1,490,847	\$ 1,457,787	\$ 1,457,787
Interdistrict and other sources	3,534,000	3,505,229	3,434,710
Total revenue	5,024,847	4,963,016	4,892,497
Expenditures - Current			
Instruction - Added needs	2,417,027	2,297,403	2,272,964
Support services:			
Pupil	1,520,066	1,536,168	1,516,121
Instructional staff	265,101	283,711	283,047
Operations and maintenance	104,575	111,373	111,371
Pupil transportation services	18,000	4,207	3,805
Total expenditures	4,324,769	4,232,862	4,187,308
Excess of Revenue Over Expenditures	700,078	730,154	705,189
Other Financing Uses - Transfers out - Net	(700,078)	(730,154)	(705,189)
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning of year	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Other Supplemental Information

Warren Woods Public Schools

	Special Revenue Funds			Debt Service Funds		
	Bookstore Activities	Food Services	Child Care Program	2005 Issue	2006 Issue	2014 Refunding
Assets						
Cash and cash equivalents	\$ 5,362	\$ 416,431	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Receivables	-	70,585	148,853	-	-	-
Due from other funds	-	20,958	261,988	-	-	-
Inventories	13,645	12,921	-	-	-	-
Restricted assets	-	-	-	178	278,409	1
Total assets	\$ 19,007	\$ 520,895	\$ 410,841	\$ 178	\$ 278,409	\$ 1
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other accrued liabilities	-	59	-	-	-	-
Due to other funds	15,093	133,978	1,464	-	-	-
Unearned revenue	-	6,408	-	-	-	-
Total liabilities	15,093	140,445	1,464	-	-	-
Fund Balances						
Nonspendable - Inventory	13,645	12,921	-	-	-	-
Restricted:						
Capital projects	-	-	-	-	-	-
Debt service	-	-	-	178	278,409	1
Food services	-	367,529	-	-	-	-
Committed - Child care	-	-	409,377	-	-	-
Assigned - Capital replacements	-	-	-	-	-	-
Unassigned	(9,731)	-	-	-	-	-
Total fund balances	3,914	380,450	409,377	178	278,409	1
Total liabilities and fund balances	\$ 19,007	\$ 520,895	\$ 410,841	\$ 178	\$ 278,409	\$ 1

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

<u>Capital Projects Funds</u>		Total
<u>Building and Site</u>	<u>2012 Capital Projects</u>	<u>Nonmajor Governmental Funds</u>
\$ 61,753	\$ -	\$ 483,546
501,776	-	501,776
-	-	219,438
-	-	282,946
-	-	26,566
-	55,358	333,946
<u>\$ 563,529</u>	<u>\$ 55,358</u>	<u>\$ 1,848,218</u>

\$ 775	\$ 26,251	\$ 27,026
-	-	59
-	-	150,535
-	-	6,408
775	26,251	184,028
-	-	26,566
-	29,107	29,107
-	-	278,588
-	-	367,529
-	-	409,377
562,754	-	562,754
-	-	(9,731)
562,754	29,107	1,664,190
<u>\$ 563,529</u>	<u>\$ 55,358</u>	<u>\$ 1,848,218</u>

Warren Woods Public Schools

	Special Revenue Funds		
	Bookstore Activities	Food Services	Child Care Program
Revenue			
Local sources	\$ 20,961	\$ 509,319	\$ 796,469
State sources	-	20,390	20,962
Federal sources	-	1,045,471	-
Governmental - Intergovernmental	-	41,278	-
Total revenue	20,961	1,616,458	817,431
Expenditures			
Current:			
Bookstore activities	22,399	-	-
Food services	-	1,464,222	-
Child care	-	-	716,451
Debt service:			
Principal	-	-	-
Interest	-	-	-
Other	-	-	-
Capital outlay	-	111,690	7,729
Total expenditures	22,399	1,575,912	724,180
Excess of Revenue (Under) Over Expenditures	(1,438)	40,546	93,251
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	-	-	-
Payment to escrow agent	-	-	-
Transfers in	-	-	-
Transfers out	-	(75,000)	(25,000)
Face value of debt issued	-	-	-
Premium on debt issued	-	-	-
Total other financing sources (uses)	-	(75,000)	(25,000)
Net Change in Fund Balances	(1,438)	(34,454)	68,251
Fund Balances - Beginning of year	5,352	414,904	341,126
Fund Balances - End of year	\$ 3,914	\$ 380,450	\$ 409,377

**Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2014**

Debt Service Funds					Capital Projects Funds		Total Nonmajor Governmental Funds
2005 Issue	2006 Issue	2007 Issue	2012 Issue	2014 Refunding	Building and Site	2012 Capital Projects	Funds
\$ 1,055,085	\$ 2,833,449	\$ -	\$ 2	\$ -	\$ 752	\$ 38	\$ 5,216,075
-	-	-	-	-	-	-	41,352
-	-	-	55,798	-	-	-	1,101,269
-	-	-	-	-	-	-	41,278
1,055,085	2,833,449	-	55,800	-	752	38	6,399,974
-	-	-	-	-	-	-	22,399
-	-	-	-	-	-	-	1,464,222
-	-	-	-	-	-	-	716,451
600,000	1,550,000	330,000	180,000	-	-	-	2,660,000
420,763	1,216,325	172,350	61,268	-	-	-	1,870,706
-	-	-	-	117,568	-	-	117,568
-	-	-	-	-	203,213	122,506	445,138
1,020,763	2,766,325	502,350	241,268	117,568	203,213	122,506	7,296,484
34,322	67,124	(502,350)	(185,468)	(117,568)	(202,461)	(122,468)	(896,510)
-	-	-	-	-	3,035	-	3,035
-	-	-	-	(7,827,187)	-	-	(7,827,187)
-	-	502,349	185,468	113,000	-	-	800,817
(113,000)	-	-	-	-	-	-	(213,000)
-	-	-	-	7,515,000	-	-	7,515,000
-	-	-	-	316,756	-	-	316,756
(113,000)	-	502,349	185,468	117,569	3,035	-	595,421
(78,678)	67,124	(1)	-	1	(199,426)	(122,468)	(301,089)
78,856	211,285	1	-	-	762,180	151,575	1,965,279
\$ 178	\$ 278,409	\$ -	\$ -	\$ 1	\$ 562,754	\$ 29,107	\$ 1,664,190

Warren Woods Public Schools

Other Supplemental Information Schedule of Bonded Indebtedness June 30, 2014

Year Ending June 30	2005 Issue* Principal	2006 Issue Principal	2007 Issue Principal	2012 Issue Principal	2014 Refunding Principal
2015	\$ 625,000	\$ 1,625,000	\$ 360,000	\$ 180,000	\$ -
2016	-	1,700,000	390,000	180,000	665,000
2017	-	1,775,000	405,000	180,000	690,000
2018	-	1,875,000	420,000	180,000	690,000
2019	-	1,950,000	440,000	180,000	725,000
2020	-	2,050,000	460,000	180,000	720,000
2021	-	2,125,000	475,000	185,000	750,000
2022	-	2,200,000	495,000	185,000	790,000
2023	-	2,300,000	515,000	185,000	810,000
2024	-	2,400,000	-	185,000	835,000
2025	-	2,500,000	-	-	840,000
2026	-	2,600,000	-	-	-
Total	<u>\$ 625,000</u>	<u>\$ 25,100,000</u>	<u>\$ 3,960,000</u>	<u>\$ 1,820,000</u>	<u>\$ 7,515,000</u>
Principal payments due	May 1	May 1	May 1	May 1	May 1
Interest payments due	May 1 and Nov 1	May 1 and Nov 1	May 1 and Nov 1	May 1 and Nov 1	May 1 and Nov 1
Interest rate*	4.00%	3.00% to 5.00%	4.00%	2.25% to 3.60%	2.00% to 3.00%
Original issue	<u>\$ 17,775,000</u>	<u>\$ 34,365,000</u>	<u>\$ 5,500,000</u>	<u>\$ 2,000,000</u>	<u>\$ 7,515,000</u>

*Non-refunded portion of original issue