

# **Warren Woods Public Schools**

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**Financial Report  
with Supplemental Information  
June 30, 2015**

# 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, 2015 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.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Warren Woods Public Schools as of June 30, 2015 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

### **Emphasis of Matter**

As discussed in Note I to the basic financial statements, effective July 1, 2014, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The School District's unrestricted net position has been restated as of July 1, 2014 as a result of these changes in accounting principles. Our opinion is not modified with respect to this matter.

### **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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Warren Woods Public Schools' basic financial statements. The nonmajor governmental funds combining balance sheet and combining statement of revenue, expenditures, and changes in fund balance and the schedule of bonded indebtedness are presented for purposes 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 balance and the schedule of bonded indebtedness are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor governmental funds combining balance sheet and combining statement of revenue, expenditures, and changes in fund balance and the schedule of bonded indebtedness are fairly stated in all material respects in relation to the basic financial statements as a whole.

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 October 19, 2015 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, and 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*

October 19, 2015

# 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, 2015. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

### Using this Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Warren Woods Public Schools' financial operations. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund, 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 School District's Proportionate Share of the Net Pension Liability

Schedule of School District 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 our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided, the breadth of curriculum offered, the condition of school facilities, and the safety of the schools, to assess the overall health of the School District.

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

# 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, 2015 and 2014:

Table I	Governmental Activities	
	June 30	
	2015	2014
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 13.8	\$ 14.0
Capital assets - Net	46.0	48.4
Total assets	59.8	62.4
<b>Deferred Outflows of Resources</b>	5.0	3.1
Total assets and deferred outflows of resources	64.8	65.5
<b>Liabilities</b>		
Current liabilities	8.3	8.0
Long-term liabilities	34.5	36.8
Net pension liability	52.9	56.2
Total liabilities	95.7	101.0
<b>Deferred Inflows of Resources</b>	3.9	-
Total liabilities and deferred inflows of resources	99.6	101.0
<b>Net Position (Deficit)</b>		
Net investment in capital assets	10.0	9.4
Restricted	0.5	0.4
Unrestricted deficit	(45.3)	(45.3)
Total net position (deficit)	<u>\$ (34.8)</u>	<u>\$ (35.5)</u>

The above analysis focuses on the net position (deficit) (see Table I). The change in net position (deficit) (see Table 2) of the School District's governmental activities is discussed below. The School District's net position (deficit) was \$(34.8) million at June 30, 2015. Capital assets, net of related debt totaling \$10.0 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 position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day to day operations. The remaining \$(45.3) of net position (deficit) was unrestricted.

# Warren Woods Public Schools

## Management's Discussion and Analysis (Continued)

As required by the Government Accounting Standards Board (GASB), the School District adopted GASB Statements No. 68 and 71. These standards required the inclusion of the School District's proportionate share of the Michigan Public School Employees Retirement Plan obligations within the School District's financial statements, effective July 1, 2014. The effect of the adoption of these statements was to decrease July 1, 2014 beginning net position by \$53.4 million and to include the net pension obligation and related deferred inflows and outflows of resources in the June 30, 2015 financial statements. All governments participating in the retirement plan were required to adopt these new standards.

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 (deficit) for the fiscal years ended June 30, 2015 and 2014.

	Governmental Activities	
	Year Ended June 30	
	2015	2014
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 1.4	\$ 1.4
Operating grants and contributions	10.8	10.8
General revenue:		
Property taxes	6.4	6.5
State aid not restricted to specific purpose	23.7	23.6
Other	0.4	0.1
Total revenue	42.7	42.4

# Warren Woods Public Schools

## Management's Discussion and Analysis (Continued)

Table 2 (Continued)

	Governmental Activities	
	Year Ended June 30	
	2015	2014
	(in millions)	
<b>Functions/Program Expenses</b>		
Instruction	20.2	20.5
Support services	14.6	14.4
Child care	0.9	0.7
Food services	1.5	1.5
Athletics	0.5	0.5
Debt issuance and other costs	0.3	0.1
Interest on long-term debt	1.2	1.9
Depreciation (unallocated)	2.8	3.2
Total functions/program expenses	42.0	42.7
<b>Change in Net Position (Deficit)</b>	0.7	(0.3)
<b>Net Position (Deficit) - Beginning of year</b>	(35.5)	18.2
<b>Impact of GASB Statements No. 68 and 71</b>	-	(53.4)
<b>Net Position (Deficit) - End of year</b>	<b>\$ (34.8)</b>	<b>\$ (35.5) *</b>

\* As restated

# **Warren Woods Public Schools**

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

As reported in the statement of activities, the cost of all of the School District's governmental activities this year was \$42.0 million. Of the School District's total revenue available to operate the School District, 3.3 percent or approximately \$1.4 million came from fees charged to those who benefited from the programs. Revenue from other governments and organizations that subsidized certain programs with grants and contributions accounted for 25.3 percent or approximately \$10.8 million.

The School District paid for the remaining "public benefit" portion of the governmental activities with \$6.4 million in local property taxes. Property tax revenue remained stable due to a minimal change in the taxable values in the district. The property tax revenue comes mainly from the 18 mills on all non-homestead property, which the School District is required to levy by the state in order to receive the full state foundation allowance. The state foundation allowance and other state aid not restricted to specific purposes accounted for \$23.7 million. The School District also generated \$0.3 million of other revenue (i.e., interest and general entitlements).

The expense portion of the table above shows the financial support of each function required during the year. The largest expenses incurred in instruction, which accounted for approximately \$20.2 million, or 48.2 percent, of the total expenses. Support services cost approximately \$14.6 million, or 34.7 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 \$0.7 million, resulting in a corresponding increase in net position (deficit).

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, 2015, the governmental funds reported a combined fund balance of \$9.0 million, which is a decrease of \$46,000 from last year.

In the General Fund, the School District's principal operating fund, the fund balance increased by approximately \$94,000 to \$7.5 million. The fund balance remained relatively stable compared to the prior year. This amount helps to provide for cash flow needs during the months when state aid is not received from the state.

# **Warren Woods Public Schools**

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

Special revenue funds include the Special Education Center Program, Food Services, Child Care Program, and Bookstore Activities Funds. The combined special revenue funds fund balance increased by \$89,000. The balance of the Food Services Fund increased by \$54,000, the Bookstore Activities fund balance decreased by \$4,000, and the Child Care Program fund balance increased by \$39,000. The Special Education Center Program Fund did not carry a fund balance at either June 30, 2015 or 2014.

Combined, the debt service funds showed a fund balance increase of \$27,000. Warren Woods Public Schools determines millage rates annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service funds fund balances are reserved since they can only be used to pay debt service obligations.

The Capital Projects Building and Site Fund fund balance decreased by \$227,000 as the School District continued to invest in technology in accordance with its technology plan, as well as replace buses and other aging equipment in accordance with its replacement schedules. The remaining funds within the 2012 Capital Projects Fund were spent during the year, leaving no fund balance at June 30, 2015.

### **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 necessary information.

The School District revises its budget throughout the year to reflect changes between the assumptions made during budget development and the actual data as it becomes 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 2014-2015 year, the second of which was approved by the Board of Education in June 2015. 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 2014-2015 school year was an improvement of \$1.1 million.

The first amendment was approved on November 19, 2014 and adjusted revenue for a decrease of 28 students from projected enrollment included in the original budget. Revenue adjustments also included an adjustment for the updated MPERS unfunded actuarial accrued liability allocation, an increase in state special education reimbursement funds, and increases in pre-school and adult education funding. Expenses were amended to include staff changes, in addition to the effects of retirements, resignations, and labor negotiations from the summer of 2014, as well as changes in health benefits.

# Warren Woods Public Schools

## Management's Discussion and Analysis (Continued)

During the second budget amendment, budgeted revenue was reduced by \$230,000 mainly due to the elimination of one-time MPSERS UAAL Section 147(d) funding by the state. Budgeted expenditures were also decreased during the second amendment to offset the reduction of the MPSERS UAAL 147(d) funding, cost efficiencies, and account for changes in salaries and midyear staffing changes.

The final budget was approved in June 2015 and included a decrease in revenue due to adjustments for state and federal grant awards not being spent in the time frame anticipated. The final expenses were also adjusted downward to reflect the state and federal awards not being spent in the time frame anticipated. End of year staff changes and some additional midyear retirements and resignations were also taken into account, along with any unspent building supply account allocations.

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

- Revenue was \$ 12,860 under projected amounts (< 0.01 percent).
- Expenditures were \$537,000 under projected amounts (1.7 percent).

The School District's final actual General Fund fund balance increased by approximately \$94,000 to \$7.5 million; as a percentage of actual expenditures, the 2014-2015 fund balance is 21.12 percent.

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

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

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

As of June 30, 2015, the School District had \$45.9 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 \$2.4 million from last year.

This year's additions of \$300,000, inclusive of construction-in-progress assets that were put in service in the current year, included technology, building renovations, replacement furniture and equipment, a new bus, and energy conservation improvements. The energy conservation improvements were funded with the remaining 2012 energy conservation bond. The School District had disposals of approximately \$19,000, which included a bus, lawn equipment and various other furniture and equipment items. The School District presents more detailed information about capital assets in the notes to the financial statements.

# Warren Woods Public Schools

## Management's Discussion and Analysis (Continued)

### Debt

At the end of this year, the School District had \$34.0 million in bonds outstanding versus \$39.0 million in the previous year - a decrease of 12.5 percent. The decrease in the outstanding debt was the result of the principal payments made on the outstanding bond issues of \$2.8 million, including the partial refunding of the 2006 bond issue, and the issuance of \$19.5 million in new refunding bonds.

Those bonds consisted of the following:

	2015	2014
General obligation bonds	<u>\$ 34,050,000</u>	<u>\$ 39,020,000</u>

The School District's general obligation bond rating is AA-. The state limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. The School District's outstanding unqualified general obligation debt of \$34.0 million is significantly below this statutorily imposed limit of 15 percent (\$40.9 million) of the assessed value of all taxable property within the School District's boundaries.

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

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

Warren Woods Public Schools continues to have strong General Fund reserves; the total available fund balance is 21.12 percent of 2015 expenditures. Revenue exceeded expenditures by \$94,000 in the 2014-2015 school year. The 2015-2016 year's budget anticipates the use of \$1.74 million from fund balance. Continued attention will be focused on strong expenditure controls and close monitoring of revenue changes based on state funding and student count.

The following factors will affect the School District in the future and were considered in preparing the School District's budget for fiscal year 2016:

The 2015-2016 budget was adopted in June 2015 based on an estimated number of students who will be enrolled from September 2015 through February 2016. Based on early enrollment projections at the end of the 2014-2015 school year, the School District anticipates that the fall student count will be down by approximately 135 FTE students, and that number was used to create the 2016 budget. In an effort to sustain student enrollment and maximize funding from the state, Warren Woods Public Schools continues to provide opportunities to students throughout Macomb County through Schools of Choice.

# **Warren Woods Public Schools**

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

The School District continues to find ways to deal with a reduced level of funding per student from the foundation allowance level of \$8,489 per student during the 2008-2009 fiscal year to the 2015-2016 level of \$7,899 per student. Due to the state's own overall economic decline, Michigan school districts have been allocated funding at less than inflationary increases over the past 10 years. This decrease is due to job losses, reductions in consumer spending, and reductions in property values, which, in turn, resulted in lower revenue from income, sales, and property taxes. As a result, this limits funding available to public schools from its primary revenue source, the State of Michigan. Additionally, the School District has been challenged by increased fixed costs such as retirement and health care.

The state School Aid Act for 2015-2016 was approved prior to the start of the fiscal year with a \$70 per pupil increase in the foundation allowance for Warren Woods Public Schools. The budget, as adopted, also eliminates \$50 per pupil in best practice incentive funding from 2014-2015. 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 7.63 percent to 10.53 percent, creating additional revenue and expenditures to be reported.

The impact of the 2015-2016 state School Aid Act, along with a projected decrease in enrollment of 135 students, shows revenue decreasing by \$478,000 from \$31.5 million in 2014-2015 to \$31 million in 2015-2016. Expenditures for 2015-2016 are estimated to be \$32.7 million and include a decrease of 10 teaching positions due to enrollment, caseloads, and student schedules. Additional cost pressure continues to come from increases in the caps on the amount the School District pays toward employee health care costs.

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 \$1.7 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, 2015

	Governmental Activities
<b>Assets</b>	
Cash and investments (Note 3)	\$ 7,560,270
Receivables:	
Accounts receivable	175,670
Due from other governmental units	5,758,443
Inventories	19,847
Prepaid costs and other assets	97,367
Restricted assets (Note 1)	305,380
Capital assets - Net (Note 5)	45,956,298
	<hr/>
Total assets	59,873,275
<b>Deferred Outflows of Resources</b>	
Deferred charges on bond refunding (Note 7)	1,454,617
Deferred outflows related to pensions (Note 9)	3,489,414
	<hr/>
Total deferred outflows of resources	4,944,031
	<hr/>
Total assets and deferred outflows of resources	64,817,306
<b>Liabilities</b>	
Accounts payable	112,697
Accrued payroll-related liabilities	3,891,253
Other accrued liabilities	464,913
Due to other governmental units	313,402
Unearned revenue (Note 4)	323,428
Noncurrent liabilities (Note 7):	
Due within one year	3,275,449
Due in more than one year	34,465,126
Net pension liability (Note 9)	52,908,682
	<hr/>
Total liabilities	95,754,950
<b>Deferred Inflows of Resources</b> - Deferred inflows of resources related to pensions (Note 9)	
	<hr/>
Total liabilities and deferred inflows of resources	3,896,533
	<hr/>
Total liabilities and deferred inflows of resources	99,651,483
<b>Net Position (Deficit)</b>	
Net investment in capital assets	9,949,990
Restricted:	
Debt service	80,580
Food services	434,193
Unrestricted (deficit)	(45,298,940)
	<hr/>
Total net position (deficit)	<b><u>\$ (34,834,177)</u></b>

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

# Warren Woods Public Schools

## Statement of Activities Year Ended June 30, 2015

	Program Revenue			Governmental Activities - Net (Expense) Revenue and Changes in Net Position (Deficit)
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Functions/Programs</b>				
Primary government - Governmental activities:				
Instruction	\$ 20,223,903	\$ 52,642	\$ 6,804,083	\$ (13,367,178)
Support services	14,574,230	-	2,916,035	(11,658,195)
Bookstores	15,847	10,696	-	(5,151)
Athletics	501,247	52,048	-	(449,199)
Food services	1,495,762	437,018	1,074,063	15,319
Child care	855,232	875,198	-	19,966
Interest	1,152,266	-	-	(1,152,266)
Debt issuance and other costs	357,435	-	-	(357,435)
Depreciation expense (unallocated)	2,774,742	-	-	(2,774,742)
<b>Total primary government</b>	<b>\$ 41,950,664</b>	<b>\$ 1,427,602</b>	<b>\$ 10,794,181</b>	<b>(29,728,881)</b>
General revenue:				
Taxes:				
Property taxes, levied for general purposes				2,740,905
Property taxes, levied for debt service				3,611,051
State aid not restricted to specific purposes				23,680,239
Federal sources - Unrestricted				52,438
Interest and investment earnings				5,758
Gain on the sale of capital assets				1,241
Other				316,016
<b>Total general revenue</b>				<b>30,407,648</b>
<b>Change in Net Position</b>				<b>678,767</b>
<b>Net Position (Deficit) - As Restated - Beginning of year (Note 1)</b>				<b>(35,512,944)</b>
<b>Net Position (Deficit) - End of year</b>				<b>\$ (34,834,177)</b>

# Warren Woods Public Schools

## Governmental Funds Balance Sheet June 30, 2015

	General Fund	Special Education Center Program Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 1,336,552	\$ -	\$ 472,005	\$ 1,808,557
Investments (Note 3)	5,499,426	-	252,287	5,751,713
Receivables:				
Accounts receivable	-	-	166,258	166,258
Due from other governmental units	5,758,443	-	-	5,758,443
Due from other funds (Note 6)	20,400	129,240	349,309	498,949
Inventories	-	-	19,847	19,847
Prepaid costs and other assets	97,367	-	-	97,367
Restricted assets (Note 1)	-	-	305,380	305,380
	<u>\$ 12,712,188</u>	<u>\$ 129,240</u>	<u>\$ 1,565,086</u>	<u>\$ 14,406,514</u>
<b>Total assets</b>				
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 109,960	\$ -	\$ 2,737	\$ 112,697
Accrued payroll-related liabilities:				
Salaries payable	2,925,929	-	-	2,925,929
Payroll-related liabilities	965,324	-	-	965,324
Other accrued liabilities	240,054	-	59	240,113
Due to other governmental units	313,402	-	-	313,402
Due to other funds (Note 6)	441,683	16,154	31,700	489,537
Unearned revenue (Note 4)	203,347	113,086	6,995	323,428
	<u>5,199,699</u>	<u>129,240</u>	<u>41,491</u>	<u>5,370,430</u>
<b>Total liabilities</b>				
<b>Deferred Inflows of Resources</b> - Unavailable revenue (Note 4)	7,360	-	-	7,360
	<u>5,207,059</u>	<u>129,240</u>	<u>41,491</u>	<u>5,377,790</u>
<b>Total liabilities and deferred inflows of resources</b>				
<b>Fund Balances</b>				
Nonspendable:				
Inventories	-	-	19,847	19,847
Prepaid costs	97,367	-	-	97,367
Restricted:				
Debt service	-	-	305,380	305,380
Food services	-	-	424,475	424,475
Committed:				
Tax tribunals	100,000	-	-	100,000
Compensated absences	279,650	-	-	279,650
Child care	-	-	448,512	448,512
Assigned:				
Working capital	2,738,031	-	-	2,738,031
Subsequent year budget shortfall	1,744,248	-	-	1,744,248
Capital replacements	-	-	335,510	335,510
Unassigned	2,545,833	-	(10,129)	2,535,704
	<u>7,505,129</u>	<u>-</u>	<u>1,523,595</u>	<u>9,028,724</u>
<b>Total fund balances</b>				
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 12,712,188</u>	<u>\$ 129,240</u>	<u>\$ 1,565,086</u>	<u>\$ 14,406,514</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, 2015

<b>Fund Balance Reported in Governmental Funds</b>	\$	9,028,724
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of capital assets	\$ 88,235,287	
Accumulated depreciation	<u>(42,278,989)</u>	<u>45,956,298</u>
Grants and other receivables collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds		7,360
Deferred outflows related to pension payments made subsequent to the measurement date		3,489,414
Deferred outflows on bond refundings		1,454,617
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:		
Bonds payable including premium	(37,460,925)	
Compensated absences	<u>(279,650)</u>	(37,740,575)
Accrued interest payable is not included as a liability in governmental funds		(224,800)
Net pension obligations do not present a claim on current financial resources and are not reported as fund liabilities		(52,908,682)
Deferred inflows related to pension investment returns and changes in assumptions are not reported in the governmental funds		<u>(3,896,533)</u>
<b>Net Position (Deficit) of Governmental Activities</b>	<b>\$</b>	<b><u>(34,834,177)</u></b>

# Warren Woods Public Schools

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2015

	General Fund	Special Education Center Program Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>				
Local sources	\$ 2,976,685	\$ -	\$ 4,947,183	\$ 7,923,868
State sources	26,068,475	1,582,987	118,842	27,770,304
Federal sources	1,535,315	-	1,126,501	2,661,816
Interdistrict and other sources	902,180	3,148,612	46,196	4,096,988
Total revenue	31,482,655	4,731,599	6,238,722	42,452,976
<b>Expenditures</b>				
Current:				
Instruction	18,044,072	2,308,219	-	20,352,291
Support services:				
Pupil	2,704,995	1,545,563	-	4,250,558
Instructional staff	1,519,776	287,456	-	1,807,232
General administration	430,695	-	-	430,695
School administration	1,990,758	-	-	1,990,758
Business	587,014	-	-	587,014
Operations and maintenance	3,476,528	-	-	3,476,528
Pupil transportation services	670,820	5,083	-	675,903
Central	782,496	-	-	782,496
Other	536,981	-	543	537,524
Bookstores	-	-	15,847	15,847
Athletics	501,247	-	-	501,247
Food services	-	-	1,495,762	1,495,762
Child care	-	-	794,655	794,655
Debt service:				
Principal	-	-	2,790,000	2,790,000
Interest	-	-	1,197,749	1,197,749
Other	-	-	361,129	361,129
Capital outlay	115,760	7,600	348,941	472,301
Total expenditures	31,361,142	4,153,921	7,004,626	42,519,689
<b>Excess of Revenue Over (Under) Expenditures</b>	121,513	577,678	(765,904)	(66,713)
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	109	-	20,159	20,268
Payment to escrow agent (Note 7)	-	-	(23,028,049)	(23,028,049)
Transfers in (Note 6)	677,678	-	1,166,721	1,844,399
Transfers out (Note 6)	(705,150)	(577,678)	(561,571)	(1,844,399)
Face value of debt issued (Note 7)	-	-	19,595,000	19,595,000
Premium on debt issued (Note 7)	-	-	3,433,049	3,433,049
Total other financing (uses) sources	(27,363)	(577,678)	625,309	20,268
<b>Net Change in Fund Balances</b>	94,150	-	(140,595)	(46,445)
<b>Fund Balances - Beginning of year</b>	7,410,979	-	1,664,190	9,075,169
<b>Fund Balances - End of year</b>	<b>\$ 7,505,129</b>	<b>\$ -</b>	<b>\$ 1,523,595</b>	<b>\$ 9,028,724</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, 2015

**Net Change in Fund Balances - Total Governmental Funds** \$ (46,445)

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

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

Depreciation expense	\$ (2,774,742)	
Capitalized capital outlay	<u>365,565</u>	(2,409,177)

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 (19,027)

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 1,444

Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of activities (19,595,000)

Underwriter's discount/premium and deferred charges are reported as expenditures/revenue in the funds and amortized in the statement of activities (2,002,536)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 24,565,000

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid 45,483

Liabilities for compensated absences are recorded when earned in the statement of activities, in the current year, more was paid out than was earned 36,328

Change in pension expense related to deferred items 102,697

**Change in Net Position of Governmental Activities** **\$ 678,767**

# Warren Woods Public Schools

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## Fiduciary Funds - Agency Fund (Student Activities) Statement of Fiduciary Assets and Liabilities June 30, 2015

<b>Assets</b> - Cash and investments (Note 3)	<u>\$ 433,347</u>
<b>Liabilities</b>	
Due to student activities	\$ 423,935
Due to other funds (Note 6)	<u>9,412</u>
Total liabilities	<u>\$ 433,347</u>

# Warren Woods Public Schools

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## Notes to Financial Statements June 30, 2015

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

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

#### **Reporting Entity**

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

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position (deficit) 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, 2015

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

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

The School District reports the following major governmental funds:

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

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

Additionally, the School District reports the following fund types:

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

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

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

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

#### **Assets, Liabilities, and Net Position (Deficit) 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, 2015

### Note I - 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, 2015

### **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 (deficit). 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 financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position 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 outflow of resources related to deferred charges on refundings and deferred pension plan expenses.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School District has deferred inflows related to its pension plan.

### **Note I - 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 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

## Notes to Financial Statements June 30, 2015

### 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** - The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB Statement No. 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The statements also enhance accountability and transparency through revised note disclosures and required supplemental information. As a result of adoption of these statements, the School District has reported a net pension liability of \$56,249,916 and a beginning deferred outflow for pension contributions of \$2,831,418 made subsequent to the September 30, 2013 measurement date, as the effects of these changes in accounting principles on the School District's unrestricted net position as of July 1, 2014. The effects of these changes are summarized below.

Net position at June 30, 2014 - As previously reported	\$ 17,905,554
Net pension liability	(56,249,916)
Deferred outflow for pension contributions	<u>2,831,418</u>
Net position (deficit) at June 30, 2014 - As restated	<u>\$ (35,512,944)</u>

### 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.

# Warren Woods Public Schools

## Notes to Financial Statements June 30, 2015

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

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.

**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.

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

# Warren Woods Public Schools

## Notes to Financial Statements June 30, 2015

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

**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 \$3,393,823 included \$2,643,823 of bank deposits (short term certificates of deposit, money market, checking, and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Custodial Credit Risk of Investments** - Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have an investment policy for custodial credit risk.

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

**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, 2015, the maturities of investments and the credit quality ratings of debt securities (other than U.S. government securities) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Rating Organization</u>
Michigan Liquid Asset Fund	<u>\$ 5,054,111</u>	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.



# Warren Woods Public Schools

## Notes to Financial Statements June 30, 2015

### Note 4 - Unavailable/Unearned Revenue

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

	<u>Governmental Funds</u>	
	<u>Deferred Inflows - Unavailable</u>	<u>Liability - Unearned Revenue</u>
Grant receivables unavailable for use in the current period	\$ 7,360	\$ -
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	323,428
Total	<u>\$ 7,360</u>	<u>\$ 323,428</u>

### Note 5 - Capital Assets

Capital asset activity of the School District was as follows:

<b>Governmental Activities</b>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2015</u>
Capital assets not being depreciated:				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Construction in progress	-	25,171	-	25,171
Subtotal	4,000	25,171	-	29,171
Capital assets being depreciated:				
Land improvements	4,869,674	44,411	-	4,914,085
Buildings and improvements	68,974,461	35,651	-	69,010,112
Furniture and equipment	12,866,609	168,137	(133,285)	12,901,461
Buses and other vehicles	1,343,954	92,195	(55,691)	1,380,458
Subtotal	88,054,698	340,394	(188,976)	88,206,116
Accumulated depreciation:				
Land improvements	2,005,469	207,581	-	2,213,050
Buildings and improvements	25,879,051	1,996,421	-	27,875,472
Furniture and equipment	10,895,117	464,106	(114,258)	11,244,965
Buses and other vehicles	894,559	106,634	(55,691)	945,502
Subtotal	39,674,196	2,774,742	(169,949)	42,278,989
Net capital assets being depreciated	<u>48,380,502</u>	<u>(2,434,348)</u>	<u>(19,027)</u>	<u>45,927,127</u>
Net capital assets	<u>\$ 48,384,502</u>	<u>\$ (2,409,177)</u>	<u>\$ (19,027)</u>	<u>\$ 45,956,298</u>

# Warren Woods Public Schools

## Notes to Financial Statements June 30, 2015

### Note 5 - Capital Assets (Continued)

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

**Construction Commitments** - The School District has active construction projects at year end related to the renovation of the Hawthorn Early Childhood Center, which are being funded out of the Building and Site Fund. At June 30, 2015, the School District's commitments with contractors related to this project included a \$320,200 contract, of which \$25,171 had been spent as of that date.

### 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	\$ -	\$ 113,870	\$ 327,813	\$ 441,683
Special Education Center Program Fund	271	-	15,883	16,154
Nonmajor governmental funds	14,153	15,370	2,177	31,700
Agency Fund	5,976	-	3,436	9,412
<b>Total</b>	<b>\$ 20,400</b>	<b>\$ 129,240</b>	<b>\$ 349,309</b>	<b>\$ 498,949</b>

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	\$ -	\$ 577,678	\$ 100,000	\$ 677,678
Nonmajor governmental funds	705,150	-	461,571	1,166,721
<b>Total</b>	<b>\$ 705,150</b>	<b>\$ 577,678</b>	<b>\$ 561,571</b>	<b>\$ 1,844,399</b>

# Warren Woods Public Schools

## Notes to Financial Statements June 30, 2015

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

Transfers from the General Fund to the debt service funds, and between the debt service funds, related to the allocation of property tax revenue to designated funds. Transfers to the General Fund consist of reimbursement by the Special Education Center Program, Child Care Program, and Food Services Funds for certain indirect expenses. 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	\$ 39,020,000	\$ 19,595,000	\$ 24,565,000	\$ 34,050,000	\$ 2,935,000
Less deferred amounts:					
Bond premiums	290,360	3,433,049	312,484	3,410,925	312,484
Deferred outflows - Deferred charges on bond refunding	(336,588)	(1,253,049)	(135,020)	(1,454,617)	(135,050)
Total bonds payable	38,973,772	21,775,000	24,742,464	36,006,308	3,112,434
Compensated absences	315,978	-	36,328	279,650	27,965
Total governmental activities	\$ 39,289,750	\$ 21,775,000	\$ 24,778,792	\$ 36,285,958	\$ 3,140,399

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
2016	\$ 2,935,000	\$ 1,400,118	\$ (52,068)	\$ 1,348,050	\$ 4,283,050
2017	2,875,000	1,280,817	(46,667)	1,234,150	4,109,150
2018	2,990,000	1,165,418	(41,268)	1,124,150	4,114,150
2019	3,070,000	1,078,418	(35,868)	1,042,550	4,112,550
2020	3,175,000	971,917	(30,467)	941,450	4,116,450
2021-2025	16,620,000	3,466,942	(94,292)	3,372,650	19,992,650
2026	2,385,000	119,250	-	119,250	2,504,250
Total	\$ 34,050,000	\$ 9,482,880	\$ (300,630)	\$ 9,182,250	\$ 43,232,250

# Warren Woods Public Schools

## Notes to Financial Statements June 30, 2015

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

#### Governmental Activities

General obligation bonds consist of the following at June 30, 2015:

\$34,365,000 2006 general obligation unlimited tax and refunding bonds due in one remaining installment of \$1,700,000 at maturity on May 1, 2016; interest at 5.00 percent	\$ 1,700,000
\$5,500,000 2007 general obligation limited tax bonds due in annual installments of \$390,000 to \$515,000 through May 1, 2023; interest at 4.00 percent	3,600,000
\$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	1,640,000
\$7,515,000 2014 general obligation unlimited tax and refunding bonds due in annual installments of \$665,000 to \$840,000 through May 1, 2025; interest at 2.00 percent to 3.00 percent	7,515,000
\$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	<u>19,595,000</u>
Total bonded debt	<u>\$ 34,050,000</u>

**Advance and Current Refundings** - During February 2015, the School District issued \$19,595,000 in general obligation bonds with an average interest rate of 2.1 percent. The proceeds of these bonds were used to partially advance refund \$21,775,000 of outstanding 2006 bonds with interest rates of 4.0 to 5.0 percent. The net proceeds of \$22,837,956 (after payment of \$190,094 in underwriting fees and issuance costs and an original issue premium of \$3,433,049), plus an additional \$362,744 of 2006 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, 2015, \$21,775,000 is considered to be defeased. Subsequent to the refunding, the non-refunded principal of the original bonds totaled \$3,325,000, of which \$1,700,000 remains outstanding at June 30, 2015. The advance partial refunding reduced total debt service payments by approximately \$2,335,000, which represents an economic gain of approximately \$2,041,000.

# Warren Woods Public Schools

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## Notes to Financial Statements June 30, 2015

### 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 health care 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.

**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.

# Warren Woods Public Schools

## Notes to Financial Statements June 30, 2015

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

The range of rates are as follows:

July 1, 2013 - September 30, 2013	12.78% - 16.25%
October 1, 2013 - September 30, 2014	15.44% - 18.34%
October 1, 2014 - June 30, 2015	18.76% - 23.07%

Depending on the plan selected, plan member contributions range from none up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The School District's required and actual contributions to the plan for the years ended June 30, 2015 and 2014 were approximately \$6,132,000 and \$4,771,000, respectively. Contributions included approximately \$1,784,000 and \$1,036,000 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 years ended June 30, 2015 and 2014, respectively.

**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 0.5 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.

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.

# Warren Woods Public Schools

## Notes to Financial Statements June 30, 2015

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

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 that 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, 2015, the School District reported a liability of \$52,908,682 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013, which used update procedures to roll forward the estimated liability to September 30, 2014. 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, 2014, the School District's proportion was 0.24 percent, which, in the year of adoption, is unchanged from the proportion measured as of September 30, 2013.

For the year ended June 30, 2015, the School District recognized pension expense of \$3,627,824 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources Subsequent to Measurement Date	Net Deferred (Outflows) Inflows of Resources as of the Measurement Date
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	(1,952,217)
Net difference between projected and actual earnings on pension plan assets	-	5,849,076
Changes in proportion and differences between District's contributions and proportionate share of contributions	-	(326)
District's contributions subsequent to the measurement date	3,489,414	-
Total	\$ 3,489,414	\$ 3,896,533

# Warren Woods Public Schools

## Notes to Financial Statements June 30, 2015

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

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

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$ 954,548
2017	954,548
2018	954,548
2019	<u>1,032,889</u>
Total	<u>\$ 3,896,533</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.

**Actuarial Assumptions** - The total pension liability as of September 30, 2014 is based on the results of an actuarial valuation date of September 30, 2013 and rolled forward:

Actuarial cost method	Entry age normal cost actuarial cost method
Assumed rate of return	7.0 to 8.0 percent, net of investment and administrative expenses based on the groups
Rate of pay increases	3.5 percent
Mortality basis	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB

The actuarial assumptions used for the September 30, 2013 valuation were based on the results of an actuarial experience study for the period 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 7.0 - 8.0 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, 2015

### 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 %	4.8 %
Private equity pools	18	8.5
International equity pools	16	6.1
Fixed-income pools	10	1.5
Real estate and infrastructure pools	10	5.3
Real return, opportunistic, and absolute pool	16	6.3
Short-term investment pools	2	(0.2)
Total	<u>100 %</u>	

**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 7.0 to 8.0 percent, depending on the plan option, as well as what the School District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

1.0 Percent Decrease (6.0/7.0 percent)	Current Discount Rate (7.0/8.0 percent)	1.0 Percent Increase (8.0/9.0 percent)
\$ 69,755,491	\$ 52,908,682	\$ 38,714,998

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

**Amount payable to the Pension Plan** - At June 30, 2015, the School District reported a payable of \$675,489 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

# Warren Woods Public Schools

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## Notes to Financial Statements June 30, 2015

### 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 5.52 percent to 6.45 percent of covered payroll for the period from July 1, 2014 to September 30, 2014, and from 2.20 percent to 2.71 percent of covered payroll for the period from October 1, 2014 through June 30, 2015, 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 Section 457 account as of their transition date and create a 2 percent employer match into the employee's Section 403B account.

The School District's required and actual contributions to the plan for retiree health care benefits for the years ended June 30, 2015, 2014, and 2013 were approximately \$730,000, \$1,321,000, and \$1,906,000, respectively.

### Note 10 - Upcoming Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The School District is currently evaluating the impact this standard will have on the financial statements when adopted during the fiscal year ending June 30, 2016.

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 OPEB standard will require the School District to record in the basic 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 supplemental information. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2018.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*, which establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2016.

## **Required Supplemental Information**

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# Warren Woods Public Schools

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2015

	Original Budget	Final Amended Budget	Actual
<b>Revenue</b>			
Local sources	\$ 2,762,981	\$ 2,966,789	\$ 2,976,685
State sources	26,276,646	26,082,520	26,068,475
Federal sources	1,548,269	1,562,359	1,535,315
Interdistrict and other sources	921,779	883,956	902,289
Total revenue	31,509,675	31,495,624	31,482,764
<b>Expenditures - Current</b>			
Instruction:			
Basic program	15,520,740	14,987,223	14,871,321
Added needs	3,296,110	3,021,323	2,989,737
Adult and continuing education	242,639	293,940	270,543
Support services:			
Pupil	2,857,243	2,740,723	2,704,995
Instructional staff	1,603,408	1,589,165	1,533,255
General administration	518,786	474,871	439,010
School administration	2,080,245	2,015,081	1,990,758
Business services	627,042	603,095	587,014
Operations and maintenance	3,654,968	3,599,280	3,480,249
Transportation	745,106	735,115	670,820
Central support services	844,346	809,698	782,496
Other support services	491,448	542,590	536,981
Athletics	559,286	514,788	503,963
Total expenditures	33,041,367	31,926,892	31,361,142
<b>Excess of Expenditures Over Revenue</b>	(1,531,692)	(431,268)	121,622
<b>Other Financing Sources - Transfers out and other - Net</b>	(22,862)	(24,505)	(27,472)
<b>Net Change in Fund Balance</b>	(1,554,554)	(455,773)	94,150
<b>Fund Balance - Beginning of year</b>	7,410,979	7,410,979	7,410,979
<b>Fund Balance - End of year</b>	<u>\$ 5,856,425</u>	<u>\$ 6,955,206</u>	<u>\$ 7,505,129</u>

# Warren Woods Public Schools

## Required Supplemental Information Budgetary Comparison Schedule - Special Education Center Program Fund Year Ended June 30, 2015

	Original Budget	Final Amended Budget	Actual
<b>Revenue</b>			
State sources	\$ 1,582,059	\$ 1,583,257	\$ 1,582,987
Interdistrict and other sources	3,310,675	3,171,852	3,148,612
Total revenue	4,892,734	4,755,109	4,731,599
<b>Expenditures - Current</b>			
Instruction - Added needs	2,413,477	2,321,173	2,308,219
Support services:			
Pupil	1,581,062	1,553,095	1,545,563
Instructional staff	296,332	287,456	287,456
Operations and maintenance	-	7,600	7,600
Pupil transportation services	21,000	5,150	5,083
Total expenditures	4,311,871	4,174,474	4,153,921
<b>Excess of Revenue Over Expenditures</b>	580,863	580,635	577,678
<b>Other Financing Uses - Transfers out - Net</b>	(580,863)	(580,635)	(577,678)
<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

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### **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, 2014**

School District's proportion of the net pension liability	0.24020 %
School District's proportionate share of the net pension liability	\$ 52,908,682
School District's covered employee payroll	20,435,231
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	258.91 %
Plan fiduciary net position as a percentage of the total pension liability	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, 2015

Statutorily required contribution	\$	4,414,076
Contributions in relation to the statutorily required contribution		4,414,076
Contribution deficiency		-
School District's covered employee payroll		20,167,108
Contributions as a percentage of covered employee payroll		21.89 %

#### Note to Pension Required Supplemental Information Schedules

**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	\$ 3,926	\$ 382,339	\$ -
Investments	-	-	-
Receivables	-	16,146	150,112
Due from other funds	-	49,134	300,175
Inventories	10,129	9,718	-
Restricted assets	-	-	-
Total assets	<u>\$ 14,055</u>	<u>\$ 457,337</u>	<u>\$ 450,287</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ 220
Other accrued liabilities	-	59	-
Due to other funds	14,055	16,090	1,555
Unearned revenue	-	6,995	-
Total liabilities	14,055	23,144	1,775
<b>Fund Balances</b>			
Nonspendable - Inventories	10,129	9,718	-
Restricted:			
Debt service	-	-	-
Food services	-	424,475	-
Committed - Child care	-	-	448,512
Assigned - Capital replacements	-	-	-
Unassigned	(10,129)	-	-
Total fund balances	<u>-</u>	<u>434,193</u>	<u>448,512</u>
Total liabilities and fund balances	<u>\$ 14,055</u>	<u>\$ 457,337</u>	<u>\$ 450,287</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2015**

Debt Service Funds						Capital Projects Funds		Total Nonmajor Governmental Funds
2005 Issue	2006 Issue	2007 Issue	2012 Issue	2014 Refunding	2015 Refunding	Building and Site	2012 Capital Projects	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,740	\$ -	\$ 472,005
-	-	-	-	-	-	252,287	-	252,287
-	-	-	-	-	-	-	-	166,258
-	-	-	-	-	-	-	-	349,309
-	-	-	-	-	-	-	-	19,847
-	164,164	-	-	20,716	120,500	-	-	305,380
<b>\$ -</b>	<b>\$ 164,164</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,716</b>	<b>\$ 120,500</b>	<b>\$ 338,027</b>	<b>\$ -</b>	<b>\$ 1,565,086</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,517	\$ -	\$ 2,737
-	-	-	-	-	-	-	-	59
-	-	-	-	-	-	-	-	31,700
-	-	-	-	-	-	-	-	6,995
-	-	-	-	-	-	2,517	-	41,491
-	-	-	-	-	-	-	-	19,847
-	164,164	-	-	20,716	120,500	-	-	305,380
-	-	-	-	-	-	-	-	424,475
-	-	-	-	-	-	-	-	448,512
-	-	-	-	-	-	335,510	-	335,510
-	-	-	-	-	-	-	-	(10,129)
-	164,164	-	-	20,716	120,500	335,510	-	1,523,595
<b>\$ -</b>	<b>\$ 164,164</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,716</b>	<b>\$ 120,500</b>	<b>\$ 338,027</b>	<b>\$ -</b>	<b>\$ 1,565,086</b>

# Warren Woods Public Schools

	Special Revenue Funds		
	Bookstore Activities	Food Services	Child Care Program
<b>Revenue</b>			
Local sources	\$ 10,711	\$ 445,146	\$ 875,198
State sources	-	81,695	37,147
Federal sources	-	1,074,063	-
Interdistrict and other sources	-	42,502	-
Total revenue	10,711	1,643,406	912,345
<b>Expenditures</b>			
Current:			
Bookstore activities	15,847	-	-
Food services	-	1,495,762	-
Child care	-	-	794,655
Debt service:			
Principal	-	-	-
Interest	-	-	-
Other	-	-	-
Capital outlay	-	18,901	3,555
Total expenditures	15,847	1,514,663	798,210
<b>Excess of Revenue (Under) Over Expenditures</b>	(5,136)	128,743	114,135
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of capital assets	-	-	-
Payment to escrow agent	-	-	-
Transfers in	1,222	-	-
Transfers out	-	(75,000)	(75,000)
Face value of debt issued	-	-	-
Premium on debt issued	-	-	-
Total other financing sources (uses)	1,222	(75,000)	(75,000)
<b>Net Change in Fund Balances</b>	(3,914)	53,743	39,135
<b>Fund Balances - Beginning of year</b>	3,914	380,450	409,377
<b>Fund Balances - End of year</b>	<b>\$ -</b>	<b>\$ 434,193</b>	<b>\$ 448,512</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2015**

Debt Service Funds						Capital Projects Funds		Total
2005 Issue	2006 Issue	2007 Issue	2012 Issue	2014 Refunding	2015 Refunding	Building and Site	2012 Capital Projects	Nonmajor Governmental Funds
\$ 669,949	\$ 2,547,080	\$ -	\$ -	\$ 196,985	\$ 201,596	\$ 511	\$ 7	\$ 4,947,183
-	-	-	-	-	-	-	-	118,842
-	-	-	52,438	-	-	-	-	1,126,501
-	-	-	-	3,694	-	-	-	46,196
669,949	2,547,080	-	52,438	200,679	201,596	511	7	6,238,722
-	-	-	-	-	-	-	-	15,847
-	-	-	-	-	-	-	-	1,495,762
-	-	-	-	-	-	-	-	794,655
625,000	1,625,000	360,000	180,000	-	-	-	-	2,790,000
25,300	644,581	159,150	57,216	179,964	131,538	-	-	1,197,749
-	-	-	-	-	361,129	-	-	361,129
-	-	-	-	-	-	297,914	29,114	349,484
650,300	2,269,581	519,150	237,216	179,964	492,667	297,914	29,114	7,004,626
19,649	277,499	(519,150)	(184,778)	20,715	(291,071)	(297,403)	(29,107)	(765,904)
-	-	-	-	-	-	20,159	-	20,159
-	-	-	-	-	(23,028,049)	-	-	(23,028,049)
-	-	519,150	184,778	-	411,571	50,000	-	1,166,721
(19,827)	(391,744)	-	-	-	-	-	-	(561,571)
-	-	-	-	-	19,595,000	-	-	19,595,000
-	-	-	-	-	3,433,049	-	-	3,433,049
(19,827)	(391,744)	519,150	184,778	-	411,571	70,159	-	625,309
(178)	(114,245)	-	-	20,715	120,500	(227,244)	(29,107)	(140,595)
178	278,409	-	-	1	-	562,754	29,107	1,664,190
<b>\$ -</b>	<b>\$ 164,164</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,716</b>	<b>\$ 120,500</b>	<b>\$ 335,510</b>	<b>\$ -</b>	<b>\$ 1,523,595</b>

# Warren Woods Public Schools

## Other Supplemental Information Schedule of Bonded Indebtedness June 30, 2015

Year Ending June 30	2006 Issue* Principal	2007 Issue Principal	2012 Issue Principal	2014 Refunding Principal	2015 Refunding Principal
2016	\$ 1,700,000	\$ 390,000	\$ 180,000	\$ 665,000	\$ -
2017	-	405,000	180,000	690,000	1,600,000
2018	-	420,000	180,000	690,000	1,700,000
2019	-	440,000	180,000	725,000	1,725,000
2020	-	460,000	180,000	720,000	1,815,000
2021	-	475,000	185,000	750,000	1,890,000
2022	-	495,000	185,000	790,000	1,970,000
2023	-	515,000	185,000	810,000	2,070,000
2024	-	-	185,000	835,000	2,170,000
2025	-	-	-	840,000	2,270,000
2026	-	-	-	-	2,385,000
<b>Total</b>	<b>\$ 1,700,000</b>	<b>\$ 3,600,000</b>	<b>\$ 1,640,000</b>	<b>\$ 7,515,000</b>	<b>\$ 19,595,000</b>
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*	3.00% to 5.00%	4.00%	2.25% to 3.60%	2.00% to 3.00%	4.00% to 5.00%
Original issue	<b>\$ 34,365,000</b>	<b>\$ 5,500,000</b>	<b>\$ 2,000,000</b>	<b>\$ 7,515,000</b>	<b>\$ 19,595,000</b>

\*Non-refunded portion of original issue