

# **Warren Woods Public Schools**

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**Financial Report  
with Supplemental Information  
June 30, 2016**

# 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, 2016 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.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Warren Woods Public Schools as of June 30, 2016 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.

To the Board of Education  
Warren Woods Public Schools

### ***Required Supplemental Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the major funds budgetary comparison schedules, the schedule of the School District's proportionate share of the net pension liability, and the schedule of the School District's pension contributions, as identified in the table on 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 balances 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.

The nonmajor governmental funds combining balance sheet and combining statement of revenue, expenditures, and changes in fund balances, 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 balances, and the schedule of bonded indebtedness are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Education  
Warren Woods Public Schools

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2016 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 & Moran, PLLC*

August 8, 2016

# Warren Woods Public Schools

## Management's Discussion and Analysis

This section of Warren Woods Public Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2016. 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 statements. These statements are organized so the reader can understand Warren Woods Public Schools financially as a whole. 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 provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term, as well as what remains for future spending. 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, 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

Schedule of the School District's Proportionate Share of the Net Pension Liability

Schedule of the School District's Pension Contributions

#### Other Supplemental Information

# **Warren Woods Public Schools**

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## **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 its students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided 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.

# **Warren Woods Public Schools**

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## **Management's Discussion and Analysis (Continued)**

### ***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:

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.



# Warren Woods Public Schools

## Management's Discussion and Analysis (Continued)

### 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, 2016 and 2015:

Table I	Governmental Activities	
	2016	2015
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 14.4	\$ 13.8
Capital assets - Net	43.9	46.0
Total assets	58.3	59.8
<b>Deferred Outflows of Resources</b>	7.8	5.0
Total assets and deferred outflows of resources	66.1	64.8
<b>Liabilities</b>		
Current liabilities	5.3	8.3
Long-term liabilities	34.6	34.5
Net pension liability	58.9	52.9
Total liabilities	98.8	95.7
<b>Deferred Inflows of Resources</b>	1.8	3.9
Total liabilities and deferred inflows of resources	100.6	99.6
<b>Net Position</b>		
Net investment in capital assets	11.0	10.0
Restricted	0.1	0.5
Unrestricted (deficit)	(45.6)	(45.3)
Total net position	<b>\$ (34.5)</b>	<b>\$ (34.8)</b>

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 a deficit of \$34.5 million at June 30, 2016. Capital assets net of related debt totaling \$11.0 million 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 assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining \$45.6 million of deficit net position was unrestricted.

# 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, 2016 and 2015.

	Governmental Activities	
	2016	2015
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 1.4	\$ 1.4
Operating grants and contributions	9.3	10.8
General revenue:		
Property taxes	6.3	6.4
State foundation allowance	24.2	23.7
Other	0.4	0.4
Total revenue	<u>41.6</u>	<u>42.7</u>
<b>Functions/Program Expenses</b>		
Instruction	20.5	20.2
Support services	13.9	14.6
Child care	0.9	0.9
Food services	1.5	1.5
Athletics	0.5	0.5
Debt issuance and other costs	0.1	0.3
Interest on long-term debt	1.3	1.2
Depreciation (unallocated)	2.6	2.8
Total functions/program expenses	<u>41.3</u>	<u>42.0</u>
<b>Increase in Net Position</b>	0.3	0.7
<b>Net Position</b> - Beginning of year	<u>(34.8)</u>	<u>(35.5)</u>
<b>Net Position</b> - End of year	<u><b>\$ (34.5)</b></u>	<u><b>\$ (34.8)</b></u>

As reported in the statement of activities, the cost of all of the School District's governmental activities this year was \$41.3 million. Certain activities were partially funded from those who benefited from the programs (\$1.4 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$9.3 million). We paid for the remaining "public benefit" portion of our governmental activities with \$6.3 million in local property taxes, \$24.2 million in state foundation allowance and other state aid not restricted to specific purposes, and \$0.4 million in other revenue (i.e., interest and general entitlements). 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.

# Warren Woods Public Schools

## Management's Discussion and Analysis (Continued)

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 50.0 percent, of the total expenses. Support services cost approximately \$13.9 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 amount of revenue from funding sources exceeded the cost of activities by \$0.3 million, resulting in a corresponding increase 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, 2016, the governmental funds reported a combined fund balance of \$9.3 million, which is an increase of \$305,000 from last year.

In the General Fund, the School District's principal operating fund, the fund balance increased by approximately \$490,000 to \$8.0 million. The fund balance remained relatively stable compared to the prior year. This amount helps to provide cash flow for needs during the months when aid is not received from the State.

Special revenue funds include the Special Education Center Program, Food Services, Child Care Program, and Bookstore Activities Funds. The combined special revenue funds fund balance decreased by \$175,000. The fund balance of the Food Services Fund increased by \$98,000. The Child Care Program fund balance decreased by \$272,000, as the School District chose to reinvest a portion of the fund balance into classroom renovations in the Early Childhood Center. The Special Education Center Program and Bookstore Activities funds did not carry a fund balance at either June 30, 2016 or 2015.

Combined, the debt service funds showed a fund balance decrease of \$9,585. 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 School District's capital projects fund, the Building and Site Fund, had a decrease in fund balance of \$665.

# Warren Woods Public Schools

## Management's Discussion and Analysis (Continued)

### General Fund Budgetary Highlights

By state law, the Warren Woods Public Schools 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 details necessary to make an informed decision.

The School District revises its budget throughout the year to reflect changes between the assumptions made during budget development and the actual data as they become available. Updates are made for items such as student enrollment, staffing levels, unanticipated changes in costs, and grant 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 2015-2016 year, the second of which was approved by the Board of Education in June 2016. 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 overall impact of budget adjustments during the 2015-2016 school year was an improvement of \$1.6 million.

The first amendment was approved on January 25, 2016 and adjusted revenue for an increase of 112 students from projected enrollment included in the original budget. Revenue adjustments also included an adjustment for the updated MPSERS unfunded actuarial accrued liability (UAAL) allocation, an increase in vocational education funding, and increases in rental income and earnings on investments. Expenses were amended to include staff changes, in addition to the effects of retirements, resignations, and a wage reopener with the Warren Woods Education Association (WWEA) from the summer of 2015 that resulted in a one-time 1.72 percent off-schedule salary increase for returning WWEA members, as well as changes in health benefits.

The final budget was approved in June 2016 and included an increase in revenue due to adjustments in property taxable values and final audited student counts for the year. Revenue was also adjusted to include a new targeted literacy grant from the State, as well as a new allocation of technology infrastructure grant funds. The final budget also adjusted revenue and expenses downward to reflect any state and federal awards not being spent in the time frame anticipated. End of year staff changes, including the restructuring of some central office positions, as well as some additional midyear retirements and resignations, were also taken into account, along with any unspent building supply account allocations. With the final budget, the School District also included an increase in General Fund transfers out due to the movement of \$150,000 into the Building and Site Fund to deal with a future repair of the storm drain at Warren Woods-Tower High School.

# Warren Woods Public Schools

## Management's Discussion and Analysis (Continued)

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

- Revenue was \$129,421 under projected amounts (< 0.5 percent).
- Expenditures were \$553,763 under projected amounts (1.7 percent).

The School District's final actual General Fund fund balance increased by approximately \$489,000 to \$8.0 million; as a percentage of actual expenditures, the 2015-2016 fund balance is 22.38 percent.

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

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

As of June 30, 2016, the School District had \$43.9 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 \$2.0 million from last year.

This year's additions of \$607,000, inclusive of construction-in-progress assets that were put in service in the current year, included technology, building renovations, replacement furniture and equipment, and a new bus. The School District had net disposals of approximately \$41,000. The School District presents more detailed information about capital assets in the notes to the financial statements.

#### ***Debt***

At the end of this year, the School District had \$31.3 million in general obligation bonds outstanding versus \$34.1 million in the previous year - a decrease of 8.21 percent. The decrease in the outstanding debt was the result of the principal payments made on the outstanding bond issues of \$5.7 million, including the partial refunding of the 2007 bond issue, and the issuance of \$2.9 million in new refunding bonds.

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 \$31.3 million is significantly below this statutorily imposed limit of 15 percent (\$82 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.

# Warren Woods Public Schools

## Management's Discussion and Analysis (Continued)

### Economic Factors and Next Year's Budgets and Rates

Warren Woods Public Schools continues to have strong General Fund reserves; the total available fund balance is 22.38 percent of 2016 expenditures, including the Special Education Centers Program Fund. Revenue exceeded expenditures by \$489,000 in the 2015-2016 school year. The 2016-2017 year's budget anticipates the use of \$1.79 million from the fund balance. Continued attention will be focused on strong expenditure controls and close monitoring of revenue changes based on state funding and student count to help reduce this deficit spending.

The following factors will affect the School District in the future and were considered in preparing the School District's budget for fiscal year 2017:

The 2016-2017 budget was adopted in June 2016 based on an estimated number of students who will be enrolled from September 2016 through February 2017. Based on early enrollment projections at the end of the 2015-2016 school year, the School District anticipates that the fall student count will be down by approximately 81 FTE students, and that number was used to create the 2016-2017 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. Beginning with the 2016-2017 fiscal year, the School District will also have to contend with and has budgeted for a Headlee rollback of its personal commercial and non-homestead property tax collections that will result in a loss of approximately \$22,000.

The School District continues to find ways to deal with a reduced level of funding per student from the foundation allowance level of \$8,489 per student during the 2008-2009 fiscal year to the 2016-2017 level of \$7,916 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 11 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 health care.

The State School Aid Act for 2016-2017 was approved prior to the start of the fiscal year with a \$17 per pupil increase in the foundation allowance for Warren Woods Public Schools. The budget, as adopted, also includes \$43 per pupil in new Section 20M funding for 2016-2017 intended to make sure that all districts received a net \$60 per pupil increase in funding. The pass-through of the MPSERS 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 10.53 percent to 11.7 percent, creating additional revenue and expenditures to be reported.

# **Warren Woods Public Schools**

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## **Management's Discussion and Analysis (Continued)**

The impact of the 2016-2017 State School Aid Act, along with a projected decrease in enrollment of 81 students, shows revenue decreasing by \$601,000 from \$32.2 million in 2015-2016 to \$31.5 million in 2016-2017. Expenditures for 2016-2017 are estimated to be \$33.4 million and include adjusted teaching positions due to enrollment, caseloads, and student schedules. The School District also recently bargained a new two-year contract that provides salary increases to its teachers and has included those costs in the original budget adoption. Additional cost pressure continues to come from increases in the required public employer contributions to medical benefit plans for its employees, increases in the minimum wage, and implementation of the Affordable Care Act.

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 seven 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 \$1.8 million contribution from fund balances 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, 2016

	Governmental Activities
<b>Assets</b>	
Cash and investments (Note 3)	\$ 7,836,211
Receivables:	
Accounts receivable	227,583
Due from other governmental units	5,952,033
Inventories	17,202
Prepaid costs and other assets	42,624
Restricted assets (Note 1)	295,799
Capital assets - Net (Note 5)	43,868,055
Total assets	<u>58,239,507</u>
<b>Deferred Outflows of Resources</b>	
Deferred charges on bond refunding (Note 7)	1,459,597
Deferred outflows related to pensions (Note 9)	6,368,671
Total deferred outflows of resources	<u>7,828,268</u>
Total assets and deferred outflows of resources	66,067,775
<b>Liabilities</b>	
Accounts payable	129,980
Accrued payroll-related liabilities	3,813,041
Other accrued liabilities	456,129
Due to other governmental units	421,834
Unearned revenue (Note 4)	407,315
Noncurrent liabilities (Note 7):	
Due within one year	3,260,515
Due in more than one year	31,373,237
Net pension liability (Note 9)	58,919,322
Total liabilities	<u>98,781,373</u>
<b>Deferred Inflows of Resources</b> (Notes 1 and 9)	<u>1,805,437</u>
Total liabilities and deferred inflows of resources	<u>100,586,810</u>
<b>Net Position</b>	
Net investment in capital assets	10,974,211
Restricted - Debt service	98,154
Unrestricted	(45,591,400)
Total net position	<u>\$ (34,519,035)</u>



# Warren Woods Public Schools

## Statement of Activities Year Ended June 30, 2016

	<u>Program Revenue</u>			Governmental Activities - Net (Expense) Revenue and Changes in Net Position
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
<b>Functions/Programs</b>				
Primary government - Governmental activities:				
Instruction	\$ 20,488,713	\$ 46,060	\$ 5,750,737	\$ (14,691,916)
Support services	13,890,185	-	2,464,601	(11,425,584)
Bookstores	13,276	6,419	-	(6,857)
Athletics	508,365	52,844	-	(455,521)
Food services	1,475,828	440,084	1,111,524	75,780
Child care	879,913	859,674	-	(20,239)
Interest	1,320,312	-	-	(1,320,312)
Debt issuance and other costs	42,998	-	-	(42,998)
Depreciation expense (unallocated)	2,629,508	-	-	(2,629,508)
Total primary government	<u>\$ 41,249,098</u>	<u>\$ 1,405,081</u>	<u>\$ 9,326,862</u>	(30,517,155)
General revenue:				
Taxes:				
				2,712,037
				3,550,826
				24,184,959
				48,527
				21,526
				(35,053)
				349,475
				<u>30,832,297</u>
				315,142
				<u>(34,834,177)</u>
				<u>\$ (34,519,035)</u>

# Warren Woods Public Schools

## Governmental Funds Balance Sheet June 30, 2016

	General Fund	Special Education Center Program Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 1,528,347	\$ -	\$ 774,496	\$ 2,302,843
Investments (Note 3)	5,533,368	-	-	5,533,368
Receivables:				
Accounts receivable	-	-	227,583	227,583
Due from other governmental units	5,952,033	-	-	5,952,033
Due from other funds (Note 6)	9,247	112,840	55,826	177,913
Inventories	-	-	17,202	17,202
Prepaid costs and other assets	42,624	-	-	42,624
Restricted assets (Note 1)	-	-	295,799	295,799
	<u>\$ 13,065,619</u>	<u>\$ 112,840</u>	<u>\$ 1,370,906</u>	<u>\$ 14,549,365</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 136,017	\$ -	\$ 3,375	\$ 139,392
Accrued payroll-related liabilities:				
Salaries payable	2,864,389	-	-	2,864,389
Payroll-related liabilities	948,652	-	-	948,652
Other accrued liabilities	258,425	-	59	258,484
Due to other governmental units	421,834	-	-	421,834
Due to other funds (Note 6)	131,365	15,883	21,253	168,501
Unearned revenue (Note 4)	302,962	96,957	7,396	407,315
	<u>5,063,644</u>	<u>112,840</u>	<u>32,083</u>	<u>5,208,567</u>
<b>Deferred Inflows of Resources</b> - Unavailable revenue (Note 4)	<u>7,431</u>	<u>-</u>	<u>-</u>	<u>7,431</u>
Total liabilities and deferred inflows of resources	5,071,075	112,840	32,083	5,215,998
<b>Fund Balances</b>				
Nonspendable:				
Inventories	-	-	17,202	17,202
Prepaid costs	42,624	-	-	42,624
Restricted:				
Debt service	-	-	295,799	295,799
Food services	-	-	518,030	518,030
Committed:				
Tax tribunals	100,000	-	-	100,000
Compensated absences	280,311	-	-	280,311
Child care	-	-	176,218	176,218
Assigned:				
Capital replacements	-	-	334,845	334,845
Working capital	4,285,632	-	-	4,285,632
Subsequent year budget shortfall	1,794,387	-	-	1,794,387
Unassigned	1,491,590	-	(3,271)	1,488,319
	<u>7,994,544</u>	<u>-</u>	<u>1,338,823</u>	<u>9,333,367</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,065,619</u>	<u>\$ 112,840</u>	<u>\$ 1,370,906</u>	<u>\$ 14,549,365</u>

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, 2016

<b>Fund Balance Reported in Governmental Funds</b>	\$	9,333,367
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	\$ 86,459,257	
Accumulated depreciation	<u>(42,591,202)</u>	43,868,055
Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds		7,431
Deferred outflows related to pension payments made subsequent to the measurement date		4,425,445
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:		
Bonds payable including premium and deferred charges	(34,353,441)	
Compensated absences	<u>(280,311)</u>	(34,633,752)
Accrued interest payable is not included as a liability in governmental funds		(197,645)
Deferred charges on bond refunding		1,459,597
Deferred outflows related to pensions		1,943,226
Revenue in support of pension contributions made subsequent to the measurement date		(1,610,279)
Net pension obligations do not present a claim on current financial resources and are not reported as fund liabilities		(58,919,322)
Deferred inflows related to pension investment returns and changes in assumptions are not reported in the governmental funds		<u>(195,158)</u>
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>(34,519,035)</u></b>

# Warren Woods Public Schools

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2016

	General Fund	Special Education Center Program Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>				
Local sources	\$ 2,984,004	\$ -	\$ 4,877,477	\$ 7,861,481
State sources	26,723,384	1,642,301	148,408	28,514,093
Federal sources	1,476,741	-	1,160,051	2,636,792
Interdistrict and other sources	851,667	3,116,774	51,230	4,019,671
Total revenue	32,035,796	4,759,075	6,237,166	43,032,037
<b>Expenditures</b>				
Current:				
Instruction	18,363,280	2,227,427	-	20,590,707
Support services:				
Pupil	2,642,814	1,597,372	-	4,240,186
Instructional staff	1,330,611	305,110	-	1,635,721
General administration	460,316	-	-	460,316
School administration	2,045,700	-	-	2,045,700
Business	614,045	-	-	614,045
Operations and maintenance	3,389,631	-	-	3,389,631
Pupil transportation services	648,920	4,596	-	653,516
Central	741,769	-	-	741,769
Other	302,257	-	-	302,257
Bookstores	-	-	13,276	13,276
Athletics	514,355	-	-	514,355
Food services	-	-	1,488,246	1,488,246
Child care	81,382	-	813,209	894,591
Debt service:				
Principal	-	-	2,935,000	2,935,000
Interest	-	-	1,347,467	1,347,467
Other	-	-	42,998	42,998
Capital outlay	225,526	33,324	564,718	823,568
Total expenditures	31,360,606	4,167,829	7,204,914	42,733,349
<b>Excess of Revenue Over (Under) Expenditures</b>	675,190	591,246	(967,748)	298,688
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	35	-	5,920	5,955
Payment to escrow agent (Note 7)	-	-	(2,945,000)	(2,945,000)
Transfers in (Note 6)	691,246	-	1,309,931	2,001,177
Transfers out (Note 6)	(877,056)	(591,246)	(532,875)	(2,001,177)
Face value of debt issued (Note 7)	-	-	2,945,000	2,945,000
Total other financing (uses) sources	(185,775)	(591,246)	782,976	5,955
<b>Net Change in Fund Balances</b>	489,415	-	(184,772)	304,643
<b>Fund Balances - Beginning of year</b>	7,505,129	-	1,523,595	9,028,724
<b>Fund Balances - End of year</b>	<b>\$ 7,994,544</b>	<b>\$ -</b>	<b>\$ 1,338,823</b>	<b>\$ 9,333,367</b>

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, 2016

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	304,643
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:</p>		
Depreciation expense	\$ (2,629,508)	
Capitalized capital outlay	<u>582,273</u>	(2,047,235)
<p>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</p>		
		(41,008)
<p>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</p>		
		71
<p>Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of activities</p>		
		(2,945,000)
<p>Underwriter's discount/premium reported as expenditures/revenue in the funds and amortized in the statement of activities</p>		
		317,464
<p>Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)</p>		
		5,740,000
<p>Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid</p>		
		27,155
<p>Change in pension-related liabilities and deferrals</p>		
		569,992
<p>Compensated absences, as well as self-insured liability claims, are recorded when earned in the statement of activities. In the current year, more was earned than paid out</p>		
		(661)
<p>Revenue in support of pension contributions made subsequent to the measurement date</p>		
		<u>(1,610,279)</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>315,142</u></b>

# Warren Woods Public Schools

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## Fiduciary Funds - Agency Fund (Student Activities) Statement of Fiduciary Assets and Liabilities June 30, 2016

<b>Assets</b> - Cash and investments (Note 3)	<u>\$ 429,426</u>
<b>Liabilities</b>	
Due to student activities	\$ 420,014
Due to other funds (Note 6)	<u>9,412</u>
Total liabilities	<u>\$ 429,426</u>

# Warren Woods Public Schools

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## Notes to Financial Statements June 30, 2016

### **Note I - Nature of Business and Significant Accounting Policies**

The accounting policies of Warren Woods Public Schools (the "School District") 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 revenue, 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 revenue. 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 revenue 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.

### **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 revenue to be available if it is 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

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## Notes to Financial Statements June 30, 2016

### **Note 1 - 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 and equipment, and for remodeling and repairs.

**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, 2016

### 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 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.

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 vehicles	5 to 10 years
Furniture and other equipment	5 to 10 years

# Warren Woods Public Schools

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## Notes to Financial Statements June 30, 2016

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

**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.

**Long-term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures.

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 are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Deferred Outflows/Inflows of Resources** - 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 represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has deferred outflows of resources related to deferred charges on refundings and deferred pension plan expenses.

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 represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School District has deferred inflows of resources related to its pension plan and revenue in support of pension payments made subsequent to the measurement date.

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

**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
- **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.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

# Warren Woods Public Schools

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## Notes to Financial Statements June 30, 2016

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

**Pensions** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from the MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

**Adoption of New Accounting Standards** - As of June 30, 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*. GASB Statement No. 79 provides guidance for determining whether certain investment pools can continue to be accounted for using amortized cost. The adoption of this standard did not have a significant impact on amounts reported in the financial statements.

### **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 supplemental 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.

# Warren Woods Public Schools

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## Notes to Financial Statements June 30, 2016

### Note 2 - Stewardship, Compliance, and Accountability (Continued)

**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, certificates of deposit, 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 five financial institutions for deposits and investments of its funds.

There are no limitations or restrictions on participant withdrawals for investment pools that are recorded at amortized cost, except for a one-day minimum investment period on MILAF cash management funds and a 14-day redemption limitation on MILAF MAX Class 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 \$3,725,078 included \$2,975,078 of bank deposits (short-term certificates of deposit and 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.

# Warren Woods Public Schools

## Notes to Financial Statements June 30, 2016

### Note 3 - Deposits and Investments (Continued)

**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.

**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, 2016, 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	\$ 5,075,629	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 June 30, 2016, the various components of unearned and unavailable revenue were as follows:

	Governmental Funds	
	Deferred Inflows - Unavailable	Liability - Unearned Revenue
Grant receivables unavailable for use in the current period	\$ 7,431	\$ -
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	407,315
Total	\$ 7,431	\$ 407,315

# Warren Woods Public Schools

## Notes to Financial Statements June 30, 2016

### Note 5 - Capital Assets

Capital asset activity of the School District was as follows:

<b>Governmental Activities</b>	Balance July 1, 2015	Additions	Transfers	Disposals and Adjustments	Balance June 30, 2016
Capital assets not being depreciated:					
Land	\$ 4,000	\$ -	\$ -	\$ -	\$ 4,000
Construction in progress	25,171	-	(25,171)	-	-
Subtotal	29,171	-	(25,171)	-	4,000
Capital assets being depreciated:					
Land improvements	4,914,085	-	-	-	4,914,085
Buildings and improvements	69,010,112	345,139	25,171	-	69,380,422
Furniture and equipment	12,901,461	154,817	-	(2,358,303)	10,697,975
Buses and other vehicles	1,380,458	82,317	-	-	1,462,775
Subtotal	88,206,116	582,273	25,171	(2,358,303)	86,455,257
Accumulated depreciation:					
Land improvements	2,213,050	208,690	-	-	2,421,740
Buildings and improvements	27,875,472	2,000,658	-	-	29,876,130
Furniture and equipment	11,244,965	307,299	-	(2,317,295)	9,234,969
Buses and other vehicles	945,502	112,861	-	-	1,058,363
Subtotal	42,278,989	2,629,508	-	(2,317,295)	42,591,202
Net capital assets being depreciated	45,927,127	(2,047,235)	25,171	(41,008)	43,864,055
Net capital assets	<u>\$ 45,956,298</u>	<u>\$ (2,047,235)</u>	<u>\$ -</u>	<u>\$ (41,008)</u>	<u>\$ 43,868,055</u>

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	\$ -	\$ 97,417	\$ 33,948	\$ 131,365
Special Education Center Program Fund	-	-	15,883	15,883
Nonmajor governmental funds	3,271	15,423	2,559	21,253
Agency Fund	5,976	-	3,436	9,412
Total	<u>\$ 9,247</u>	<u>\$ 112,840</u>	<u>\$ 55,826</u>	<u>\$ 177,913</u>



# Warren Woods Public Schools

## Notes to Financial Statements June 30, 2016

### 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	\$ -	\$ 591,246	\$ 100,000	\$ 691,246
Nonmajor governmental funds	877,056	-	432,875	1,309,931
Total	\$ 877,056	\$ 591,246	\$ 532,875	\$ 2,001,177

Transfers between the debt service funds related to the allocation of property tax revenue to designated funds and to refundings. 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. Transfers from the Child Care Program Fund to the Building and Site Fund related to funding for the renovation of the Hawthorn Early Childhood Center.

### 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. Qualified bonds are fully guaranteed by the State of Michigan. 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
<b>Governmental Activities</b>					
Bonds	\$ 34,050,000	\$ 2,945,000	\$ (5,740,000)	\$ 31,255,000	\$ 2,920,000
Less deferred amounts:					
Bond premiums	3,410,925	-	(312,484)	3,098,441	312,484
Deferred outflows - Deferred charges on bond refunding	(1,454,617)	(140,000)	135,020	(1,459,597)	(155,020)
Total bonds payable	36,006,308	2,805,000	(5,917,464)	32,893,844	3,077,464
Compensated absences	279,650	661	-	280,311	28,031
Total governmental activities	\$ 36,285,958	\$ 2,805,661	\$ (5,917,464)	\$ 33,174,155	\$ 3,105,495

# Warren Woods Public Schools

## Notes to Financial Statements June 30, 2016

### Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities				
	Principal	Interest	Maximum Interest Subsidy	Net Interest	Total - Net
2017	\$ 2,920,000	\$ 1,234,356	\$ (46,667)	\$ 1,187,689	\$ 4,107,689
2018	3,030,000	1,112,668	(41,268)	1,071,400	4,101,400
2019	3,100,000	1,033,038	(35,868)	997,170	4,097,170
2020	3,195,000	934,503	(30,467)	904,036	4,099,036
2021	3,310,000	814,114	(25,068)	789,046	4,099,046
2022-2026	15,700,000	1,999,316	(63,825)	1,935,491	17,635,491
Total	<u>\$ 31,255,000</u>	<u>\$ 7,127,995</u>	<u>\$ (243,163)</u>	<u>\$ 6,884,832</u>	<u>\$ 38,139,832</u>

### Governmental Activities

General obligation bonds consist of the following at June 30, 2016:

\$5,500,000 2007 general obligation limited tax bonds due in one remaining installment of \$405,000 at maturity on May 1, 2017; interest at 4.00 percent	\$ 405,000
\$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 2.25 percent to 3.60 percent	1,460,000
\$7,515,000 2014 general obligation unlimited tax and refunding bonds due in annual installments of \$690,000 to \$840,000 through May 1, 2025; interest at 2.00 percent to 3.00 percent	6,850,000
\$19,595,000 2015 general obligation unlimited tax and refunding bonds due in annual installments of \$1,600,000 to \$2,385,000 through May 1, 2026; interest at 3.00 percent to 5.00 percent	19,595,000
\$2,945,000 2016 general obligation unlimited tax and refunding bonds due in annual installments of \$45,000 to \$510,000 through May 1, 2023; interest at 2.05 percent	<u>2,945,000</u>
Total bonded debt	<u>\$ 31,255,000</u>

# Warren Woods Public Schools

## Notes to Financial Statements June 30, 2016

### Note 7 - Long-term Debt (Continued)

**Advance and Current Refundings** - During March 2016, the School District issued \$2,945,000 in general obligation bonds with an average interest rate of 2.05 percent. The proceeds of these bonds were used to partially advance refund \$2,805,000 of outstanding 2007 bonds with an interest rate of 4.0 percent. The net proceeds of \$2,908,061 (after payment of \$36,939 in underwriting fees and issuance costs), plus an additional \$43,000 of 2007 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, 2016, \$2,805,000 is considered to be defeased. Subsequent to the refunding, the non-refunded principal of the original bonds totaled \$795,000, of which \$405,000 remains outstanding at June 30, 2016. The advance partial refunding reduced total debt service payments by approximately \$114,000, which represents an economic gain of approximately \$106,000.

### 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 - Michigan Public School Employees Retirement System

**Plan Description** - The School District participates in the Michigan Public School Employees Retirement System (MPERS or the "System"), 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 supplemental 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 System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

# Warren Woods Public Schools

## Notes to Financial Statements June 30, 2016

### Note 9 - Michigan Public School Employees Retirement System (Continued)

**Contributions** - Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the State Legislature. Under these provisions, each School district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

The School District's contributions are determined based on employee elections. There are seven 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 are is follows:

#### School District

October 1, 2014 - September 30, 2015	18.76% - 23.07%
October 1, 2015 - June 30, 2016	14.56% - 18.95%

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 year ended June 30, 2016 were \$5,691,000. The School District's required and actual contributions include an allocation of \$1,610,000 in revenue received from the State of Michigan, and remitted to the system, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2016.

**Benefits Provided** - 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.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of service times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

### **Note 9 - Michigan Public School Employees Retirement System (Continued)**

Members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. For some members who do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

**Net Pension Liability, Deferrals, and Pension Expense** - At June 30, 2016, the School District reported a liability of \$58,919,322 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014, which used updated procedures to roll forward the estimated liability to September 30, 2015. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2015, the School District's proportion was 0.241225 percent.

For the year ended June 30, 2016, the School District recognized pension expense of \$5,031,578, exclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# Warren Woods Public Schools

## Notes to Financial Statements June 30, 2016

### Note 9 - Michigan Public School Employees Retirement System (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (195,158)
Changes of assumptions	1,450,718	-
Net difference between projected and actual earnings on pension plan assets	300,736	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	191,772	-
The School District's contributions subsequent to the measurement date	4,425,445	-
Total	<u>\$ 6,368,671</u>	<u>\$ (195,158)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2017	\$ 216,966
2018	216,966
2019	138,291
2020	<u>1,175,845</u>
Total	<u>\$ 1,748,068</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

# Warren Woods Public Schools

## Notes to Financial Statements June 30, 2016

### Note 9 - Michigan Public School Employees Retirement System (Continued)

**Actuarial Assumptions** - The total pension liability as of September 30, 2015 is based on the results of an actuarial valuation date of September 30, 2014 and rolled forward:

Actuarial cost method	Entry age normal cost actuarial cost method
Investment rate of return	7.00 to 8.00 percent, net of investment expenses based on the groups
Salary increases	3.50 - 12.30 percent, including wage inflation of 3.50
Mortality basis	RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost of living pension adjustments	3.00 percent annual non-compounded for MIP members

The actuarial assumptions used for the September 30, 2014 valuation were based on the results of an actuarial experience study for the period from October 1, 2007 to September 30, 2012. As a result of this study, the actuarial assumptions were adjusted to more closely reflect actual experience.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00-8.00 percent depending on the plan option. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# Warren Woods Public Schools

## Notes to Financial Statements June 30, 2016

### Note 9 - Michigan Public School Employees Retirement System (Continued)

The long-term expected rate of return on pension plan investments 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.0 %	5.9 %
Private equity pools	18.0	9.2
International equity pools	16.0	7.2
Fixed-income pools	10.5	0.9
Real estate and infrastructure pools	10.0	4.3
Real return, opportunistic, and absolute pool	15.5	6.0
Short-term investment pools	2.0	-
Total	100.0 %	

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the School District calculated using the discount rate of 7.00 - 8.00 percent, depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower (6.00 - 7.00 percent) or 1.00 percentage point higher (8.00 - 9.00 percent) than the current rate:

1.00 Percent Decrease (6.00 - 7.00 Percent)	Current Discount Rate (7.00 - 8.00 Percent)	1.00 Percent Increase (8.00 - 9.00 Percent)
\$ 75,962,110	\$ 58,919,322	\$ 44,551,554

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial report.

**Payable to the Pension Plan** - At June 30, 2016, the School District reported a payable of \$833,168 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.



# Warren Woods Public Schools

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## Notes to Financial Statements June 30, 2016

### **Note 9 - Michigan Public School Employees Retirement System (Continued)**

**Postemployment Benefits Other Than Pensions (OPEB)** - 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 2.20 percent to 2.71 percent of covered payroll for the period from July 1, 2015 to September 30, 2015 and from 6.04 percent to 6.83 percent of covered payroll for the period from October 1, 2015 through June 30, 2016, dependent upon the employee's date of hire and plan election 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 403b account.

The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2016, 2015, and 2014 were approximately \$1,149,000, \$730,000, and \$1,321,000, respectively. In addition, a portion ranging from 35-100 percent of the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate is considered a contribution to the retiree healthcare plan.

### **Note 10 - Upcoming Accounting Pronouncements**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This standard will require the School District to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the MPSERS plan. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information. 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, 2018.

## **Required Supplemental Information**

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# Warren Woods Public Schools

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2016

	Original Budget	Final Amended Budget	Actual
<b>Revenue</b>			
Local sources	\$ 2,901,131	\$ 3,039,265	\$ 2,984,004
State sources	25,611,484	26,764,992	26,723,384
Federal sources	1,718,373	1,503,105	1,476,741
Interdistrict and other sources	773,401	857,889	851,702
Total revenue	31,004,389	32,165,251	32,035,831
<b>Expenditures - Current</b>			
Instruction:			
Basic program	15,743,513	15,545,138	15,378,058
Added needs	2,879,423	2,893,779	2,865,296
Adult and continuing education	274,975	307,281	263,059
Support services:			
Pupil	2,755,943	2,669,075	2,642,814
Instructional staff	1,734,973	1,419,934	1,391,435
General administration	508,236	483,665	460,744
School administration	2,102,942	2,069,927	2,045,700
Business services	630,716	641,822	614,045
Operations and maintenance	3,723,056	3,511,809	3,403,102
Transportation	729,752	672,776	648,920
Central support services	841,344	776,072	741,769
Other support services	250,379	399,730	383,639
Athletics	534,052	523,360	522,025
Total expenditures	32,709,304	31,914,368	31,360,606
<b>Excess of Revenue (Under) Over Expenditures</b>	(1,704,915)	250,883	675,225
<b>Other Financing Uses - Transfers out and other - Net</b>	(39,333)	(210,587)	(185,810)
<b>Net Change in Fund Balance</b>	(1,744,248)	40,296	489,415
<b>Fund Balance - Beginning of year</b>	7,505,129	7,505,129	7,505,129
<b>Fund Balance - End of year</b>	<b>\$ 5,760,881</b>	<b>\$ 7,545,425</b>	<b>\$ 7,994,544</b>

# Warren Woods Public Schools

## Required Supplemental Information Budgetary Comparison Schedule - Special Education Center Program Fund Year Ended June 30, 2016

	Original Budget	Final Amended Budget	Actual
<b>Revenue</b>			
State sources	\$ 1,653,882	\$ 1,642,324	\$ 1,642,301
Interdistrict and other sources	3,211,793	3,122,660	3,116,774
Total revenue	4,865,675	4,764,984	4,759,075
<b>Expenditures - Current</b>			
Instruction - Added needs	2,383,691	2,282,764	2,260,751
Support services:			
Pupil	1,579,277	1,604,544	1,597,372
Instructional staff	301,510	306,988	305,110
Pupil transportation services	21,000	4,220	4,596
Total expenditures	4,285,478	4,198,516	4,167,829
<b>Excess of Revenue Over Expenditures</b>	580,197	566,468	591,246
<b>Other Financing Uses - Transfers out - Net</b>	(580,197)	(566,468)	(591,246)
<b>Net Change in Fund Balance</b>	-	-	-
<b>Fund Balance - Beginning of year</b>	-	-	-
<b>Fund Balance - End of year</b>	\$ -	\$ -	\$ -

# Warren Woods Public Schools

## Required Supplemental Information

### Schedule of Warren Woods Public Schools' Proportionate Share of the Net Pension Liability of the Michigan Public School Employees Retirement System Determined as of the Plan Year Ended September 30

	<u>2015</u>	<u>2014</u>
School District's proportion of the net pension liability (asset)	0.02412 %	0.24020 %
School District's proportionate share of the net pension liability (asset)	\$ 58,919,322	\$ 52,908,682
School District's covered employee payroll	20,159,703	20,435,231
School District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	292.26 %	258.91 %
Plan fiduciary net position as a % of the total pension liability	62.92 %	66.20 %

# Warren Woods Public Schools

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## Required Supplemental Information Schedule of Warren Woods Public Schools' Contributions to the Michigan Public School Employees Retirement System Determined as of the Year Ended June 30

	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 5,567,852	\$ 4,414,076
Contributions in relation to the statutorily required contribution	5,567,852	4,414,076
Contribution deficiency (excess)	-	-
School District's covered employee payroll	19,807,674	20,167,108
Contributions as a percentage of covered employee payroll	28.11 %	21.89 %

## **Warren Woods Public Schools**

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### **Note to Pension Required Supplemental Information Schedules Year Ended June 30, 2016**

**Benefit Changes** - There were no changes of benefit terms in 2015.

**Changes in Assumptions** - There were no changes of benefit assumptions in 2015.

## **Other Supplemental Information**

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# Warren Woods Public Schools

		Special Revenue Funds		
		Bookstore Activities	Food Services	Child Care Program
<b>Assets</b>				
Cash and cash equivalents		\$ -	\$ 436,276	\$ -
Receivables		-	72,326	155,257
Due from other funds		-	33,361	22,465
Inventories		3,271	13,931	-
Restricted assets		-	-	-
	Total assets	<u>\$ 3,271</u>	<u>\$ 555,894</u>	<u>\$ 177,722</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable		\$ -	\$ -	\$ -
Other accrued liabilities		-	59	-
Due to other funds		3,271	16,478	1,504
Unearned revenue		-	7,396	-
	Total liabilities	3,271	23,933	1,504
<b>Fund Balances</b>				
Nonspendable - Inventories		3,271	13,931	-
Restricted:				
Debt service		-	-	-
Food service		-	518,030	-
Committed - Child care		-	-	176,218
Assigned - Capital replacements		-	-	-
Unassigned		(3,271)	-	-
	Total fund balances	-	531,961	176,218
	Total liabilities and fund balances	<u>\$ 3,271</u>	<u>\$ 555,894</u>	<u>\$ 177,722</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2016**

Debt Service Funds						Capital Projects Fund	Total Nonmajor Governmental Funds
2006 Issue	2007 Issue	2012 Issue	2014 Refunding	2015 Refunding	2016 Refunding	Building and Site	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 338,220	\$ 774,496
-	-	-	-	-	-	-	227,583
-	-	-	-	-	-	-	55,826
-	-	-	-	-	-	-	17,202
-	4	-	77,076	218,717	2	-	295,799
<u>\$ -</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 77,076</u>	<u>\$ 218,717</u>	<u>\$ 2</u>	<u>\$ 338,220</u>	<u>\$ 1,370,906</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,375	\$ 3,375
-	-	-	-	-	-	-	59
-	-	-	-	-	-	-	21,253
-	-	-	-	-	-	-	7,396
-	-	-	-	-	-	3,375	32,083
-	-	-	-	-	-	-	17,202
-	4	-	77,076	218,717	2	-	295,799
-	-	-	-	-	-	-	518,030
-	-	-	-	-	-	-	176,218
-	-	-	-	-	-	334,845	334,845
-	-	-	-	-	-	-	(3,271)
-	4	-	77,076	218,717	2	334,845	1,338,823
<u>\$ -</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 77,076</u>	<u>\$ 218,717</u>	<u>\$ 2</u>	<u>\$ 338,220</u>	<u>\$ 1,370,906</u>

# Warren Woods Public Schools

	Special Revenue Funds		
	Bookstore Activities	Food Services	Child Care Program
<b>Revenue</b>			
Local sources	\$ 6,422	\$ 449,550	\$ 859,674
State sources	-	94,383	54,025
Federal sources	-	1,111,524	-
Interdistrict and other sources	-	51,230	-
Total revenue	<u>6,422</u>	<u>1,706,687</u>	<u>913,699</u>
<b>Expenditures</b>			
Current:			
Bookstore activities	13,276	-	-
Food services	-	1,488,246	-
Child care	-	-	813,209
Debt service:			
Principal	-	-	-
Interest	-	-	-
Other	-	-	-
Capital outlay	-	47,039	885
Total expenditures	<u>13,276</u>	<u>1,535,285</u>	<u>814,094</u>
<b>"Excess of Revenue (Under) Over Expenditures"</b>	(6,854)	171,402	99,605
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of capital assets	-	-	-
Payment to escrow agent	-	-	-
Transfers in	6,854	1,366	-
Transfers out	-	(75,000)	(371,899)
Face value of debt issued	-	-	-
Total other financing sources (uses)	<u>6,854</u>	<u>(73,634)</u>	<u>(371,899)</u>
<b>Net Change in Fund Balances</b>	-	97,768	(272,294)
<b>Fund Balances - Beginning of year</b>	-	434,193	448,512
<b>Fund Balances - End of year</b>	<u>\$ -</u>	<u>\$ 531,961</u>	<u>\$ 176,218</u>

**Other Supplemental Information  
Combining Statement of Revenue, Expenditures, and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2016**

Debt Service Funds						Capital Projects Fund	Total Nonmajor Governmental Funds
2006 Issue	2007 Issue	2012 Issue	2014 Refunding	2015 Refunding	2016 Refunding	Building and Site	
\$ 1,664,111	\$ 6	\$ 2	\$ 912,410	\$ 984,992	\$ -	\$ 310	\$ 4,877,477
-	-	-	-	-	-	-	148,408
-	-	48,527	-	-	-	-	1,160,051
-	-	-	-	-	-	-	51,230
<u>1,664,111</u>	<u>6</u>	<u>48,529</u>	<u>912,410</u>	<u>984,992</u>	<u>-</u>	<u>310</u>	<u>6,237,166</u>
-	-	-	-	-	-	-	13,276
-	-	-	-	-	-	-	1,488,246
-	-	-	-	-	-	-	813,209
1,700,000	390,000	180,000	665,000	-	-	-	2,935,000
85,299	88,650	52,717	191,050	929,751	-	-	1,347,467
-	-	-	-	-	42,998	-	42,998
-	-	-	-	-	-	516,794	564,718
<u>1,785,299</u>	<u>478,650</u>	<u>232,717</u>	<u>856,050</u>	<u>929,751</u>	<u>42,998</u>	<u>516,794</u>	<u>7,204,914</u>
(121,188)	(478,644)	(184,188)	56,360	55,241	(42,998)	(516,484)	(967,748)
-	-	-	-	-	-	5,920	5,920
-	-	-	-	-	(2,945,000)	-	(2,945,000)
-	521,648	184,188	-	42,976	43,000	509,899	1,309,931
(42,976)	(43,000)	-	-	-	-	-	(532,875)
-	-	-	-	-	2,945,000	-	2,945,000
<u>(42,976)</u>	<u>478,648</u>	<u>184,188</u>	<u>-</u>	<u>42,976</u>	<u>43,000</u>	<u>515,819</u>	<u>782,976</u>
(164,164)	4	-	56,360	98,217	2	(665)	(184,772)
164,164	-	-	20,716	120,500	-	335,510	1,523,595
<u>\$ -</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 77,076</u>	<u>\$ 218,717</u>	<u>\$ 2</u>	<u>\$ 334,845</u>	<u>\$ 1,338,823</u>

# Warren Woods Public Schools

## Other Supplemental Information Schedule of Bonded Indebtedness June 30, 2016

Year Ending June 30	2007 Issue* Principal	2012 Issue Principal	2014 Refunding Principal	2015 Refunding Principal	2016 Refunding Principal
2017	\$ 405,000	\$ 180,000	\$ 690,000	\$ 1,600,000	\$ 45,000
2018	-	180,000	690,000	1,700,000	460,000
2019	-	180,000	725,000	1,725,000	470,000
2020	-	180,000	720,000	1,815,000	480,000
2021	-	185,000	750,000	1,890,000	485,000
2022	-	185,000	790,000	1,970,000	495,000
2023	-	185,000	810,000	2,070,000	510,000
2024	-	185,000	835,000	2,170,000	-
2025	-	-	840,000	2,270,000	-
2026	-	-	-	2,385,000	-
Total	<u>\$ 405,000</u>	<u>\$ 1,460,000</u>	<u>\$ 6,850,000</u>	<u>\$ 19,595,000</u>	<u>\$ 2,945,000</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%	2.25% to 3.60%	2.00% to 3.00%	3.00% to 5.00%	2.05%
Original issue	<u>\$ 5,500,000</u>	<u>\$ 2,000,000</u>	<u>\$ 7,515,000</u>	<u>\$ 19,595,000</u>	<u>\$ 2,945,000</u>

\*Non-refunded portion of original issue