

**Woodhaven-Brownstown School District
Woodhaven, Michigan**

FINANCIAL STATEMENTS

June 30, 2015

Woodhaven-Brownstown School District

Woodhaven, Michigan

June 30, 2015

BOARD OF EDUCATION AND ADMINISTRATION

Cara Pimer	President
Lynn Bertin-Kelsay	Vice-President
Robert Harris	Secretary
Jennifer Padgett	Treasurer
Bruce Burke	Trustee
Shawn MacDonell	Trustee
Shannon Bauer-Perry	Trustee

Mark Greathead	Superintendent
----------------	----------------

Woodhaven-Brownstown School District

TABLE OF CONTENTS

June 30, 2015

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-iii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iv-xii
BASIC FINANCIAL STATEMENTS	
District-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balances	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Fiduciary Fund	
Statement of Assets and Liabilities	7
Notes to Financial Statements	8-33
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	34
Budgetary Comparison Schedule - Special Education Fund	35
Schedule of Proportionate Share of Net Pension Liability	36
Schedule of Contributions	37
Notes to Required Supplementary Information	38
OTHER SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheet	39-40
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	41-42
Schedule of Bonded Indebtedness	43-44

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA



2601 Cambridge Court
Suite 201
Auburn Hills, MI 48326
(248) 844-2550
FAX: (248) 844-2551

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Woodhaven-Brownstown School District
Woodhaven, Michigan

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 Woodhaven-Brownstown School District (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's 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 Woodhaven-Brownstown School District as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note N to the financial statements, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the year. As a result, the financial statements now recognize the District's unfunded defined pension benefit obligation as a liability for the first time, and more comprehensively and comparably measures the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). Our opinions are not modified with respect to this matter.

Also as discussed in Note N to the financial statements, the District implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, during the year. As a result, the District recognized a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of proportionate share of net pension liability and contributions, as identified on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements and schedule of bonded indebtedness are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements 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 combining nonmajor fund financial statements and the schedule of bonded indebtedness are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2015, on our consideration of Woodhaven-Brownstown School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the District's internal control over financial reporting and compliance.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 29, 2015

This section of Woodhaven-Brownstown School District's annual 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 statements. These statements are organized so the reader can understand Woodhaven-Brownstown School District financially as a whole. The *District-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 longer-term view of the finances. The *Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant fund - the General Fund, and the remaining Special Revenue Funds, Capital Project Fund and Debt Service Funds collectively as other non-major governmental funds. The remaining statement, the Statement of Assets and Liabilities - Fiduciary Fund, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

District-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 result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the basic financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues 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 deferred outflows of resources and liabilities and deferred inflows of resources, 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 revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The Statement of Net Position and Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

The District-wide financial statements are full accrual basis statements. They report all the District's assets and liabilities, both short and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Service Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Position of the District-wide financial statements.

Fund Financial Statements

The fund-level financial statements are reported on the modified accrual basis. Only those assets that are "measurable" and "available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund financial statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Service Funds and the Special Revenue (School Service) Funds, which are comprised of: Cafeteria, Funded Programs, and Special Education.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No capital assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

Summary of Net Position:

The following summarizes the net position of the School District as of June 30, 2015 and 2014:

Condensed Statements of Net Position
As of June 30, 2015 and 2014

	Governmental Activities 2015	Restated Governmental Activities 2014
	<u>2015</u>	<u>2014</u>
Assets		
Current Assets	\$ 10,210,672	\$ 11,602,645
Capital Assets	<u>83,531,942</u>	<u>86,669,666</u>
Total Assets	93,742,614	98,272,311
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	6,237,088	3,370,515
Deferred amounts on refunding	<u>546,132</u>	<u>-</u>
Total Deferred Outflows of Resources	6,783,220	3,370,515
Liabilities		
Current Liabilities	11,205,707	13,444,856
Noncurrent Liabilities	<u>114,642,174</u>	<u>122,222,377</u>
Total Liabilities	125,847,881	135,667,233

Summary of Net Position - continued:

	Governmental Activities 2015	Restated Governmental Activities 2014
	<u>2015</u>	<u>2014</u>
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	\$ 7,180,320	\$ -
Net Position		
Net investment in capital assets	32,394,364	29,995,483
Restricted for capital projects	172,744	334,898
Restricted for debt service	105,417	-
Restricted for food service	93,299	134,900
Unrestricted	<u>(65,268,191)</u>	<u>(64,489,688)</u>
Total Net Position	<u>\$(32,502,367)</u>	<u>\$(34,024,407)</u>

By far the most significant portion of the District's net position is the negative unrestricted portion related to pensions. The unrestricted portion of net position declined significantly during the fiscal year as a result of the recording of the pension liability and correlating deferred outflows and inflows of resources that are required to be recorded through a change in accounting principles. The District also reports its investment in capital assets (e.g., land, buildings, equipment, and etcetera). The District uses these capital assets to provide services to students and residents of the community; consequently, these assets are *not* available for future spending. Also the amount of net position restricted for specific purposes was specifically restricted for vocational and special education purposes.

Analysis of Financial Position:

The (\$65,268,191) in unrestricted net position of governmental activities represents district funds that have not been committed contractually or for debt obligations and are available for future use. As detailed above, the District shows a deficit total net position of (\$32,502,367) for the fiscal year ended June 30, 2015. This statement can be explained by the following factors:

- The passing of a 90 million dollar construction millage in 2002. Construction projects in order to upgrade facilities and technology continued through the 2009-2010 year. This represents a significant portion of the District's total capital assets of approximately 87 million dollars, which is net of accumulated depreciation.
- Significant debt, (\$90 million) was incurred by the District in 2002 to pay for the facility projects. There have been several refundings of the bonded debt. The District's current debt outstanding related to these projects is approximately 51.6 million dollars.
- The District currently has approximately 0.4 million dollars of Capital Project and Sinking funds on hand that are restricted to be used for those purposes.

Results of Operations:

District-wide operating results for the fiscal years ended June 30, 2015 and 2014 (Note: the 2014 column is prior to the implementation of GASB No. 68 which was effective for fiscal years being after June 15, 2014):

Condensed Statements of Activities
Years Ended June 30, 2015 and 2014

	Governmental Activities 2015	Governmental Activities 2014
	<u>2015</u>	<u>2014</u>
Revenues:		
Program Revenues		
Charges for Service	\$ 1,181,594	\$ 1,162,567
Operating Grants	12,571,411	11,527,772
General Revenues		
Property Taxes	14,939,181	14,893,259
State School Aid-unrestricted	29,289,960	28,767,989
Other	<u>201,008</u>	<u>107,670</u>
Total Revenues	<u>58,183,154</u>	<u>56,459,257</u>
Functions/Program Expenses		
Instruction	30,495,923	29,478,741
Supporting services	18,301,602	17,703,650
Community services	16,117	30,210
Food service	1,636,354	1,519,544
Interest on long-term debt	1,146,681	2,825,879
Unallocated depreciation	<u>5,064,437</u>	<u>5,100,777</u>
Total Expenses	<u>56,661,114</u>	<u>56,658,801</u>
Change in Net Position	<u>\$ 1,522,040</u>	<u>\$ (199,544)</u>

Analysis of Results of Operations:

During fiscal year ended June 30, 2015, the District's net position increased by \$1,520,990. Several factors which helped cause the increase are discussed in the following sections.

A. Governmental Fund Operating Results

The District's expenditures and other financing uses from governmental fund operations exceeded revenues and other financing sources by (\$673,121) for the fiscal year ended June 30, 2015. Further discussion of the District's operating results is available in the section entitled "Results of 2014-2015 Operations" located below.

B. Depreciation Expense in Excess of Capital Outlay

The cost of capital assets is allocated over the useful lives of the assets as depreciation expense. During 2014-2015, the District's investment in new or replacement assets was less than the current year depreciation and loss on disposal of assets, causing a decrease in net district assets. The District's overall net capital assets decreased by \$3,137,724 calculated as the difference between new capital investments of \$1,926,713 and depreciation allocated against the useful lives of district assets \$5,064,437.

Analysis of Results of Operations - continued:

C. Long-Term Debt Activities

The District decreased its long-term debt obligations during 2014-2015 by making principal payments amounting to \$5,070,000 and refunding \$9,265,000 of the 2006B bonds; reduction in accrued interest cost of \$41,254 on outstanding debt was incurred by the District during the fiscal year. Also, compensated absences and accrued vacation liabilities increased by \$113,543. As a result of these activities, net district long-term debt liabilities decreased by \$4,915,956.

Results of 2014-2015 Operations

During fiscal year ended June 30, 2015, the District net position increased by \$1,522,040. A few additional significant factors affecting net position during the year are discussed below:

A. General Fund Operations

The General Fund is the main fund for the District and includes all the costs related to educating and providing athletic activities for the students of the Woodhaven-Brownstown School District such as: Salaries and benefits for Teachers, Classroom Aides, Administrators, Secretaries, Aides, Librarians, Counselors, and other miscellaneous positions; teaching supplies, employee training, utilities, building maintenance supplies and other.

The District's General Fund expenditures exceeded revenues by \$766,986 for the fiscal year ended June 30, 2015. The General Fund as of June 30, 2015, has a fund balance of \$2,259,800, or 5.2% of expenditures for the 2014-2015 fiscal year. The School District continues to seek ways in which to become more efficient and through union negotiations in order to continue to build fund equity and allow for increased expenditures to meet student needs and to meet the fluctuations that result from State of Michigan funding.

B. Debt Service Fund Operations

The Debt Service Funds consist of seven (7) separate debt funds as follows: 2003 debt, 2004 debt, 2006 Debt, 2006B Debt, 2009 debt, 2009B Debt, and 2015 Debt. The Debt Service Funds are set up to collect taxes and pay annual debt payments. At June 30, 2015, the Debt Service Funds had \$480,750 in fund equity available for future bond payments.

The School District levies taxes to make debt payment obligations. If taxes levied are not sufficient the School District will borrow funds from the Michigan School Bond Loan Fund. Any funds borrowed from the Michigan School Bond Loan Fund will be paid back toward the end of the bond obligations. The District had School Loan Revolving Fund obligations in 2014-2015 and will continue to participate in 2014-2015. The School District had compensated absences and accrued vacation liabilities outstanding at June 30, 2015, which totaled \$1,678,372.

Results of 2014-2015 Operations - continued

B. Debt Service Fund Operations - continued

The District made principal payments on bonded, long-term debt obligations that reduced the amount of the District's long-term liabilities as follows:

	Principal Balance <u>June 30, 2014</u>	Additions and New Debt	Principal Payments	Principal Balance <u>June 30, 2015</u>
2003 Bonds	\$ 365,000	\$ -	\$ 365,000	\$ -0-
2004 Bonds	1,125,000	-	1,125,000	-0-
2006 Bonds	39,420,000	-	2,070,000	37,350,000
2006 B Bonds	14,270,000	-	9,265,000	5,005,000
2009 Bonds	1,275,000	-	1,275,000	-0-
2009 B Bonds	700,000	-	235,000	465,000
2015 Bonds	-	8,970,000	-	8,970,000
Unamortized bond premium	(1,332,598)	(1,024,761)	(726,871)	(1,630,488)
School loan revolving fund	851,751	633,391	-	1,485,142
	<u>\$ 56,674,153</u>	<u>\$ 8,578,630</u>	<u>\$ 13,608,129</u>	<u>\$ 51,644,654</u>
Total long-term bond obligations				

C. School Service Funds

The Woodhaven-Brownstown School District also has school service funds that include the following: Cafeteria Fund, Funded Projects Fund, and the Special Education Fund.

The Cafeteria Fund is a fund that reports the food service program. In 2014-2015, the Cafeteria Fund had revenues (including transfers) of \$1,603,237 and expenditures (including transfers) of \$1,644,838. At June 30, 2015, the Cafeteria Fund had a fund balance of \$93,299.

The Funded Projects Fund is a fund that reports all activities related to the Federal and State grant programs. In 2014-2015, the Funded Projects Fund had revenues of \$3,123,590 and expenditures (including transfers) of \$3,123,590. The Funded Projects Fund maintains a zero fund balance.

The Special Education TOTE Fund is a fund that reports all activities related to services provided to Special Education TOTE students. In 2014-2015, the Special Education TOTE Fund had revenues (including transfers and payments from other districts) of \$3,207,302 and expenditures (including transfers) of \$3,207,302. The Special Education TOTE Fund maintains a zero fund balance.

D. Net Investment in Capital Assets

The District's net investment in capital assets decreased by \$3,137,724 during the fiscal year. This can be summarized as follows:

	Balance <u>June 30, 2014</u>	Net Additions	Balance <u>June 30, 2015</u>
Capital assets	\$ 158,975,709	\$ 1,926,713	\$ 160,902,422
Less: accumulated depreciation	<u>(72,306,043)</u>	<u>(5,064,437)</u>	<u>(77,370,480)</u>
Net investment in capital outlay	<u>\$ 86,669,666</u>	<u>\$ (3,137,724)</u>	<u>\$ 83,531,942</u>

IMPORTANT ECONOMIC FACTORS

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 90 percent of current year's fall count and 10 percent of current year's winter count
- c. The District's non-homestead property valuation

Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Woodhaven-Brownstown School District foundation allowance was \$7,357 per student for the 2014-2015 school year.

Student Enrollment:

The District's blended student enrollment for 2014-2015 was 4,983 students. The District's enrollment increased from the prior school year's student count. The following summarizes blended student enrollments in the past five (5) years:

	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2014 - 2015	4,983	21
2013 - 2014	4,962	18
2012 - 2013	4,944	100
2011 - 2012	4,844	(129)
2010 - 2011	4,973	(331)

Subsequent to year end, preliminary student enrollments for 2015-2016 indicate that enrollments will increase slightly.

2. Property Taxes levied for General Operations (General Fund Non-Homestead Taxes)

The District levies 18.0000 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or five (5) percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value. The District's non-homestead property tax levy for 2014-2015 fiscal year was \$6,798,443. The non-homestead tax levy decreased by approximately 0.7 percent from the prior year.

3. Debt Fund Property Taxes

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2014-2015, the District's debt millage levy was 7 mills that generated revenue of \$7,145,398.

IMPORTANT ECONOMIC FACTORS - CONTINUED

4. Sinking Fund Property Taxes

The voters of Woodhaven-Brownstown School District approved a Sinking Fund millage to fund capital improvements and related activities. The District's Sinking Fund levy, which is used to pay the capital related costs, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2014-2015, the District Sinking Fund millage levy was 0.9778 mills that generated revenue of \$995,340.

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

Listed below is an analysis of the original budget and final budget to the final actual.

General Fund Expenditures Budget vs. Actual

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variances</u>	
				<u>Actual & Original Budget</u>	<u>Actual & Final Budget</u>
2014 - 2015	\$ 42,695,892	\$ 43,494,113	\$ 43,269,239	2.36%	0.52%

General Fund Revenues Budget vs. Actual

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variances</u>	
				<u>Actual & Original Budget</u>	<u>Actual & Final Budget</u>
2014 - 2015	\$ 41,664,773	\$ 41,958,077	\$ 41,631,695	0.07%	0.04%

Original vs. Final Budget:

The Uniform Budget Act of the State of Michigan requires that the Board of Education approve the original budget for the upcoming year prior to July 1, the start of the fiscal year.

As a matter of practice, Woodhaven-Brownstown School District amends its budget periodically during the school year. The June 2015 budget amendment was the final budget for the fiscal year.

Revenue Change from Original to Final Budget:

		<u>Percent</u>
Total Revenues Original Budget	\$ 41,664,773	100.00
Total Revenues Final Budget	<u>41,958,077</u>	<u>100.07</u>
Increase in Budget Revenues	<u>\$ 293,304</u>	<u>0.07</u>

The District's actual General Fund revenues were less than the final budget by \$52,908, a negative variance of 0.1 percent from the final budget.

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES - CONTINUED

General Fund Expenditures:

The District's budget for expenditures changed as follows during the year:

		<u>Percent</u>
Total Expenditures Original Budget	\$ 42,695,892	100.00
Total Expenditures Final Budget	<u>43,494,113</u>	<u>97.64</u>
Decrease in Budget Expenditures	<u>\$ 798,221</u>	<u>2.36</u>

The District's actual expenditures were less than the final budget by \$224,874; a positive variance of 0.5 percent from the final budget.

Additional Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the School District's 2016 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2016 fiscal year is 10 percent and 90 percent of the February 2015 and September 2015 student counts, respectively. The 2016 fiscal year budget was adopted in June 2015, based on an estimate of students that will be enrolled in September 2015. Approximately 80 percent to 85 percent of total General Fund revenues are from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2015-2016 school year, we anticipated that the fall student count will be increased slightly. This was above the anticipated student count used in creating the 2016 fiscal year budget. Once the final student count and related per pupil funding is validated, appropriate budget amendments will be adopted.

Since the School District's revenue is heavily dependent on State Funding and the status of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, it can be obtained by contacting the following person:

Mr. Mark Greathead
Superintendent
Woodhaven-Brownstown School District
24821 Hall Road
Woodhaven, MI 48183
Phone: (734) 783-3300

BASIC FINANCIAL STATEMENTS

Woodhaven-Brownstown School District

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 2,635,620
Accounts receivable	184,518
Due from other governmental units	7,268,224
Prepays	86,524
Inventories	35,786
	<u>10,210,672</u>
Total current assets	10,210,672
Noncurrent assets	
Capital assets not being depreciated	1,101,436
Capital assets, net of accumulated depreciation	82,430,506
	<u>83,531,942</u>
Total noncurrent assets	83,531,942
TOTAL ASSETS	93,742,614
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	6,237,088
Deferred amounts on refunding	546,132
	<u>6,783,220</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,783,220
LIABILITIES	
Current liabilities	
Accounts payable	559,601
Accrued payroll	3,393,855
Accrued interest payable	375,333
Other accrued liabilities	2,066,073
Due to other governmental units	1,141,688
Unearned revenue	42,862
Current portion of compensated absences	167,837
Current portion of long-term debt	3,458,458
	<u>11,205,707</u>
Total current liabilities	11,205,707
Noncurrent liabilities	
Noncurrent portion of compensated absences	1,510,535
Noncurrent portion of long-term debt	48,186,226
Net pension liability	64,945,413
	<u>114,642,174</u>
Total noncurrent liabilities	114,642,174
TOTAL LIABILITIES	125,847,881
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	7,180,320
	<u>7,180,320</u>
NET POSITION	
Net investment in capital assets	32,394,364
Restricted for capital projects	172,744
Restricted for debt service	105,417
Restricted for food service	93,299
Unrestricted	(65,268,191)
	<u>\$ (32,502,367)</u>
TOTAL NET POSITION	\$ (32,502,367)

See accompanying notes to financial statements.

Woodhaven-Brownstown School District

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Governmental Activities	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position
Functions/Programs		Charges for Services	Operating Grants	Governmental Activities
Instruction	\$ 30,495,923	\$ 108,631	\$ 7,455,305	\$ (22,931,987)
Supporting services	18,301,602	464,002	4,138,530	(13,699,070)
Community services	16,117	-	-	(16,117)
Food service	1,636,354	608,961	977,576	(49,817)
Interest on long-term debt	1,146,681	-	-	(1,146,681)
Unallocated depreciation	5,064,437	-	-	(5,064,437)
TOTAL EXPENSES	\$ 56,661,114	\$ 1,181,594	\$ 12,571,411	(42,908,109)
General revenues				
				6,798,443
				7,145,398
				995,340
				29,289,960
				3,712
				20,706
				176,590
				44,430,149
				1,522,040
				(34,024,407)
				\$ (32,502,367)

See accompanying notes to financial statements.

Woodhaven-Brownstown School District

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

	General	Special Education	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 2,031,844	\$ -	\$ 603,776	\$ 2,635,620
Accounts receivable	167,373	-	17,145	184,518
Due from other funds	-	1,142,324	461,422	1,603,746
Due from other governmental units	7,268,224	-	-	7,268,224
Prepays	86,524	-	-	86,524
Inventories	14,527	-	21,259	35,786
TOTAL ASSETS	\$ 9,568,492	\$ 1,142,324	\$ 1,103,602	\$ 11,814,418
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 328,801	\$ 2,395	\$ 228,405	\$ 559,601
Accrued payroll	3,393,855	-	-	3,393,855
Other accrued liabilities	2,065,833	-	240	2,066,073
Due to other funds	1,489,505	-	114,241	1,603,746
Due to other governmental units	1,759	1,139,929	-	1,141,688
Unearned revenue	28,939	-	13,923	42,862
TOTAL LIABILITIES	7,308,692	1,142,324	356,809	8,807,825
FUND BALANCES				
Nonspendable				
Prepays and inventories	101,051	-	21,259	122,310
Restricted				
Capital projects	-	-	172,744	172,744
Debt service	-	-	480,750	480,750
Food service	-	-	72,040	72,040
Assigned				
Subsequent year's expenditures	117,737	-	-	117,737
Building and site maintenance	26,170	-	-	26,170
Unassigned	2,014,842	-	-	2,014,842
TOTAL FUND BALANCES	2,259,800	-0-	746,793	3,006,593
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,568,492	\$ 1,142,324	\$ 1,103,602	\$ 11,814,418

See accompanying notes to financial statements.

Woodhaven-Brownstown School District

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION

June 30, 2015

Total fund balance - governmental funds **\$ 3,006,593**

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 159,990,788	
Accumulated depreciation is	<u>(76,458,846)</u>	
		83,531,942

Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the District-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	6,237,088	
Deferred inflows of resources related to pensions	<u>(7,180,320)</u>	
		(943,232)

Governmental funds report the difference between the carrying amount of the defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of net position. These amounts consist of:

Deferred amounts on refunding		546,132
-------------------------------	--	---------

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Unamortized bond premium	1,630,488	
Bonds payable	(51,790,000)	
School Loan Revolving Fund	(1,485,172)	
Accrued interest payable	(375,333)	
Compensated absences	(1,678,372)	
Net pension liability	<u>(64,945,413)</u>	
		<u>(118,643,802)</u>

Net position of governmental activities **\$ (32,502,367)**

Woodhaven-Brownstown School District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

Year Ended June 30, 2015

	General	Special Education	Nonmajor Governmental Funds	Total
REVENUES				
Local sources	\$ 7,273,933	\$ -	\$ 8,756,826	\$ 16,030,759
State sources	34,084,885	917,731	943,568	35,946,184
Federal sources	272,877	-	3,151,164	3,424,041
TOTAL REVENUES	41,631,695	917,731	12,851,558	55,400,984
EXPENDITURES				
Current				
Instruction	27,841,283	-	2,700,938	30,542,221
Supporting services	15,006,681	2,863,663	459,043	18,329,387
Community services	-	-	16,117	16,117
Food service	-	-	1,638,838	1,638,838
Capital outlay	421,275	-	1,144,871	1,566,146
Debt service				
Principal retirement	-	-	5,070,000	5,070,000
Interest, fiscal, and other charges	-	-	2,460,938	2,460,938
TOTAL EXPENDITURES	43,269,239	2,863,663	13,490,745	59,623,647
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,637,544)	(1,945,932)	(639,187)	(4,222,663)
OTHER FINANCING SOURCES (USES)				
Transfers in	377,959	-	56,700	434,659
Transfers out	-	(343,639)	(91,020)	(434,659)
Proceeds from School Loan Revolving Fund	-	-	633,391	633,391
Payments from other districts	492,599	2,289,571	-	2,782,170
Payments to escrow agents	-	-	(9,860,780)	(9,860,780)
Bond premium	-	-	1,024,761	1,024,761
Proceeds from bond issuance	-	-	8,970,000	8,970,000
TOTAL OTHER FINANCING SOURCES (USES)	870,558	1,945,932	733,052	3,549,542
NET CHANGE IN FUND BALANCES	(766,986)	-0-	93,865	(673,121)
Fund balances, beginning of year	3,026,786	-	652,928	3,679,714
Fund balances, end of year	<u>\$ 2,259,800</u>	<u>\$ -0-</u>	<u>\$ 746,793</u>	<u>\$ 3,006,593</u>

See accompanying notes to financial statements.

Woodhaven-Brownstown School District

RECONCILIATION OF THE STATEMENT OF REVENUES, 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 **\$ (673,121)**

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

Capital outlay is reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,926,713	
Depreciation expense	<u>(5,064,437)</u>	
 Excess of depreciation expense over capital outlay		 (3,137,724)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Bond and note principal retirement	5,070,000	
Proceeds from School Loan Revolving Fund	(633,391)	
Proceeds from Refunding Bond	(8,970,000)	
Transfer to escrow agent	9,860,780	
Change in deferred amount on refunding	546,132	
Change in bond premiums	<u>(297,890)</u>	
		5,575,631

Some expenditures reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. In the current period, these amounts consist of:

Decrease in net pension liability	4,143,290	
Change in deferred outflows of resources related to pensions	2,866,573	
Change in deferred inflows of resources related to pensions	(7,180,320)	
Decrease in accrued interest payable	41,254	
(Increase) in compensated absences and accrued vacation liabilities	<u>(113,543)</u>	
		<u>(242,746)</u>

Change in net position of governmental activities **\$ 1,522,040**

Woodhaven-Brownstown School District

STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUND

June 30, 2015

	<u>Student Activities</u>
ASSETS	
Cash and cash equivalents	<u>\$ 534,711</u>
LIABILITIES	
Due to student groups and activities	<u>\$ 534,711</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Woodhaven-Brownstown School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of Woodhaven-Brownstown School District. The District has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements contain all the funds controlled by the District.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the district-wide financial statements) present information for the District as a whole. All nonfiduciary activities of the District are included (i.e., fiduciary fund activities are not included in the district-wide financial statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, unrestricted State aid payments, and other general revenue and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District utilizes governmental and fiduciary funds.

The governmental fund financial statements present the District's individual major funds and aggregated nonmajor funds. A separate column is shown for each major fund on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column. Fiduciary funds are reported by type.

The major funds of the District are:

General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District, except those required to be accounted for in another fund.

Special Education Fund - The Special Education Fund is used to account for money or other resources provided to the District to support the special education programs.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The district-wide and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for fiduciary agency fund since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty (60) days of the end of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The District reports unearned revenue on its governmental funds balance sheet. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty (60) days of year-end. Unearned revenues also arise when the District receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

If/when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources if they are needed.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types.

The District maintains a formalized encumbrance accounting system. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as committed fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year-end; the commitments will be re-appropriated and honored during the subsequent year. All annual appropriations lapse at fiscal year-end.

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

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means for financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.
- d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level must be approved by the School Board.
- e. The Superintendent is authorized to transfer budgeted amounts for purposes of meeting emergency needs of the District; however, these transfers must be approved subsequently by the Board of Education.
- f. Formal budgetary integration is employed as a management control device during the year for the General Fund and all Special Revenue Funds.
- g. The budget, as presented, has been amended in a legally permissible manner.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of checking and savings accounts, pooled investment funds, short-term investments, and imprest cash with an original maturity of 90 days or less. Cash equivalents are recorded at market value.

7. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the governmental funds balance sheet.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Due from Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs and State Aid payments. The State of Michigan's funding stream of State Aid payments results in the final two (2) payments for the fiscal year ended June 30, 2015, to be paid in July and August 2015. The total amount of \$7,268,224 due from other governmental units consists of \$6,636,786 related to State Aid and \$631,438 for other governmental grants.

9. Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

10. Inventories

Inventories are stated at cost on a first in/first out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventory that will be sold, rather than used in providing services (i.e., food in the Cafeteria Fund), and for which the proceeds from the sales are restricted for food service activities are not classified as "nonspendable" but instead are reflected as a component of restricted fund balance in accordance with GASB Statement No. 54.

11. Capital Assets

Capital assets include land and improvements, buildings and additions, equipment, furniture, and other assets, and buses and other vehicles and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost greater than \$5,000 and an estimated useful life of more than one (1) year. Capital assets also include individual cost items that are less than \$5,000 if the items were part of a large purchase to equip buildings. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the half-year convention method over the following useful lives:

Land improvements	20 years
Buildings and additions	20 - 50 years
Equipment, furniture, and other assets	5 - 20 years
Buses and other vehicles	8 years

The District has no assets that would be classified as infrastructure assets.

12. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Compensated absences consist of earned but unused accumulated vacation and sick leave benefits and other severance benefits. Accumulated vested severance amounts and nonvested severance amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a long-term liability in the district-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the district-wide financial statements related to interest payable on general obligation bonds.

14. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the governmental funds balance sheet, when applicable, will report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position/fund balance that applies to a future period and it will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two (2) items that qualify for reporting in this category for deferred outflows of resources related to pensions that are reported in the district-wide financial statement of net position. Deferred outflows of resources related to pensions result from changes in assumptions and contributions subsequent to the measurement date. Deferred outflows of resources for deferred amounts on refunding results from the differences in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position and the balance sheet, when applicable, will report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position/fund balance that applies to a future period and it will not be recognized as an inflow of resources (revenue) until that time. The District only has one (1) item that qualifies for reporting in this category for deferred inflows of resources related to pensions that are reported in the district-wide financial statement of net position. Deferred inflows of resources related to pensions result from the net difference between projected and actual earnings on pension plan investments and changes in proportionate share and differences between the District's contributions and proportionate share of contributions.

15. Unearned Revenue

The unexpended balance of various federal and/or state categorical and local grants is carried forward as unearned revenue until the period in which eligible expenditures are incurred. Other monies collected in advance, such as summer school, community education programs, summer school lunch, recreational programs, and industrial facilities taxes are also unearned. These same amounts have been shown as "unearned revenue" to indicate that the revenue has not been recognized because it has not been earned.

16. Long-term Obligations

Long-term debt is recognized as a liability in the district-wide financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term. Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

17. Net Pension Liability

The net pension liability is deemed to be a noncurrent liability and is recognized on the district-wide financial statements as the District's proportionate share of the Michigan Public School Employees' Retirement System's (MPERS) total pension liability, less the pension plan's fiduciary net position.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

18. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 of the following year for 100 percent of the taxes that are due September 30. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls. School district property tax revenues are recognized when levied to the extent that they result in current revenue (collected as of year-end). Amounts received subsequent to June 30 are recognized as revenue when collected.

The District levies taxes of \$18.0000 per \$1,000 of taxable valuation on nonhomestead property for general governmental services. The District also levies a total of \$7.0000 per \$1,000 of taxable valuation for debt service and a total of \$0.9778 per \$1,000 of taxable valuation of all property for sinking fund purposes. Total taxable value of all properties within the District amounted to \$1,006,169,649.

19. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995, the State utilized a district power equalizing approach. The foundation is funded from state and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2015, the foundation allowance was based on the average of pupil membership counts taken in October 2014 and February 2015. The average calculation was weighted 90% for the October 2014 count and 10% for the February 2015 count.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by nonhomestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine (9) payments made during the fiscal year and two (2) payments made subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

20. State Categorical Revenue

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as unearned revenue.

21. Interfund Transactions

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers on the governmental fund financial statements. Transfers are netted as part of the reconciliation to the district-wide financial statements.

22. Restrictions of Net Position

Restrictions of net position shown in the district-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

23. Federal Programs

Federal programs are accounted for in the specific governmental fund to which they relate. The District has not integrated its Single Audit reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

24. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

25. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH AND CASH EQUIVALENTS

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
2. Certificates of deposit issued by a State or National bank, savings accounts of a State or Federal savings and loan association, or certificates of deposit or share certificates of a State or Federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
5. United States government or federal agency obligation repurchase agreements.
6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation (FDIC).
7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks and credit unions in the State of Michigan in the name of the District.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Deposits

There is custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2015, the carrying amount of the District's deposits was \$727,476 and the bank balance was \$1,178,066 of which \$267,849 was covered by federal depository insurance. The balance of \$910,217 was uninsured and uncollateralized. The 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 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.

Investments

As of June 30, 2015, the carrying amounts and market values for each type of investment as reported in the cash and cash equivalents captions on the combined balance sheet are as follows:

<u>Investment Type</u>	<u>Carrying Amount/ Market Value</u>	<u>Weighted Average Maturity</u>	<u>Rating</u>
Uncategorized - Pooled investment funds			
Comerica Government Cash Investment Fund	\$ 1,981,117	51 days	Not rated
JPMorgan Chase Michigan Government Standard MILAF+ MAX Class	44,612	44 days	Moody's Aaa
	416,776	72 days	S&P AAAM
	<u>\$ 2,442,505</u>		

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The District's investments currently subject to rating are shown above.

Interest rate risk

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

Concentration of credit risk

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

Custodial credit risk

The District will minimize custodial risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with the Board approved policy. The District does not hold any investments subject to custodial credit risk of investments at year end.

Woodhaven-Brownstown School District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

As of June 30, 2015, the District's deposits and investments were reported in financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 2,635,620</u>	<u>\$ 534,711</u>	<u>\$ 3,170,331</u>

The District had \$350 of cash on hand at June 30, 2015.

Due to significantly higher cash flows at certain periods during the year, the amount the District held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at those peak periods than at year-end.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Balance July 1, 2014</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance June 30, 2015</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 879,837	\$ -	\$ -	\$ 879,837
Construction in progress	531,490	221,599	(531,490)	221,599
Total capital assets not being depreciated	1,411,327	221,599	(531,490)	1,101,436
Capital assets being depreciated				
Land improvements	10,443,967	54,515	-	10,498,482
Buildings and additions	129,175,357	1,412,720	-	130,588,077
Equipment, furniture, and other assets	15,275,581	579,381	-	15,854,962
Buses and other vehicles	2,669,477	189,988	(911,634)	1,947,831
Total capital assets being depreciated	157,564,382	2,236,604	(911,634)	158,889,352
Less accumulated depreciation for:				
Land improvements	(3,995,720)	(522,661)	-	(4,518,381)
Building and additions	(53,017,934)	(3,922,919)	-	(56,940,853)
Equipment, furniture, and other assets	(13,014,980)	(541,029)	-	(13,556,009)
Buses and other vehicles	(2,277,409)	(77,828)	911,634	(1,443,603)
Total accumulated depreciation	(72,306,043)	(5,064,437)	911,634	(76,458,846)
Net capital assets being depreciated	85,258,339	(2,827,833)	-0-	82,430,506
Capital assets, net	<u>\$ 86,669,666</u>	<u>\$ (2,606,234)</u>	<u>\$ (531,490)</u>	<u>\$ 83,531,942</u>

Total depreciation expense of \$5,064,437 was not allocated to government functions. It appears on the statement of activities as "unallocated."

Woodhaven-Brownstown School District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE D: LONG-TERM DEBT

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due within One Year
Bonds payable	\$ 57,155,000	\$ 8,970,000	\$ 14,335,000	\$ 51,790,000	\$ 3,665,000
Unamortized bond premium	(1,332,598)	(1,024,761)	(726,871)	(1,630,488)	(206,542)
School loan revolving fund	851,781	633,391	-	1,485,172	-
Other obligations	1,564,829	710,023	596,480	1,678,372	167,837
Total	<u>\$ 58,239,012</u>	<u>\$ 9,288,653</u>	<u>\$ 14,204,609</u>	<u>\$ 53,323,056</u>	<u>\$ 3,626,295</u>

Significant details regarding outstanding long-term debt (including current portions) are presented below:

Bonds Payable

\$44,615,000 Refunding Bonds dated February 22, 2006, due in annual installments of \$2,085,000 to \$2,295,000 through May 2032; interest at 4.00% to 5.00%.	\$ 37,350,000
\$14,270,000 School Building and Site Bonds dated October 18, 2006, due in annual installments of \$380,000 to \$1,125,000 beginning in May 2016 through May 2020; interest at 4.00% to 5.00%.	5,005,000
\$1,915,000 Refunding Bonds dated November 1, 2009, due in annual installments of \$230,000 to \$235,000 through May 2017; interest ranging from 4.00% to 5.00%.	465,000
\$8,970,000 Refunding Bonds dated March 18, 2015, due in semi-annual installments of \$820,000 to \$1,175,000 through May 2027; interest at 4.00%.	<u>8,970,000</u>
	<u>\$ 51,790,000</u>

Michigan School Bond Loan Program

In April 2015, the District borrowed from the Michigan School Bond Qualification and Loan Program. Repayment is due when the District has funds available as determined by the State of Michigan. Interest accrues on the unpaid balance. During the year, the interest rate was 3.41183 percent.

The District made no payments on the outstanding balance during this fiscal year. The balances at June 30, 2015, are as follows:

Loan balance	\$ 1,446,146
Interest balance	<u>39,026</u>
	<u>\$ 1,485,172</u>

Woodhaven-Brownstown School District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE D: LONG-TERM DEBT - CONTINUED

Other Obligations

Other long-term obligations include the following:

Employee compensated absences	\$ 1,620,835
Accrued vacation	<u>57,537</u>
	<u>\$ 1,678,372</u>

Annual Requirements for Bonded Debt

The annual requirements to pay the debt principal and interest on general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 3,665,000	\$ 2,251,997	\$ 5,916,997
2017	3,645,000	2,037,240	5,682,240
2018	3,465,000	1,868,540	5,333,540
2019	3,465,000	1,718,240	5,183,240
2020	3,460,000	1,562,015	5,022,015
2021-2025	16,875,000	5,728,325	22,603,325
2026-2030	13,030,000	2,487,725	15,517,725
2031-2032	<u>4,185,000</u>	<u>282,150</u>	<u>4,467,150</u>
	<u>\$ 51,790,000</u>	<u>\$ 17,936,232</u>	<u>\$ 69,726,232</u>

Advance Refunding - Prior

The District has issued various refunding bonds to defease bonded debt. These refundings were accomplished by establishing irrevocable trusts with escrow agents composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The various refunding bonds were used to fund escrow amounts, pay the cost of issuance of the refunding bonds, and to pay the remaining balances the defeased obligations. Accordingly, the various trust account assets and liabilities for the defeased bonds are not included in the District's financial statements.

Advance Refunding - Current

On March 18, 2015, the District defeased a portion of the 2006B Refunding Bonds, which are due and payable May 1, 2020 through May 1, 2027. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2015 Refunding Bonds in the amount of \$8,970,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2015, bonds due and payable May 1, 2016 through May 1, 2025 for the 2006B Refunding Site Bonds in the amount of \$9,265,000 are considered defeased.

As a result of the advance refunding, the District decreased its total debt service requirements by \$963,743, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$857,092.

Woodhaven-Brownstown School District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

Amounts appearing as interfund payables and receivables arise from two (2) types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

The amount of interfund receivables and payables at June 30, 2015, are as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
General Fund		
Special Education Fund	\$ -	\$ 1,142,324
Nonmajor governmental funds	-	347,181
Special Education Fund		
General Fund	1,142,324	-
Nonmajor governmental funds		
General Fund	347,181	-
Nonmajor governmental funds	<u>114,241</u>	<u>114,241</u>
	<u>\$ 1,603,746</u>	<u>\$ 1,603,746</u>

NOTE F: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to General Fund from:	
Special Education Fund	\$ 343,639
Nonmajor governmental funds	<u>34,320</u>
	<u>\$ 377,959</u>
Transfers to nonmajor governmental funds from:	
Nonmajor governmental funds	<u>\$ 56,700</u>

The transfer to the General Fund from the Special Education Fund was to fund special education expenses. The transfer from the Funded Projects Fund to the Cafeteria Fund was to fund-at-risk cafeteria expenses. Transfers between Debt Service Funds were made to fund bond principal and interest payments.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE G: EMPLOYEE RETIREMENT SYSTEM

PLAN DESCRIPTION

The Michigan Public School Employees' Retirement System (MPERS) (the System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at <http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html>. MPERS board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member. The Governor appointed board members consist of:

- Two active classroom teachers or other certified school personnel.
- One active member or retirant from a non-certified support position.
- One active school system superintendent.
- One active finance or operations (non-superintendent) member.
- One retirant from a classroom teaching position.
- One retirant from a finance or operations management position.
- One administrator or trustee of a community college that is a reporting unit of the System.
- Two from the general public, one with health insurance or actuarial science experience, and one with institutional investment experience.
- One elected member of a reporting unit's board of control.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees' Retirement Act. There are 685 participating employers. The System is a qualified pension trust fund under section 401(a) of the Internal Revenue Code. By statute, employees of K-12 public school districts, public school academies, district libraries, tax-supported community colleges and seven universities may be members. The seven universities are: Eastern Michigan, Central Michigan, Northern Michigan, Western Michigan, Ferris State, Michigan Technological, and Lake Superior State. Employees, who first become employed by one of the seven universities on or after January 1, 1996, become members of an alternative plan.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report.

The System is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

Membership

At September 30, 2014, the System's membership consisted of the following:

Inactive plan members or their beneficiaries currently receiving benefits:	
Regular benefits	181,489
Survivor benefits	16,855
Disability benefits	<u>6,168</u>
Total	204,512

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PLAN DESCRIPTION - CONTINUED

Membership - continued

Inactive plan members entitled to but not yet receiving benefits:	16,979
Active plan members:	
Vested	108,934
Non-vested	<u>101,843</u>
Total	<u>210,777</u>
Total plan members	<u>432,268</u>

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Member Contributions

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008, or later including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987, or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

BENEFITS PROVIDED - CONTINUED

Member Contributions - continued

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Their options are described in detail under Pension Reform 2012. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

Employer Contributions

Each school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The System's financial statements are prepared using the accrual basis of accounting. Contributions from the employers are recognized as revenue when due and payable. Benefits and refunds are recognized when due and payable in accordance with the terms of the System. The reserves are described below and details are provided in the supporting schedules.

GASB Statement No. 67, which was adopted during the year ended September 30, 2014, addresses accounting and financial reporting requirements for pension plans. The requirements for GASB Statement No. 67 require changes in presentation of the financial statements, notes to the financial statements, and required supplementary information.

Significant changes include an actuarial calculation of total and net pension liability. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures. The implementation of GASB Statement No. 67 did not significantly impact the accounting for accounts receivable and investment balances.

Reserves

Reserve for Employee Contributions - This reserve represents active member contributions and interest less amounts transferred to the Reserve for Retired Benefit Payments for regular and disability retirement, amounts refunded to terminated members, and amounts transferred to the Reserve for Employer Contributions representing unclaimed funds.

Members no longer contribute to this reserve except to purchase eligible service credit or repay previously refunded contributions. At September 30, 2014, the balance in this reserve was \$1.5 billion.

Reserve for Pension Plus Employee Contributions - This reserve represents active member contributions and interest less amounts transferred to the Reserve for Pension Plus Retired Benefit Payments for regular retirement, amounts refunded to terminated members, and amounts transferred to the Reserve for Pension Plus Employer Contributions representing unclaimed funds. This reserve was established under the provisions of Public Act 75 of 2010. At September 30, 2014, the balance in this reserve was \$59.5 million.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reserves - continued

Reserve for Member Investment Plan - This reserve represents MIP contributions and interest less refunds and transfers to the Reserve for Retired Benefit Payments. At September 30, 2014, the balance in this reserve was \$4.7 billion.

Reserve for Employer Contributions - This reserve represents all reporting unit contributions, except payments for health benefits. Interest from the Reserve for Undistributed Investment Income reserve is credited annually. Amounts are transferred annually to the Reserve for Retired Benefit Payments to bring the balance of that reserve into balance with the actuarial present value of retirement allowances. At September 30, 2014, the balance in this reserve was (\$25.8) billion.

Reserve for Pension Plus Employer Contributions - This reserve represents all reporting unit contributions for Pension Plus members, except payments for health benefits. Interest from the Reserve for Undistributed Investment Income reserve is credited annually at a rate of 7%. Amounts are transferred annually to the Reserve for Retired Pension Plus Benefit Payments to bring the balance of that reserve into balance with the actuarial present value of retirement allowances. This reserve was established under the provisions of Public Act 75 of 2010. At September 30, 2014, the balance in this reserve was \$55.5 million.

Reserve for Retired Benefit Payments - This reserve represents payments of future retirement benefits to current retirees. At retirement, a member's accumulated contributions plus interest are transferred into this reserve. Monthly benefits, which are paid to the retiree, reduce this reserve. At the end of each fiscal year, an amount, determined by an annual actuarial valuation, is transferred from the Reserve for Employer Contributions to bring the balance of this reserve into balance with the actuarial present value of retirement allowances. At September 30, 2014, the balance in this reserve was \$44.6 billion.

Reserve for Retired Pension Plus Benefit Payments - This reserve represents payments of future retirement benefits to current Pension Plus retirees. At retirement, a member's accumulated contributions plus interest are transferred into this reserve. Monthly benefits, which are paid to the retiree, reduce this reserve. At the end of each fiscal year, an amount, determined by an annual actuarial valuation, is transferred from the Reserve for Pension Plus Employer Contributions to bring the balance of this reserve into balance with the actuarial present value of retirement allowances. This reserve was established under the provisions of Public Act 75 of 2010. Currently, there are no participants qualified to retire under this program. At September 30, 2014, the balance in this reserve was \$0.

Reserve for Undistributed Investment Income - This reserve represents all investment earnings. Interest is transferred annually to the other reserves. Administrative expenses of the System are paid from the Reserve for Administrative Expenses, which is credited with amounts from the Reserve for Undistributed Investment Income to cover the expenses. For ease of reporting and understanding, the two reserves are presented as one reserve in the supporting schedules. Public Act 143 of 1997 established a stabilization subaccount within the Reserve for Undistributed Investment Income to which any over funding is credited. As of September 30, 2014, the balance in the subaccount was zero. At September 30, 2014, the balance in this reserve was \$18.6 billion.

Reserve for Health (OPEB) Related Benefits - This reserve is credited with employee and employer contributions for retirees' health, dental, and vision benefits. Starting in fiscal year 2013, the employer contribution is based on a prefunded basis and represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed thirty years. In addition, in fiscal year 2014, federal funding for Medicare Part D and Employer Group Waiver Plan (EGWP) was paid directly to a third party vendor. The third party vendor uses the EGWP funding for any claims submitted and bills the system for any remaining claims outstanding. Premiums for health, dental and vision benefits are paid from this reserve. At September 30, 2014, the balance in this reserve was \$3.5 billion.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reporting Entity

The System is a pension and other employee benefit trust fund of the State. As such, the System is considered part of the State and is included in the State's Comprehensive Annual Financial Report as a pension and other employee benefit trust fund. The System and its Board are not financially accountable for any other entities or other organizations.

Benefit Protection

Public Act 100 of 2002 was passed by the Michigan Legislature to protect pension benefits of public employees from alienation (being transferred). Alienation is attachment, garnishment, levy, execution, bankruptcy, or other legal process except for divorce orders or eligible domestic relation orders. The statutes governing the System contained an "antialienation" clause to provide for this protection; however, many smaller public pension systems did not have the benefit of this protection. Therefore, Public Act 100 of 2002 was passed to establish legal protection of pension assets that encompasses all public employees.

Fair Value of Investments

Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. The fair value of private investments is based on the net asset value reported in the financial statements of the respective investment entity. The net asset value is determined in accordance with governing documents of the investment entity, and is subject to an independent annual audit. Securities purchased with cash collateral under securities lending activities are recorded at estimated fair value. Other investments not having an established market are recorded at estimated fair value.

Investment Income

Dividend and interest income is recognized on the accrual basis. Fair value changes are recorded as investment income or loss. Purchases and sales of investments are recorded as of the trade date (the date upon which the transaction is initiated), except for purchase and sale of mortgages, real estate, and alternative investments which are recorded as of the settlement date (the date upon which the transaction is ultimately completed). The effect of recording such transactions as of the settlement date does not materially affect the System's financial statements.

Costs of Administering the System

Each year a restricted State general fund appropriation is requested to fund the on-going business operations of the System. These administrative costs are ultimately funded by the System through the regular transfer of funds from the System to the State's general fund based on either a direct cost or allocation basis depending on the nature of the expense. Costs of administering the System are financed by undistributed investment income of the System.

Cash

At September 30, 2014, the System had \$246.7 million in a common cash investment pool maintained for various State operating funds. The participating funds in the common cash pool earn interest at various rates depending upon prevailing short-term interest rates. Earnings from these activities amounted to (\$0.6) thousand for the year ended September 30, 2014.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

CONTRIBUTIONS AND FUNDING STATUS

The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided". Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of the September 30, 2014 valuation will be amortized over a 22 year period for the 2014 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2014.

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0 %	18.34 - 19.61 %
Member Investment Plan	3.0 - 7.0	18.34 - 19.61
Pension Plus	3.0 - 6.4	18.11
Defined Contribution	0.0	15.44 - 16.61

The System may reconcile with actuarial requirements annually. If the system reconciles in a year, any funding excess or deficiency for pension benefits is smoothed over a maximum of 5 years, with at least one-fifth (20%) of the funding excess or deficiency included in the subsequent year's contribution. This payment is not recognized as a payable or receivable in the accounting records. If the System does not reconcile in a year, any funding excess or deficiency for pension benefits is accounted for in subsequent required contributions over the remaining amortization period. For fiscal year 2014, the System did not reconcile.

In May 1996, the Internal Revenue Service issued a private letter ruling allowing the System's members to purchase service credit and repay refunds using tax-deferred (pre-tax) dollars. The program was implemented in fiscal year 1998, and payments began in fiscal year 1999.

The program allows members to purchase service credit and repay refunds on a tax-deferred basis. Members sign an irrevocable agreement that identifies the contract duration, monthly payment, total contract amount, and years of service credit being purchased. The duration of the contract can range from 1 to 20 years. The amounts are withheld from members' paychecks and are treated as employer pick-up contributions pursuant to Internal Revenue Code Section 414(h). At September 30, 2014, there were 16,503 agreements. The agreements were discounted using the assumed actuarial rate of return of 8% for September 30, 2014. The average remaining length of a contract was approximately 6.0 years for 2014. The short-term receivable was \$29.7 million and the discounted long-term receivable was \$83.6 million at September 30, 2014.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY

Measurement of the MPSERS Net Pension Liability

The plan's net pension liability is to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

MPSERS (Plan) Net Pension Liability - Non-University
As of September 30, 2014

Total Pension Liability	\$ 65,160,887,182
Plan Fiduciary Net Position	<u>43,134,384,072</u>
Net Pension Liability	<u><u>\$ 22,026,503,110</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.20%
Net Pension Liability as a percentage of Covered-Employee Payroll	250.11%

Year 1 MPSERS GASB 68 implementation recognizes a 0.00% change in the reporting unit's proportionate share between beginning net pension liability and ending net pension liability.

MPSERS (Plan) Net Pension Liability - Non-University
As of October 1, 2013

Total Pension Liability	\$ 62,859,499,994
Plan Fiduciary Net Position	<u>39,427,686,072</u>
Net Pension Liability	<u><u>\$ 23,431,813,922</u></u>

Proportionate Share of Woodhaven-Brownstown School District's Net Pension Liability

At September 30, 2014, Woodhaven-Brownstown School District reported a liability of \$64,945,413 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 rolled forward from September 30, 2013, as of that date. The District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all reporting units' statutorily required contributions for the measurement period. At September 30, 2014, the District's proportionate share percent was 0.29485 percent.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

Long-Term Expected Return on Plan Assets

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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0 %	4.8 %
% Alternative Investment Pools	18.0	8.5
International Equity	16.0	6.1
Fixed Income Pools	10.5	1.5
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	15.5	6.3
Short Term Investment Pools	<u>2.0</u>	-0.2
Total	<u><u>100 %</u></u>	

*Long term rate of return does not include 2.5% inflation

Rate of Return

For the fiscal year ended September 30, 2014, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 12.58%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

As required by GASB Statement No. 68, the following presents the reporting unit's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what the reporting unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%
\$ 85,624,872	\$ 64,945,413	\$ 47,522,664

Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed at least every year. If the actuarial valuation is not calculated as of the plan's fiscal year end, the total pension liability is required to be rolled forward from the actuarial valuation date to the pension plan's fiscal year end.

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 using generally accepted actuarial procedures.

Actuarial Valuations and Assumptions

Actuarial valuations for the pension plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

Actuarial Valuations and Assumptions - continued

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Actuarial Assumptions

Wage Inflation Rate:	3.5%
Investment Rate of Return	
- MIP and Basic Plans (Non-Hybrid):	8.0%
- Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Healthcare Cost Trend Rate:	8.5% Year 1 graded to 3.5% Year 12
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For Retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

PENSION EXPENSES AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended June 30, 2015, the District recognized total pension expense of \$5,260,760. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	2,396,347	-
Net difference between projected and actual earnings on pension plan investments	-	7,179,742
Changes in proportion and differences between Woodhaven-Brownstown School District's contributions and proportionate share of contributions	-	578
Woodhaven-Brownstown School District's contributions subsequent to the measurement date	<u>3,840,741</u>	<u>-</u>
Total	<u>\$ 6,237,088</u>	<u>\$ 7,180,320</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PENSION EXPENSES AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS - CONTINUED

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

Deferred (Inflows) and Deferred Outflows of Resources by Year (To Be Recognized In Future Pension Expenses)

<u>Year Ending September 30,</u>	<u>Amount</u>
2015	\$ (1,171,962)
2016	(1,171,962)
2017	(1,171,962)
2018	(1,268,087)

NOTE H: OTHER POST-EMPLOYMENT BENEFITS

PLAN DESCRIPTION

The Michigan Public School Employees' Retirement System (MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at <http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html>.

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental, and vision coverage through MPERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10.0 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPERS 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.

Contribution rates for the year ended June 30, 2015, are as follows:

	<u>Health Contribution Rate</u>	
	<u>Basic/MIP</u>	<u>Pension Plus</u>
July 1, 2014 - September 30, 2014	5.52 - 6.45%	5.52 - 6.45%
October 1, 2014 - June 30, 2015	2.20 - 2.71%	2.20 - 2.71%

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

PLAN DESCRIPTION - CONTINUED

The District's required and actual contributions to the various plans for the last three fiscal years are as follows:

Fiscal Year Ended June 30,	Defined Benefit Plan	Defined Contribution Plan	
	Employer Health Contributions	Employer Contributions	Employee Contributions
2015	\$ 1,345,864	\$ 36,614	\$ 55,506
2014	1,456,485	29,005	41,704
2013	2,167,262	18,672	32,770

NOTE I: RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for property, fleet, liability, in-land marine, equipment breakdown, builder's risk, employee dishonesty, crime, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insurer Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

NOTE J: SINKING FUND

The Sinking Fund of the District is funded by a voted millage as well as other local dollars (i.e., interest, etc.). For expenditures recorded within the Sinking Fund, the District has complied with the applicable provisions of Section 1212(1) of the Revised School Code in current and prior years.

NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) classifications of fund balance under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the District's highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish a fund balance commitment has not been determined by the District.

For assigned fund balance, the District has not approved a policy indicating who is authorized to assign amounts to a specific purpose. As a result, this authority is retained by the Board of Education.

Woodhaven-Brownstown School District has not formally adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy, the District considers restricted amounts to have been spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available.

The School Board has adopted a fund balance policy. The fund balance policy prescribes the minimum unassigned fund balance as ranging from five (5) to twenty (20) percent of annual expenditures and outgoing transfers. This is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment. At June 30, 2015, the District is in compliance with the Board adopted policy for minimum unassigned fund balance.

NOTE L: RESTATEMENT OF BEGINNING NET POSITION

Beginning net position has been restated for governmental activities due to a change in accounting principles:

Ending net position as of 6/30/14	\$ 31,693,781
Beginning net pension liability	(69,088,703)
Beginning deferred outflows for contributions subsequent to the measurement date	<u>3,370,515</u>
Restated net position as of 6/30/14	<u><u>\$(34,024,407)</u></u>

NOTE M: CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE N: CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented during the current year. The statement 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 cost of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, was implemented during the year as it is required to be applied simultaneously with the provisions of GASB Statement No. 68. The statement addresses an issue regarding the application of the transition provisions of GASB Statement No. 68 and amends paragraph 137 of GASB Statement No. 68 and requires that, at transition, the District recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability.

NOTE O: UPCOMING ACCOUNTING PRONOUNCEMENTS

In March 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurement. The District is currently evaluating the impact this standard will have on the financial statements when adopted for the District's 2015-2016 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The District is currently evaluating the impact this standard will have on the financial statements when adopted during the District's 2017-2018 fiscal year.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the District's 2016-2017 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Woodhaven-Brownstown School District

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 7,309,434	\$ 7,319,559	\$ 7,273,933	\$ (45,626)
State sources	33,887,845	34,060,741	34,084,885	24,144
Federal sources	467,494	577,777	272,877	(304,900)
TOTAL REVENUES	41,664,773	41,958,077	41,631,695	(326,382)
EXPENDITURES				
Current				
Instruction	27,244,297	27,762,301	27,841,283	(78,982)
Support services	14,258,083	14,482,642	14,218,683	263,959
Athletics	857,089	833,651	787,998	45,653
Capital outlay	336,423	415,519	421,275	(5,756)
TOTAL EXPENDITURES	42,695,892	43,494,113	43,269,239	224,874
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,031,119)	(1,536,036)	(1,637,544)	(101,508)
OTHER FINANCING SOURCES (USES)				
Transfers in	978,055	1,072,236	377,959	(694,277)
Transfers out	(677,089)	(656,651)	-	656,651
Payments from other districts	204,500	219,125	492,599	273,474
TOTAL OTHER FINANCING SOURCES	505,466	634,710	870,558	235,848
NET CHANGE IN FUND BALANCE	(525,653)	(901,326)	(766,986)	134,340
Fund balance, beginning of year	3,026,786	3,026,786	3,026,786	-0-
Fund balance, end of year	<u>\$ 2,501,133</u>	<u>\$ 2,125,460</u>	<u>\$ 2,259,800</u>	<u>\$ 134,340</u>

Woodhaven-Brownstown School District

BUDGETARY COMPARISON SCHEDULE - SPECIAL EDUCATION FUND

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State sources	\$ 960,292	\$ 960,292	\$ 917,731	\$ (42,561)
EXPENDITURES				
Supporting services				
Pupil	<u>3,004,609</u>	<u>3,304,702</u>	<u>2,863,663</u>	<u>441,039</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(2,044,317)	(2,344,410)	(1,945,932)	398,478
OTHER FINANCING SOURCES (USES)				
Transfers out	(273,055)	(387,674)	(343,639)	44,035
Payments from other districts	<u>2,317,372</u>	<u>2,732,084</u>	<u>2,289,571</u>	<u>(442,513)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,044,317</u>	<u>2,344,410</u>	<u>1,945,932</u>	<u>(398,478)</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	-0-	-0-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Woodhaven-Brownstown School District

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Michigan Public School Employee Retirement Plan

Last Fiscal Year (ultimately ten fiscal years will be displayed)
(Amounts were determined as of 9/30 of each fiscal year)

	<u>2014</u>
Woodhaven-Brownstown School District's proportion of net pension liability (%)	0.29485%
Woodhaven-Brownstown School District's proportionate share of net pension liability	\$ 64,945,413
Woodhaven-Brownstown School District's covered employee payroll	\$ 24,928,415
Woodhaven-Brownstown School District's proportionate share of net pension liability as a percentage of its covered employee payroll	260.53%
Plan fiduciary net position as a percentage of total pension liability	66.20%

Woodhaven-Brownstown School District

SCHEDULE OF CONTRIBUTIONS

Michigan Public School Employee Retirement Plan

Last Fiscal Year (ultimately ten fiscal years will be displayed)
(Amounts were determined as of 6/30 of each fiscal year)

	<u>2015</u>
Statutorily required contributions	\$ 5,042,098
Contributions in relation to statutorily required contributions	<u>5,042,098</u>
Contribution deficiency (excess)	<u>\$ -0-</u>
Woodhaven-Brownstown School District's covered employee payroll	\$ 25,962,230
Contributions as a percentage of covered employee payroll	19.42%

Woodhaven-Brownstown School District

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2015

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2015, the District incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Current			
Instruction	\$ 27,762,301	\$ 27,841,283	\$ 78,982
Capital outlay	415,519	421,275	5,756

NOTE B: MICHIGAN PUBLIC SCHOOL EMPLOYEE RETIREMENT PLAN

Changes of benefit terms: There were no changes of benefit terms in 2015.

Changes of assumptions: There were no changes of benefit assumptions in 2015.

OTHER SUPPLEMENTARY INFORMATION

Woodhaven-Brownstown School District

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2015

	<u>Special Revenue Funds</u>		
	<u>Funded Projects</u>	<u>Cafeteria</u>	<u>Sinking Fund</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 111,550	\$ 443,210
Accounts receivable	-	17,145	-
Due from other funds	5,178	24,510	-
Inventories	-	21,259	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 5,178</u>	<u>\$ 174,464</u>	<u>\$ 443,210</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 5,178	\$ 67,002	\$ 156,225
Other accrued liabilities	-	240	-
Due to other funds	-	-	114,241
Unearned revenue	-	13,923	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	5,178	81,165	270,466
FUND BALANCES			
Nonspendable			
Inventories	-	21,259	-
Restricted			
Capital projects	-	-	172,744
Debt service	-	-	-
Food service	-	72,040	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>-0-</u>	<u>93,299</u>	<u>172,744</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,178</u>	<u>\$ 174,464</u>	<u>\$ 443,210</u>

Debt Service Funds

2003 Debt	2004 Debt	2006 Debt	2006B Debt	2009 Debt	2009B Debt	2015 Debt	Total
\$ 6,748	\$ 9,371	\$ 22	\$ 18,565	\$ 9,906	\$ -	\$ 4,404	\$ 603,776
-	-	-	-	-	-	-	17,145
40,530	60,875	6,011	205,189	68,959	50,170	-	461,422
-	-	-	-	-	-	-	21,259
<u>\$ 47,278</u>	<u>\$ 70,246</u>	<u>\$ 6,033</u>	<u>\$ 223,754</u>	<u>\$ 78,865</u>	<u>\$ 50,170</u>	<u>\$ 4,404</u>	<u>\$ 1,103,602</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 228,405
-	-	-	-	-	-	-	240
-	-	-	-	-	-	-	114,241
-	-	-	-	-	-	-	13,923
-0-	-0-	-0-	-0-	-0-	-0-	-0-	356,809
-	-	-	-	-	-	-	21,259
-	-	-	-	-	-	-	172,744
47,278	70,246	6,033	223,754	78,865	50,170	4,404	480,750
-	-	-	-	-	-	-	72,040
<u>47,278</u>	<u>70,246</u>	<u>6,033</u>	<u>223,754</u>	<u>78,865</u>	<u>50,170</u>	<u>4,404</u>	<u>746,793</u>
<u>\$ 47,278</u>	<u>\$ 70,246</u>	<u>\$ 6,033</u>	<u>\$ 223,754</u>	<u>\$ 78,865</u>	<u>\$ 50,170</u>	<u>\$ 4,404</u>	<u>\$ 1,103,602</u>

Woodhaven-Brownstown School District

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2015

	<u>Special Revenue Funds</u>		
	<u>Funded Projects</u>	<u>Cafeteria</u>	<u>Sinking Fund</u>
REVENUES			
Local sources	\$ 6,434	\$ 608,961	\$ 995,995
State sources	882,384	61,184	-
Federal sources	<u>2,234,772</u>	<u>916,392</u>	<u>-</u>
TOTAL REVENUES	3,123,590	1,586,537	995,995
EXPENDITURES			
Current			
Instruction	2,700,938	-	-
Support services	361,515	-	13,278
Community services	16,117	-	-
Food service	-	1,638,838	-
Capital outlay	-	-	1,144,871
Debt service			
Principal retirement	-	-	-
Interest, fiscal, and other charges	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>3,078,570</u>	<u>1,638,838</u>	<u>1,158,149</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	45,020	(52,301)	(162,154)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	16,700	-
Transfers to other funds	(45,020)	(6,000)	-
Proceeds from School Loan Revolving Fund	-	-	-
Transfer to escrow agent	-	-	-
Bond premium	-	-	-
Bond proceeds	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(45,020)</u>	<u>10,700</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCES	-0-	(41,601)	(162,154)
Fund balances, beginning of year	<u>-</u>	<u>134,900</u>	<u>334,898</u>
Fund balances, end of year	<u>\$ -0-</u>	<u>\$ 93,299</u>	<u>\$ 172,744</u>

Debt Service Funds

2003 Debt	2004 Debt	2006 Debt	2006B Debt	2009 Debt	2009B Debt	2015 Debt	Total
\$ 394,957	\$ 1,224,937	\$ 3,169,358	\$ 673,479	\$ 1,376,792	\$ 305,913	\$ -	\$ 8,756,826
-	-	-	-	-	-	-	943,568
-	-	-	-	-	-	-	3,151,164
394,957	1,224,937	3,169,358	673,479	1,376,792	305,913	-0-	12,851,558
-	-	-	-	-	-	-	2,700,938
8,475	14,543	34,348	7,970	15,404	3,510	-	459,043
-	-	-	-	-	-	-	16,117
-	-	-	-	-	-	-	1,638,838
-	-	-	-	-	-	-	1,144,871
365,000	1,125,000	2,070,000	-	1,275,000	235,000	-	5,070,000
13,870	56,250	1,738,631	439,675	50,235	32,700	129,577	2,460,938
387,345	1,195,793	3,842,979	447,645	1,340,639	271,210	129,577	13,490,745
7,612	29,144	(673,621)	225,834	36,153	34,703	(129,577)	(639,187)
-	-	40,000	-	-	-	-	56,700
-	-	-	(40,000)	-	-	-	(91,020)
-	-	633,391	-	-	-	-	633,391
-	-	-	-	-	-	(9,860,780)	(9,860,780)
-	-	-	-	-	-	1,024,761	1,024,761
-	-	-	-	-	-	8,970,000	8,970,000
-0-	-0-	673,391	(40,000)	-0-	-0-	133,981	733,052
7,612	29,144	(230)	185,834	36,153	34,703	4,404	93,865
39,666	41,102	6,263	37,920	42,712	15,467	-	652,928
<u>\$ 47,278</u>	<u>\$ 70,246</u>	<u>\$ 6,033</u>	<u>\$ 223,754</u>	<u>\$ 78,865</u>	<u>\$ 50,170</u>	<u>\$ 4,404</u>	<u>\$ 746,793</u>

Woodhaven-Brownstown School District
 SCHEDULE OF BONDED INDEBTEDNESS
 Year Ended June 30, 2015

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal June 30, 2015</u>	<u>Annual Interest Payable</u>
2006 GENERAL OBLIGATION UNLIMITED TAX BONDS, DATED 2/22/2006, TOTAL ISSUED - \$44,615,000				
	5.00%	5/1/2016	\$ 2,295,000	\$ 1,601,740
	5.00%	5/1/2017	2,290,000	1,486,990
	4.00%	5/1/2018	2,295,000	1,372,490
	4.25%	5/1/2019	2,270,000	1,280,690
	4.15%	5/1/2020	2,260,000	1,184,215
	4.00%	5/1/2021	2,250,000	1,090,425
	4.00%	5/1/2022	2,230,000	1,000,425
	4.00%	5/1/2023	2,215,000	911,225
	4.00%	5/1/2024	2,200,000	822,625
	4.00%	5/1/2025	2,180,000	734,625
	4.00%	5/1/2026	2,160,000	647,425
	4.00%	5/1/2027	2,140,000	561,025
	4.50%	5/1/2028	2,135,000	475,425
	4.50%	5/1/2029	2,130,000	379,350
	4.50%	5/1/2030	2,115,000	283,500
	4.50%	5/1/2031	2,100,000	188,325
	4.50%	5/1/2032	<u>2,085,000</u>	<u>93,825</u>
Total			37,350,000	14,114,325
SCHOOL BUILDING AND SITE BONDS, SERIES 2006 B, DATED 10/18/2006, TOTAL ISSUED - \$14,270,000				
	4.00%	5/1/2016	1,135,000	227,650
	4.00%	5/1/2017	1,125,000	182,250
	5.00%	5/1/2018	1,170,000	137,250
	5.00%	5/1/2019	1,195,000	78,750
	5.00%	5/1/2020	<u>380,000</u>	<u>19,000</u>
Total			5,005,000	644,900

Woodhaven-Brownstown School District

SCHEDULE OF BONDED INDEBTEDNESS - CONTINUED

Year Ended June 30, 2015

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal June 30, 2015</u>	<u>Annual Interest Payable</u>
LOCAL GOVERNMENTAL LOAN PROGRAM				
REVENUE BONDS, SERIES 2009 B, DATED				
11/1/2009, TOTAL ISSUED - \$1,915,000				
	5.00%	5/1/2016	\$ 235,000	\$ 20,950
	4.00%	5/1/2017	<u>230,000</u>	<u>9,200</u>
Total			465,000	30,150
2015 GENERAL OBLIGATION UNLIMITED				
TAX BONDS, DATED 3/18/2015, TOTAL				
ISSUED - \$8,970,000				
	4.00%	5/1/2016	-	401,657
	4.00%	5/1/2017	-	358,800
	4.00%	5/1/2018	-	358,800
	4.00%	5/1/2019	-	358,800
	4.00%	5/1/2020	820,000	358,800
	4.00%	5/1/2021	1,150,000	326,000
	4.00%	5/1/2022	1,150,000	280,000
	4.00%	5/1/2023	1,150,000	234,000
	4.00%	5/1/2024	1,175,000	188,000
	4.00%	5/1/2025	1,175,000	141,000
	4.00%	5/1/2026	1,175,000	94,000
	4.00%	5/1/2027	<u>1,175,000</u>	<u>47,000</u>
Total			<u>8,970,000</u>	<u>3,146,857</u>
Total Bonds Payable			<u>\$ 51,790,000</u>	<u>\$ 17,936,232</u>