

Whitehall District Schools

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2018



Whitehall District Schools

TABLE OF CONTENTS

Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	4
Basic Financial Statements	
District-wide Financial Statements	
Statement of Net Position.....	18
Statement of Activities	19
Fund Financial Statements	
Governmental Funds	
Balance Sheet	20
Reconciliation of the Governmental Funds Balance	
Sheet to the Statement of Net Position.....	21
Statement of Revenues, Expenditures and Changes	
in Fund Balances	22
Reconciliation of the Governmental Funds Statement	
of Revenues, Expenditures and Changes in Fund	
Balances to the Statement of Activities	23
Statement of Fiduciary Assets and Liabilities	24
Notes to Financial Statements	25
Required Supplementary Information	
Budgetary Comparison Schedule—General Fund.....	50
Budgetary Comparison Schedule—Community Education Fund	51
Schedule of the School District's Proportionate Share of the Net Pension Liability	52
Schedule of the School District's Pension Contributions	53
Schedule of the School District's Proportionate Share of the Net OPEB Liability	54
Schedule of the School District's OPEB Contributions	55
Notes to Required Supplementary Information.	56
Other Supplemental Information	
Other Governmental Funds	
Combining Balance Sheet	58
Combining Statement of Revenues, Expenditures and Changes	
in Fund Balances	59

INDEPENDENT AUDITOR'S REPORT

Board of Education
Whitehall District Schools
Whitehall, 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 Whitehall District Schools (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School 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.

Board of Education
Whitehall District Schools
Page 2

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 Whitehall District Schools as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As described in Note N to the financial statements, Whitehall District Schools implemented Governmental Accounting Standards Board (GASB) Statement 75—*Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information on pages 4 through 17 and 50 through 56 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 Whitehall District Schools' basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Board of Education
Whitehall District Schools
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018, on our consideration of Whitehall District Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Whitehall District Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Whitehall District Schools' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brickley DeLong, P.C." The signature is written in a cursive, flowing style.

Muskegon, Michigan
October 12, 2018

Whitehall District Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

Management's discussion and analysis of Whitehall District Schools' financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this Management Discussion and Analysis is to provide, in simple terms, a look at the District's past performance and current position. Readers may also review the financial statements, and notes to the financial statements to enhance their understanding of the District's financial performance.

This information is required by GASB 34 (Governmental Accounting Standards Board's Statement No. 34). GASB 34 requires the presentation of two basic types of financial statements; namely, District-wide Financial Statements and Fund Financial Statements. Certain comparative information between the current year and the prior year is typically presented in the MD&A.

Overview of the Financial Statements

This annual report consists of five parts: (1) the independent auditor's report, (2) management's discussion and analysis (this section), (3) the basic financial statements, (4) required supplementary information, and (5) other supplemental information. The financial statements include notes that explain some of the information in the statements by providing detailed data. These statements are followed by a section of required supplementary information that further explains and supports the financial statements, utilizing a comparison to the District's budget for the year. Additionally, the basic financial statements also include two kinds of statements that present different views of the District.

District-Wide Financial Statements

The district-wide financial statements are full accrual basis statements that provide information about the District's overall financial status. They are used to help determine whether or not the District is in a better or worse financial position as a result of the year's activities. The Statement of Net Position reports all of the District's assets, deferred outflows and inflows, and liabilities, both short-term and long-term, whether they are "current" [available or due within the next year] or not. Capital assets and long-term obligations of the District are reported in this statement. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets, deferred outflows and inflows, and liabilities, is one way to measure the District's financial health or position. Over time, increases or decreases in net position is an indicator of whether the District's financial position is improving or deteriorating.

In order to accurately assess the District's overall health, the reader should also consider additional non-financial factors such as changes in the District's property tax base, the quality of the education provided, and the condition of the District's buildings.

In district-wide statements, the District's activities are classified as governmental activities. Governmental activities include most of the District's basic services, such as regular and special education, food service, athletics, transportation, and administration. Property taxes and state aid finance most of these services.

Whitehall District Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

Fund Financial Statements

The fund financial statements focus on individual parts of the District, while reporting the District's operations in more detail than the district-wide statements. The fund level statements are reported on a modified accrual basis. Only those assets that are measurable and currently available are reported. Liabilities are recognized to the extent that they are expected to be paid with current financial resources.

Fund 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: special revenue funds for Community Education, Food Service, & Technology/Security activities, debt service funds, capital project funds, and fiduciary funds.

In fund financial statements, capital asset purchases are reported as expenditures in the year of acquisition. No asset is 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.

In addition to the General Fund, which is required to be reported individually as a major fund, the District reports the Community Education Fund as a major fund. This fund represents the operations of White Lake Area Community Education, a five-district consortium for which the District serves as the fiscal agent.

Michigan law allows school districts to combine debt funds into a single common debt fund. The combined amounts in a single fund require that fund to be considered a major fund.

The voters of the Whitehall District Schools District passed a bond issue in November 2016 authorizing the issuance of up to \$12.9 million. The bond proceeds and investment earnings were projected to support \$12.945 million in projects covering facilities upgrades, technology infrastructure upgrades, bus replacements, issuance costs & interest costs. Bonds were sold in April 2017 with a principal value of \$11.67 million and premium of \$1.61 million. The final installment of debt repayment is in 2034-35, the same as previous debt issues. The 2017 School Building and Site Fund is the other major fund.

Whitehall District Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

Financial Analysis of the District as a Whole

The net position of the District at June 30, 2018 was approximately \$(35.482) million, a decrease from the previous year, as shown below in a condensed comparative statement of net position.

Statement of Net Position

	<u>As of June 30,</u>	
	<u>2018</u>	<u>2017</u>
Assets		
Current assets	\$ 19,300,330	\$ 22,914,003
Capital assets (net of depreciation)	37,172,355	34,995,750
Deferred outflows of resources	11,146,992	6,513,616
Total assets and deferred outflows of resources	67,619,677	64,423,369
Liabilities		
Current liabilities	8,774,525	8,991,196
Long-term bonds & debt	37,665,635	40,198,884
Net pension liability and OPEB	52,551,246	36,665,038
Deferred inflows of resources	4,109,807	1,271,328
Total liabilities and deferred inflows of resources	103,101,213	87,126,446
Net Position		
Net investment in capital assets	6,646,244	5,399,006
Restricted funds	1,446,928	1,441,366
Unrestricted funds	(43,574,708)	(29,543,449)
Net position	\$ (35,481,536)	\$ (22,703,077)

Comments on Major Changes to Net Position

- Current assets – Decreased as funds were used for capital improvements.
- Capital assets – Increased with the construction projects funded by the 2017 bond issue.
- Current liabilities – Decreased as a lease and bond payments were paid. The lease was not replaced.
- Long-term liabilities – Increased significantly with changes by the state of Michigan in its projected return on assets to fund retirement obligations.
- The implementation of GASB 68 and 75 has reduced the Net Position of the School District significantly. As stated earlier in this Management Discussion Analysis, the amount that has been added this fiscal year as the net pension liability for the District was \$39,161,046 and the net OPEB liability was \$13,390,200. These liabilities create a significantly large negative net position for the District.

Whitehall District Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

The District uses its capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining net position represents resources that are either restricted for debt service, food services, and community services or are unrestricted as to how they may be used.

<u>Statement of Activities</u>		
	<u>For the Years Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
District Wide Revenues		
Program Revenues		
Charges for services	\$ 1,014,663	\$ 1,011,879
Operating grants	10,930,338	9,786,414
General Revenues		
Property taxes	6,237,566	6,102,400
Unrestricted grants	13,173,298	13,075,103
Other revenues	276,586	125,309
Total revenues	31,632,451	30,101,105
District Wide Expenses		
Instruction	16,025,172	17,004,783
Support services	10,222,466	8,282,525
Community services	1,486,466	1,563,924
Food services	1,018,611	955,045
Athletics	523,227	286,428
Interest on long-term debt	1,680,570	1,381,889
Total expenses	30,956,512	29,474,594
Change in net position	675,939	626,511
Net position at beginning of year, as restated	(36,157,475)	(23,329,588)
Net position at end of year	<u>\$ (35,481,536)</u>	<u>\$ (22,703,077)</u>

The net position of the District increased by approximately \$675 thousand during 2017-18, as indicated above. This would indicate that financial conditions were slightly positive and that no immediate fiscal issues are of concern to management. State funding of education through the foundation grant and student enrollment are the primary factors for the District's financial activities. With the improvement of the economy, state funding has improved. Student enrollment has stabilized in the recent past. However, much of the state funding growth has been used to address the state's unfunded obligations for retirees which is addressed throughout the statements as GASB 68 and GASB 75.

Whitehall District Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

The Statement of Activities, presented later in the government-wide financial statements, provides greater detail on the District's activity. The cost of the District's governmental activities for the year was approximately \$30.956 million. Certain activities and programs were paid through charges for services by the beneficiaries of the programs, or grants restricted to specific uses. The remaining public benefit portion of expenditures was paid for with property taxes, state pupil foundation aid, investment earnings, and other miscellaneous revenues.

The net position at the beginning of the year has been restated from the ending position of the prior year as a result of the implementation of GASB 75. This change is the result of the state's lowering its projection of future investment returns to fund retiree obligations.

Whitehall District Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

Capital Assets and Debt Administration

	Net Capital Asset Values			Change in Accumulated Depreciation	June 30, 2018
	June 30, 2017	Additions	Deductions		
Land	\$ 762,882	\$ -	\$ -	\$ -	\$ 762,882
Construction in progress	964,444	1,013,224	945,714	-	1,031,954
Buildings & improvements	31,862,129	3,551,723	-	1,146,951	34,266,901
Furniture & equipment	974,879	-	-	338,495	636,384
Vehicles	431,416	155,534	-	112,716	474,234
Total	<u>\$ 34,995,750</u>	<u>\$ 4,720,481</u>	<u>\$ 945,714</u>	<u>\$ 1,598,162</u>	<u>\$ 37,172,355</u>

As indicated above, capital assets, net of depreciation, increased in value from July 1, 2017, to June 30, 2018. This is the result of ongoing construction projects funded by the 2017 bond issue.

	June 30, 2017	Debt Obligations		June 30, 2018	Current
		Additions	Reductions		
Bonds for capital financing	\$ 41,645,229	\$ -	\$ 2,410,903	\$ 39,234,326	\$ 2,265,000
Capital leases	21,635	-	21,635	-	-
Compensated absences	207,277	39,228	13,868	232,637	20,100
Retirement obligations	511,378	35,168	42,774	503,772	20,000
Cash flow borrowing	2,750,000	2,500,000	2,750,000	2,500,000	2,500,000
Total	<u>\$ 45,135,519</u>	<u>\$ 2,574,396</u>	<u>\$ 5,239,180</u>	<u>\$ 42,470,735</u>	<u>\$ 4,805,100</u>

As indicated above, total debt obligations of the District decreased during the year ended June 30, 2018. Principal and interest payments were made according to debt schedules. State Aid Notes for cash flow borrowing were paid and new notes issued for \$2.5 million.

Whitehall District Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

General Fund Budgetary Highlights

The State of Michigan's Uniform Budget Act requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. When the budget is prepared each year, several unknown factors exist. Estimates are used for such major items as student count, employee contracts, state aid, staffing, and tax appeals. When compared in total, the variances between the initial budget, final budget and actual results are minimal considering all of the unknowns that exist during initial budgeting. As a matter of practice the District amends its budget periodically during the fiscal year. These revisions are made in order to deal with changes in revenues and expenditures that become known during the year.

One of the major factors impacting the District's budget is the revenue received from the State of Michigan through the per-pupil foundation allowance. The foundation grant for the 2017-18 year was increased from \$7,511 per student to \$7,631; up \$120 per student from the 2016-17 foundation grant level. The District also received \$133/student for operating purposes to offset retirement costs. Another \$884/student was received and paid back to the state to reduce the retirement system's unfunded liabilities.

Expenditure assumptions did not change significantly from the adoption of the initial budget through multiple budget amendments. At each point, staffing levels and costs, as well as funding sources were reviewed and adjusted as needed.

The initial budget called for an operating surplus of \$59,054, while the final amended budget called for a surplus of \$19,819. The biggest change in assumptions from the initial budget to the final amendment was the adjustment of revenue sources and levels as student count was finalized and grant budgets were approved. The actual results reflect an operating surplus of \$392,887; \$373,068 more than expected compared to the final budget amendment. A table showing these results is below.

Whitehall District Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

2017-18 General Fund						
	Initial Budget	Final Budget	Actual	Variance	Budget	
Revenues						
Local revenue						
Local sources	\$ 3,093,423	\$ 3,189,783	\$ 3,224,938	\$ 35,155	1.10%	
Received from other districts	671,800	632,300	674,895	42,595	6.74%	
State revenue	17,359,757	17,522,637	17,558,426	35,789	0.20%	
Federal revenue	939,138	928,957	929,456	499	0.05%	
Transfers and other	29,794	35,294	39,451	4,157	11.78%	
Total revenues	\$ 22,093,912	\$ 22,308,971	\$22,427,166			
Variance of actual from budget	\$ 333,254	\$ 118,195				
	1.51%	0.53%				
Expenditures						
Instruction	\$ 14,257,329	\$ 14,426,531	\$14,286,729	\$ 139,802	0.97%	
Instructional support	2,407,645	2,309,928	2,264,563	45,365	1.96%	
Administration	2,355,925	2,530,755	2,462,086	68,669	2.71%	
Maintenance and operations	1,375,018	1,439,039	1,508,423	(69,384)	-4.82%	
Transportation	860,275	868,783	844,425	24,358	2.80%	
Athletics	500,666	505,116	506,997	(1,881)	-0.37%	
Transfers and other	278,000	209,000	161,056	47,944	22.94%	
Total expenditures	\$ 22,034,858	\$ 22,289,152	\$22,034,279			
Variance of actual from budget	\$ 579	\$ 254,873				
	0.00%	1.14%				
Change in Fund Balance	\$ 59,054	\$ 19,819	\$ 392,887			
Variance of actual from budget	\$ 333,833	\$ 373,068				
Percentage of expenditures	1.52%	1.67%				

Whitehall District Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

The significant budget variances are attributed to the following items:

Revenue Sources

- The amount received from other districts was due to alternative education audited enrollment changes after the budget was finalized.

Expenditures:

- Instruction was less than budgeted due to underspending at the schools and less than expected severance payments.
- Spending in Administration was less than budgeted in the supplies and purchased services.
- Maintenance spent more than anticipated in utilities, supplies, and new grounds equipment.
- In Other, funds were appropriated for capital projects that were not incurred, including a lease renewal.

Budget variances in expenditures by object category are below.

General Fund	2017-18	Percent	2017-18	Percent		Percent
<u>Expenditures by Object</u>	<u>Budget</u>	<u>of total</u>	<u>Actual</u>	<u>of total</u>	<u>Variance</u>	<u>Budget</u>
Wages	\$10,887,535	48.85%	\$10,807,555	49.05%	\$ 79,980	0.73%
Benefits	7,543,616	33.84%	7,385,524	33.52%	158,092	2.10%
Purchased services	1,682,831	7.55%	1,699,202	7.71%	(16,371)	-0.97%
Supplies	1,077,674	4.83%	1,110,098	5.04%	(32,424)	-3.01%
Capital	299,996	1.35%	237,631	1.08%	62,365	20.79%
Other	797,500	3.57%	794,269	3.60%	3,231	0.41%
Total	<u>\$22,289,152</u>	<u>99.99%</u>	<u>\$22,034,279</u>	<u>100.00%</u>	<u>\$ 254,873</u>	

- Mandatory benefits such as FICA and retirement are budgeted based on total wages. Employee elections for tax-deferred investments caused the actual amounts to be less than budgeted. Severance payments are budgeted each year and fewer than anticipated retirements occurred in 2017-18.
- Supplies were more than budgeted due to increases in electricity and fuel purchases.
- Capital projects were budgeted but not undertaken, including a renewal of office equipment lease.

Whitehall District Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

General Fund Year-to-Year Comparative Highlights

In comparing results for the year ended June 30, 2018 to results for the year ended June 30, 2017, State revenue increased with the improved Michigan economy and resulting foundation grant. The State has also increased its contribution through school districts to lower the unfunded liability of the State retirement system.

Instructional and instructional support expense was higher due to increasing costs for compensation and additional staffing. The state's funding to address the retirement liability also increased expenses. Administration was up due to reclassifying of certain employees in the adult/alternative education program. Maintenance and Transportation increased with staffing changes and utility/fuel costs.

General Fund Year-to-Year Comparison of Actual Results

	<u>2018</u>	<u>2017</u>	<u>Difference</u>
Revenues			
Local revenue			
Local sources	\$ 3,224,938	\$ 3,130,065	\$ 94,873
Received from other districts	674,895	602,581	72,314
State revenue	17,558,426	16,876,990	681,436
Federal revenue	929,456	913,630	15,826
Transfers and other	39,451	75,479	(36,028)
Totals revenues	\$ 22,427,166	\$ 21,598,745	\$ 828,421
Expenditures			
Instruction	\$ 14,286,729	\$ 14,077,673	\$ 209,056
Instructional support	2,264,563	2,340,460	(75,897)
Administration	2,462,086	2,327,886	134,200
Maintenance and operations	1,508,423	1,334,382	174,041
Transportation	844,425	707,220	137,205
Athletics	506,997	507,194	(197)
Transfers and other	161,056	96,602	64,454
Total expenditures	\$ 22,034,279	\$ 21,391,417	\$ 642,862

Whitehall District Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

As indicated below, funding from the State of Michigan is the District's largest source of revenue at 78.29% and grew last year in amount and percentage of revenue. Thus, the financial stability of the District rests primarily with the economic health of the State of Michigan.

General Fund Revenue and Other Financing Sources

Revenues	<u>2018</u>	<u>Percent</u>	<u>2017</u>	<u>Percent</u>
State revenue	\$ 17,558,426	78.29%	\$ 16,876,990	78.14%
Federal revenue	929,456	4.14%	913,630	4.23%
Local sources	3,224,938	14.38%	3,130,065	14.49%
Local from other districts	674,895	3.01%	602,581	2.79%
Transfers and other	39,451	0.18%	75,479	0.35%
Total revenues	<u>\$ 22,427,166</u>	<u>100.00%</u>	<u>\$ 21,598,745</u>	<u>100.00%</u>

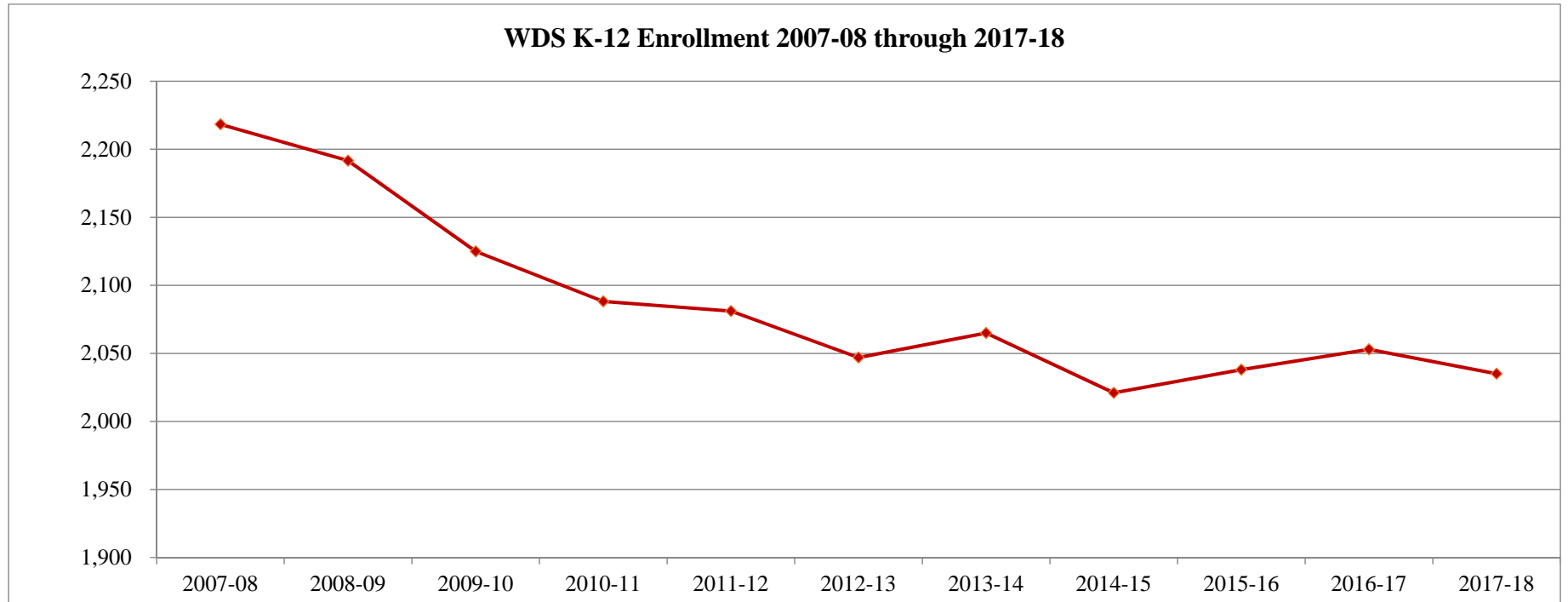
General Fund Expenditures by Function

Expenditures	<u>2018</u>	<u>Percent</u>	<u>2017</u>	<u>Percent</u>
Instruction and support	\$ 16,551,292	75.12%	\$ 16,418,133	76.74%
Business and administration	2,462,086	11.17%	2,327,886	10.88%
Maintenance and operations	1,508,423	6.85%	1,334,382	6.24%
Transportation	844,425	3.83%	707,220	3.31%
Athletics	506,997	2.30%	507,194	2.37%
Transfers and other	161,056	0.73%	96,602	0.45%
Total expenditures	<u>\$ 22,034,279</u>	<u>100.00%</u>	<u>\$ 21,391,417</u>	<u>99.99%</u>

As the chart above indicates, 75.12% of the District's resources are spent on instruction and instructional support services. This indicates the District's priority of spending resources in the classroom and in ways that directly benefit students. It is noted that the District spends approximately 6.85% of its budget on maintenance and operations and 3.83% of its budget on transportation of its students.

Whitehall District Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

The District's pupil enrollment for state aid funding purposes decreased by 18 full-time equivalent students in 2017-18. The chart below depicts the enrollment changes experienced by the District over the past ten years. For the time period presented, the peak K-12 enrollment for the District was 2,218 students in 2007-08.



Whitehall District Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

White Lake Area Community Education Budgetary Highlights

The State of Michigan's Uniform Budget Act requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. This requirement applies not only to the general fund but to other governmental funds, including special revenue funds. White Lake Area Community Education (WLACE) is a five-district consortium for which Whitehall District Schools serves as the fiscal agent. WLACE provides early childhood, community enrichment, alternative & adult education, and other community service programs to the five member districts – Whitehall District Schools, Montague Area Public Schools, Reeths-Puffer Schools, Holton Public Schools, and North Muskegon Public Schools.

2017-18 Community Education Fund

	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues			
Local revenue	\$ 726,000	\$ 700,127	\$ 742,633
State revenue	2,104,580	2,129,728	2,185,398
Federal revenue	764,740	849,856	870,876
Total revenues	<u>\$ 3,595,320</u>	<u>\$ 3,679,711</u>	<u>\$ 3,798,907</u>
Variance of actual from budget	\$ 203,587 5.7%	\$ 119,196 3.2%	
Expenditures			
Instruction	\$ 1,647,920	\$ 1,685,198	\$ 1,722,853
Support services	495,350	481,727	479,550
Community enrichment	93,890	84,761	89,707
Early childhood	1,315,675	1,428,318	1,454,037
Transfers and other	29,590	39,023	18,499
Total expenditures	<u>\$ 3,582,425</u>	<u>\$ 3,719,027</u>	<u>\$ 3,764,646</u>
Variance of actual from budget	\$ 182,221 5.1%	\$ 45,619 1.2%	
Change in Fund balance	<u>\$ 12,895.00</u>	<u>\$ (39,316.00)</u>	<u>\$ 34,261.00</u>
Variance of actual from budget	\$ 21,366	\$ 73,577	
Percentage of budgeted Expenditures	0.6%	2.0%	

Whitehall District Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

The significant budget variances are attributed to the following items:

Revenue Variances

- The State reimbursement for families using child care was higher than historical and budgeted amounts affecting the Transfers and other sources.

Expenditure Variances

- Transfers between funds were budgeted but none were actually made.

Summary

- The ending fund balance for WLACE is \$164,163 or 4.36% of 2017-18 expenditures.

Currently Known Facts and Conditions Affecting the 2018-19 School Year

The adopted general fund budget for the 2018-19 fiscal year projects a surplus of approximately \$36,000. This budget will be amended in the winter of 2018-19 to reflect updated factors such as foundation grant information, actual student counts, and final staffing levels.

The main assumptions in this budget are:

- The District has budgeted for the per pupil foundation grant to be \$7,871, an increase of \$240, according to the School Aid Fund budget adopted by the State of Michigan Legislature. Enrollment is projected to decline slightly.
- MPSERS has several rates for the various retirement plans and options. The rate for the most common plan is expected to be higher than 2017-18. The State has begun to write down the unfunded liability of the retirement system with funding under Section 147 of the State Aid Act. Revenue and expense include equal amounts for this retirement funding.
- The White Lake Area Community Education budget projects a deficit of \$21,000. Much of the budget is grant based and expenses are adjusted to meet funding levels.

Employee Contracts (MEA affiliates)

A successor contract for certified staff (teachers and professional instructional support) was ratified in August 2013, and expires August 31, 2027 with periodic re-opener clauses for wages and/or benefits. The most recent re-opener was ratified in June 2018. The current contract with the transportation employees group was ratified in July 2017 and expires June 30, 2020.

Requests for Information

This financial report is designed to provide the citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances, and to show how the District is accountable for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Jerry McDowell, Superintendent, Whitehall District Schools, 541 E. Slocum, Whitehall, MI 49461, telephone number (231) 893-1005.

Whitehall District Schools
STATEMENT OF NET POSITION
June 30, 2018

	Governmental activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 7,099,842
Investments	7,937,687
Receivables	31,802
Due from other governmental units	4,217,167
Inventories	11,988
Prepaid items	1,844
Total current assets	19,300,330
Noncurrent assets	
Capital assets, net	
Nondepreciable	1,794,836
Depreciable	35,377,519
Total noncurrent assets	37,172,355
Total assets	56,472,685
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	164,605
Related to other postemployment benefits	926,569
Related to pensions	10,055,818
Total deferred outflows of resources	11,146,992
Total assets and deferred outflows of resources	67,619,677
LIABILITIES	
Current liabilities	
State aid loan	2,500,000
Accounts payable and accrued liabilities	3,139,569
Due to other governmental units	797,543
Unearned revenue	32,313
Bonds and other obligations, due within one year	2,305,100
Total current liabilities	8,774,525
Noncurrent liabilities	
Bonds and other obligations, less amounts due within one year	37,665,635
Net other postemployment benefits liability	13,390,200
Net pension liability	39,161,046
Total noncurrent liabilities	90,216,881
Total liabilities	98,991,406
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	452,686
Related to pensions	3,657,121
Total deferred inflows of resources	4,109,807
Total liabilities and deferred inflows of resources	103,101,213
NET POSITION	
Net investment in capital assets	6,646,244
Restricted	
Debt service	1,338,707
Technology	108,221
Unrestricted	(43,574,708)
Total net position	\$ (35,481,536)

The accompanying notes are an integral part of this statement.

Whitehall District Schools
STATEMENT OF ACTIVITIES
For the year ended June 30, 2018

<i>Functions/Programs</i>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating grants</u>	<u>Revenue and</u>
		<u>services</u>	<u>and contributions</u>	<u>Changes in</u>
				<u>Net Position</u>
				<u>Governmental</u>
				<u>activities</u>
Governmental activities				
Instruction	\$ 16,025,172	\$ -	\$ 4,159,058	\$ (11,866,114)
Support services	10,222,466	32,856	2,389,682	(7,799,928)
Community services	1,486,466	630,576	3,167,778	2,311,888
Food services	1,018,611	261,192	724,397	(33,022)
Athletics	523,227	90,039	-	(433,188)
Interest on long-term debt	1,680,570	-	489,423	(1,191,147)
Total governmental activities	<u>\$ 30,956,512</u>	<u>\$ 1,014,663</u>	<u>\$ 10,930,338</u>	(19,011,511)
General revenues				
Property taxes				6,237,566
Grants and contributions not restricted to specific programs				13,173,298
Investment earnings				151,528
Miscellaneous				125,058
Total general revenues				<u>19,687,450</u>
Change in net position				675,939
Net position at beginning of year, as restated				<u>(36,157,475)</u>
Net position at end of year				<u><u>\$ (35,481,536)</u></u>

The accompanying notes are an integral part of this statement.

Whitehall District Schools
BALANCE SHEET
Governmental Funds
June 30, 2018

	General Fund	Community Education Fund	Debt Service Fund	2017 School Building and Site Fund	Other governmental funds	Total governmental funds
ASSETS						
Cash and cash equivalents	\$ 4,507,180	\$ 58,010	\$ 1,542,207	\$ 585,195	\$ 407,250	\$ 7,099,842
Investments	-	-	-	7,937,687	-	7,937,687
Receivables	3,289	3,223	-	20,728	4,562	31,802
Due from other governmental units	3,694,142	513,797	-	-	9,228	4,217,167
Due from other funds	119,614	-	-	-	529	120,143
Inventories	-	-	-	-	11,988	11,988
Prepaid items	1,844	-	-	-	-	1,844
Total assets	\$ 8,326,069	\$ 575,030	\$ 1,542,207	\$ 8,543,610	\$ 433,557	\$ 19,420,473
LIABILITIES						
State aid loan	\$ 2,500,000	\$ -	\$ -	\$ -	\$ -	\$ 2,500,000
Accounts payable	100,028	17,892	-	352,348	6,045	476,313
Accrued liabilities	2,183,035	257,669	-	-	19,052	2,459,756
Due to other governmental units	783,963	13,580	-	-	-	797,543
Due to other funds	529	117,919	-	-	1,695	120,143
Unearned revenue	18,397	3,807	-	-	10,109	32,313
Total liabilities	5,585,952	410,867	-	352,348	36,901	6,386,068
FUND BALANCES						
Nonspendable						
Inventories	-	-	-	-	11,988	11,988
Prepaid items	1,844	-	-	-	-	1,844
Restricted						
Debt service	-	-	1,542,207	-	-	1,542,207
Capital projects	-	-	-	8,191,262	14,033	8,205,295
Food services	-	-	-	-	262,414	262,414
Technology	-	-	-	-	108,221	108,221
Community education	-	164,163	-	-	-	164,163
Unassigned	2,738,273	-	-	-	-	2,738,273
Total fund balances	2,740,117	164,163	1,542,207	8,191,262	396,656	13,034,405
Total liabilities and fund balances	\$ 8,326,069	\$ 575,030	\$ 1,542,207	\$ 8,543,610	\$ 433,557	\$ 19,420,473

The accompanying notes are an integral part of this statement.

Whitehall District Schools
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION**
 June 30, 2018

Total fund balances—governmental funds		\$ 13,034,405
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and are not reported in the governmental funds.		
Cost of capital assets	\$ 56,346,435	
Accumulated depreciation	<u>(19,174,080)</u>	37,172,355
Deferred charges on refunding are not capitalized and amortized in the governmental funds.		
Deferred charges on refunding	286,219	
Accumulated amortization	<u>(121,614)</u>	164,605
Deferred inflows and outflows of resources related to pensions are not reported in the governmental funds.		
Deferred outflows of resources - related to other postemployment benefits	926,569	
Deferred inflows of resources - related to other postemployment benefits	(452,686)	
Deferred outflows of resources - related to pensions	10,055,818	
Deferred inflows of resources - related to pensions	<u>(3,657,121)</u>	6,872,580
Accrued interest in governmental activities is not reported in the governmental funds.		(203,500)
Long-term obligations in governmental activities are not due and payable in the current period and are not reported in the governmental funds.		<u>(92,521,981)</u>
Net position of governmental activities		<u><u>\$ (35,481,536)</u></u>

The accompanying notes are an integral part of this statement.

Whitehall District Schools
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended June 30, 2018

	<u>General Fund</u>	<u>Community Education Fund</u>	<u>Debt Service Fund</u>	<u>2017 School Building and Site Fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
REVENUES						
Local sources						
Property taxes	\$ 2,972,364	\$ -	\$ 3,265,202	\$ -	\$ -	\$ 6,237,566
Investment earnings	20,365	553	16,665	111,569	2,376	151,528
Fees and charges	122,895	630,576	-	-	261,192	1,014,663
Other	784,209	111,504	-	-	366,492	1,262,205
Total local sources	3,899,833	742,633	3,281,867	111,569	630,060	8,665,962
State sources	17,558,426	2,185,398	207,182	-	60,983	20,011,989
Federal sources	929,456	870,876	489,423	-	663,414	2,953,169
Total revenues	22,387,715	3,798,907	3,978,472	111,569	1,354,457	31,631,120
EXPENDITURES						
Current						
Instruction	14,286,729	1,722,853	-	-	120,681	16,130,263
Support services	7,586,494	479,550	-	-	147,736	8,213,780
Community services	518	1,543,744	-	-	-	1,544,262
Food services	-	-	-	-	1,003,383	1,003,383
Debt service						
Principal	25,887	-	2,165,000	-	-	2,190,887
Interest and other charges	417	-	1,905,257	-	-	1,905,674
Capital projects	134,234	18,499	-	3,782,903	271	3,935,907
Total expenditures	22,034,279	3,764,646	4,070,257	3,782,903	1,272,071	34,924,156
Excess (deficiency) of revenues over (under) expenditures	353,436	34,261	(91,785)	(3,671,334)	82,386	(3,293,036)
OTHER FINANCING SOURCES (USES)						
Transfers in	39,451	-	-	-	-	39,451
Transfers out	-	-	-	-	(39,451)	(39,451)
Total other financing sources (uses)	39,451	-	-	-	(39,451)	-
Net change in fund balances	392,887	34,261	(91,785)	(3,671,334)	42,935	(3,293,036)
Fund balances at beginning of year	2,347,230	129,902	1,633,992	11,862,596	353,721	16,327,441
Fund balances at end of year	<u>\$ 2,740,117</u>	<u>\$ 164,163</u>	<u>\$ 1,542,207</u>	<u>\$ 8,191,262</u>	<u>\$ 396,656</u>	<u>\$ 13,034,405</u>

The accompanying notes are an integral part of this statement.

Whitehall District Schools
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the year ended June 30, 2018

Net change in fund balances—total governmental funds	\$ (3,293,036)
--	----------------

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

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (1,598,162)	
Capital outlay	<u>3,774,767</u>	2,176,605

Governmental funds report outlays for deferred charges on refunding as expenditures; in the Statement of Activities these costs are amortized over the bond period.

(31,047)

Repayment of principal on long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position.

2,432,538

Interest expense on long-term obligations is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until paid.

14,500

Compensated absences and retirement obligations reported in the Statement of Activities do not require the use of current financial resources. They are reported as expenditures when financial resources are used in the governmental funds.

(17,754)

Some other postemployment benefit related expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

538,081

Some pension related expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

(1,143,948)

Change in net position of governmental activities

\$ 675,939

The accompanying notes are an integral part of this statement.

Whitehall District Schools
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
June 30, 2018

	<u>Agency funds</u>
ASSETS	
Cash and cash equivalents	\$ 326,216
Due from other governmental units	<u>168</u>
	<u>\$ 326,384</u>
 LIABILITIES	
Accounts payable	\$ 4,207
Deposits held for others	<u>322,177</u>
	<u>\$ 326,384</u>

The accompanying notes are an integral part of this statement.

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Whitehall District Schools (School 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 more significant of the School District's accounting policies are described below.

Reporting Entity

The School District is governed by an elected seven-member Board of Education (Board), which has responsibility and control over all activities related to public school education within the School District. The School District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities.

Generally accepted accounting principles require that if the School District is considered to be financially accountable for other organizations, those organizations should be included as component units in the School District's financial statements. Since no organizations met this criterion, none are included in the financial statements.

Basis of Presentation—Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the School District. All fiduciary activities are reported only in the fund financial statements. Governmental activities normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

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

The School District reports the following major governmental funds:

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

The Community Education Fund accounts for community education, early childhood, adult and alternative education, and employment development programs.

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-wide and Fund Financial Statements—Continued

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The 2017 School Building and Site Fund accounts for the use of the proceeds from the 2017 School Building and Site Bond. The bond was approved for issuance in November 2016 and may be used for the remodeling, equipping and furnishing of school buildings and athletic facilities and the purchase of new technology and school buses.

Additionally, the School District reports the following fund types:

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

The capital project fund accounts for the financial resources to be used for the acquisition of fixed assets or construction of major capital projects.

The agency fund is custodial in nature and used to account for assets held by the School District as an agent for another organization or individual.

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

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

Measurement Focus and Basis of Accounting

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

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

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

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

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

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

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

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

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

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

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Cash and Investments

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

Investments for the School District are reported at fair value (generally based on quoted market prices). Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the School District intends to hold the investment until maturity.

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

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out method. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

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

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

As the School District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

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

<u>Capital Asset Classes</u>	<u>Years</u>
Buildings and improvements	10-50
Furniture and equipment	5-20
Buses and other vehicles	8-10

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year in which they are incurred.

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

Defined Benefit Plan

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until that time.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position Flow Assumption

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

It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

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

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

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

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Compensated Absences

The liability for compensated absences reported in the government-wide statement consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

For fund financial statements, no compensated absence liability is reported for current employees and a compensated absence liability is reported for terminated employees only when the termination date is on or before year end.

Retirement Obligations

For government-wide financial statements, the liability for retirement obligations is reported when legally enforceable. For fund financial statements, the liability for retirement obligations is reported either 1) on the due date when there is a specified due date or 2) on the retirement date if it is before year end, when there is not a specified legally enforceable due date.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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 the General Fund, Community Education Fund, and special revenue funds. All annual appropriations lapse at year end.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by Board of Education 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 be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the General Fund and Community Education Fund, are noted in the required supplementary information section.
4. The Director of Finance is authorized to transfer budgeted amounts within major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year.
6. The budget is amended during the year with supplemental appropriations, the last one approved prior to June 30, 2018.

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued

School Bond Construction Compliance

The 2017 School Building and Site Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351(a) of the State of Michigan's School Code.

Following is a summary of the revenue and expenditures in the capital project fund from the inception of the funds through June 30, 2018:

	2017 School Building and Site Fund
Revenue and bond proceeds	\$ 13,082,703
Expenditures	4,891,440

NOTE C—DEPOSITS AND INVESTMENTS

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

Investment Type	Fair value	Weighted average maturity (Days)	Standard & Poor's rating	Percent
Commercial paper				
JP Morgan Secs LLC	\$ 994,043	11	P-1	12.52%
U.S. Treasury notes	1,990,482	14	AAA	25.08%
U.S. agency bonds				
Federal Farm Credit Bank Bond	1,786,778	33	AAA	22.51%
Federal Home Loan Bank Bond	3,166,384	56	AAA	39.89%
Total fair value	<u><u>\$ 7,937,687</u></u>			<u><u>100%</u></u>

Risks and Uncertainties

The School District has accounts that invest in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the financial statements.

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Interest rate risk

The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk

State law limits investments in commercial paper and corporate bonds to the three highest classifications issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices.

Concentration of credit risk

The School District does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the School District investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2018, \$6,781,530 of the School District's bank balance of \$7,531,530 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments

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

Foreign currency risk

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

NOTE D—FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School District has the ability to access.
- Level 2 Inputs to the valuation methodology include the following:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE D—FAIR VALUE MEASUREMENTS—Continued

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018.

Commercial paper: Valued at amortized cost, which approximates fair value.

U.S. Treasury notes and U.S. agency bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the School District's assets at fair value on a recurring basis as of June 30, 2018:

Assets at Fair Value as of June 30, 2018				
	Level 1	Level 2	Level 3	Total
Commercial paper	\$ -	\$ 994,043	\$ -	\$ 994,043
U.S. Treasury notes	1,990,482	-	-	1,990,482
U.S. agency bonds	4,953,162	-	-	4,953,162
Total assets at fair value	\$ 6,943,644	\$ 994,043	\$ -	\$ 7,937,687

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE E—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 762,882	\$ -	\$ -	\$ 762,882
Construction in progress	964,444	1,013,224	945,714	1,031,954
Total capital assets, not being depreciated	1,727,326	1,013,224	945,714	1,794,836
Capital assets, being depreciated:				
Buildings and improvements	46,188,791	3,551,723	-	49,740,514
Furniture and equipment	2,743,110	-	-	2,743,110
Buses and other vehicles	1,912,441	155,534	-	2,067,975
Total capital assets, being depreciated	50,844,342	3,707,257	-	54,551,599
Less accumulated depreciation:				
Buildings and improvements	14,326,662	1,146,951	-	15,473,613
Furniture and equipment	1,768,231	338,495	-	2,106,726
Buses and other vehicles	1,481,025	112,716	-	1,593,741
Total accumulated depreciation	17,575,918	1,598,162	-	19,174,080
Total capital assets, being depreciated, net	33,268,424	2,109,095	-	35,377,519
Capital assets, net	\$ 34,995,750	\$ 3,122,319	\$ 945,714	\$ 37,172,355

Depreciation

Depreciation expense has been charged to functions as follows:

Instruction	\$ 1,003,442
Support services	546,453
Community services	37,124
Athletics	7,442
Food services	3,701
	\$ 1,598,162

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE F—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2018 is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Community Education Fund	\$ 117,919
General Fund	Other governmental funds	1,695
Other governmental funds	General Fund	529
		<u>\$ 120,143</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

The Food Service Fund transferred \$39,451 to the General Fund to cover allowable indirect costs.

NOTE G—SHORT-TERM DEBT

The School District issues State of Michigan school aid anticipation notes to provide short-term operating funds. The notes are obligations of the General Fund, which received the note proceeds, and are backed by the full faith, credit and resources of the School District. The short-term debt activity for the year ended June 30, 2018 follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>
State aid anticipation note				
2016/2017 1.09% due August 2017	\$ 2,750,000	\$ -	\$ 2,750,000	\$ -
2017/2018 1.5% due August 2018	-	2,500,000	-	2,500,000
	<u>\$ 2,750,000</u>	<u>\$ 2,500,000</u>	<u>\$ 2,750,000</u>	<u>\$ 2,500,000</u>

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE H—LONG-TERM OBLIGATIONS

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

The following is a summary of long-term obligations activity for the School District for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due within one year
Governmental activities					
Bonds	\$ 39,105,000	\$ -	\$ 2,165,000	\$ 36,940,000	\$ 2,265,000
Premium	2,624,670	-	253,215	2,371,455	-
Discount	(84,441)	-	(7,312)	(77,129)	-
Capital lease obligation	21,635	-	21,635	-	-
Compensated absences	207,277	39,228	13,868	232,637	20,100
Retirement obligations	511,378	35,168	42,774	503,772	20,000
	\$ 42,385,519	\$ 74,396	\$ 2,489,180	\$ 39,970,735	\$ 2,305,100

Long-term debt consists of the following:

	Interest Rate	Date of Maturity	Balance
Governmental activities:			
General obligation bonds			
2010 School Building and Site General Obligation Bond Series A	5.4-6.5%	May 2029	\$ 9,375,000
2010 School Building and Site General Obligation Bond Series B	5%	May 2035	360,000
2011 Refunding General Obligation Bond	4-4.125%	May 2027	5,985,000
2015 Refunding General Obligation Bond	4%	May 2024	9,585,000
2017 School Building and Site General Obligation Bond	3-5%	May 2035	11,635,000
			\$ 36,940,000

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE H—LONG-TERM OBLIGATIONS—Continued

The annual requirements of principal and interest to amortize the bonded debt outstanding as of June 30, 2018 follow:

Year ending June 30,	Principal	Interest	Total
2019	\$ 2,265,000	\$ 1,791,563	\$ 4,056,563
2020	2,325,000	1,692,213	4,017,213
2021	2,400,000	1,590,113	3,990,113
2022	2,495,000	1,479,113	3,974,113
2023	2,575,000	1,363,038	3,938,038
2024-2028	13,620,000	4,899,400	18,519,400
2029-2033	8,065,000	1,959,500	10,024,500
2034-2035	3,195,000	240,250	3,435,250
	\$ 36,940,000	\$ 15,015,188	\$ 51,955,188

Prior-year Defeasance of Debt

In prior years, the School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. On June 30, 2018, \$10.885 million of bonds outstanding are considered defeased.

NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) 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.

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, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

Benefits Provided – Pension

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected (Basic, Member Investment Plan (MIP), Pension Plus, Pension Plus 2), member retirement benefits for DB plan members are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. 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 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 requirement.

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System who became a member after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4 percent of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50 percent (up to 1 percent of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional service or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus plan described above and a DC plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus plan. If they elect to opt out of the Pension Plus plan, their participation in the DC plan will be retroactive to their date of hire.

Employees in the Pension Plus and DC plans are immediately vested in their own contributions and earnings on those contributions. The employee becomes vested in the employer match contribution at the following rates: 50 percent after two years of service, 75 percent after three years of service, and 100 percent after four years of service. Non-vested contributions are forfeited upon termination of employment. Forfeitures during a plan year are credited to a forfeitures account. Forfeitures are first applied to restore any forfeited amounts that are required to be restored. The remaining amounts in the forfeitures account may be maintained in reserve, used to cover a portion of the plan's administrative expenses or offset future employer contributions, as determined by the plan administrator.

Pension Reform 2017

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

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Regular Retirement

The pension benefit for DB and Pension Plus plan members is based on a member's years of credited service (employment) and final average compensation (FAC). The FAC is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period. For a Member Investment Plan member, who became a member of MPSERS prior to July 1, 2010, the averaging period is 36 consecutive months. For a Pension Plus member, who became a member of MPSERS after June 30, 2010, the averaging period is 60 consecutive months. For a Basic Plan member, this period is the 60 consecutive months yielding the highest total wages. The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Post-Retirement Adjustments

A retiree who became a Member Investment Plan member prior to July 1, 2010, receives an annual post-retirement non-compounded increase of three percent of the initial pension in the October following twelve months of retirement. Basic Plan members do not receive an annual post-retirement increase, but are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions. Pension Plus members do not receive an annual post-retirement increase.

Plan Status

The Basic, MIP, and Pension Plus plans are closed to new entrants. The Pension Plus 2 plan and the DC plan are still open to new entrants.

Benefits Provided – OPEB

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80 percent beginning January 1, 2013; 90 percent for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Contributions – Pension and OPEB

School Districts are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. 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. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 22-year period for the 2017 fiscal year.

The schedules below summarize the contribution rates in effect for the System's fiscal year ended September 30, 2017.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0 %	19.03 %
Member Investment Plan	3.0 - 7.0	19.03
Pension Plus	3.0 - 6.4	18.40
Defined Contribution	0.0	15.27

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0 %	5.91 %
Personal Healthcare Fund	0.0	5.69

The School District's pension contributions for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately \$3,919,000, including Section 147c contributions.

For the year ended June 30, 2018, the School District and employee defined contribution plan contributions were approximately \$121,000 and \$176,000, respectively.

The School District's OPEB contributions for the year ended June 30, 2018 were equal to the required contribution total. OPEB contributions were approximately \$1,003,000.

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018, the School District reported a liability of \$39,161,046 for its proportionate share of the net pension liability and a liability of \$13,390,200 for its proportionate share of the net OPEB liability.

The net pension and OPEB liabilities were measured as of September 30, 2017, and the total pension and OPEB liabilities used to calculate the net pension and OPEB liabilities were determined by an actuarial valuation rolled forward from September 30, 2016. The School District's proportion of the net pension and OPEB liabilities was determined by dividing each employer's statutorily required pension and OPEB contributions to the system during the measurement period by the percent of pension and OPEB contributions, respectively, required for all applicable employers during the measurement period. At September 30, 2017 and 2016, the School District's pension proportion was 0.15112 and 0.14696 percent, respectively. At September 30, 2017, the School District's OPEB proportion was 0.15121 percent.

For the year ended June 30, 2018, the School District recognized pension expense of \$4,651,853 and OPEB expense of \$896,081.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Pension		OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 340,336	\$ 192,155	\$ -	\$ 142,566
Changes of assumptions	4,290,404	-	-	-
Net difference between projected and actual earnings on plan investments	-	1,872,156	-	310,120
Changes in proportion and differences between School District contributions and proportionate share of contributions	1,758,853	25,277	1,984	-
State of Michigan Section 147c UAAL rate stabilization state aid payments subsequent to the measurement date	-	1,567,533	-	-
School District contributions subsequent to the measurement date	3,666,225	-	924,585	-
Total	\$ 10,055,818	\$ 3,657,121	\$ 926,569	\$ 452,686

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources—Continued

The School District contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions and OPEB, in the chart above, will be recognized as a reduction of the net pension liability and the net OPEB liability, respectively, in the year ended June 30, 2019. The State of Michigan Section 147c UAAL rate stabilization state aid payments subsequent to the measurement date reported as deferred inflows of resources will be recognized as revenue in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in expense as follows:

Year ending June 30,	Pension	OPEB
2019	\$ 1,306,157	\$ (108,950)
2020	1,946,164	(108,950)
2021	1,015,919	(108,950)
2022	31,765	(108,950)
2023	-	(14,902)

Actuarial assumptions

Valuation Assumptions

Investment rate of return –	7.5% a year for the MIP and Basic plans 7% a year for the Pension Plus plans 7.5% a year for OPEB
Salary increases –	3.5%-12.3%
Inflation –	3.5%
Cost-of-living pension adjustments –	3% annual non-compounded for MIP members
Healthcare cost trend rate –	7.5% Year 1 graded to 3.5% Year 12

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 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.

Mortality Assumptions

The healthy life post-retirement mortality table used in this valuation of the System was the RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB.

Experience Study

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

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on 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 plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.6 %
Private Equity Pools	18.0	8.7
International Equity Pools	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
Total	100.0 %	

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

Discount rate

The discount rate used to measure the total pension and OPEB liabilities was 7.5 percent (7 percent for the Pension Plus Plans). The projection of cash flows used to determine the 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 those assumptions, the pension and OPEB plans' 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 and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Sensitivity of the net pension and OPEB liabilities to changes in the discount rate

The following presents the School District's proportionate share of the net pension and OPEB liabilities calculated using the discount rate of 7.5 percent (7 percent for Pension Plus Plans), as well as what the School District's proportionate share of the net pension and OPEB liabilities would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Lower (6.5%)	Discount Rate (7.5%)	1% Higher (8.5%)
School District's proportionate share			
Net pension liability	\$ 51,013,818	\$ 39,161,046	\$ 29,181,767
Net OPEB liability	15,683,794	13,390,200	11,443,657

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate

The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher:

	1% Lower (6.5%)	Current Healthcare Cost Trend Rate (7.5%)	1% Higher (8.5%)
School District's proportionate share			
Net OPEB Liability	\$ 11,339,700	\$ 13,390,200	\$ 15,718,401

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plans' fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System Comprehensive Annual Financial Report available at www.michigan.gov/orsschools.

Payable to the pension and OPEB plan

At year end the School District is current on all required pension and OPEB payments. Accruals for July and August deferred payroll and for July and August Section 147c amounts are not considered payables for this purpose.

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE J—COMMITMENTS AND CONTINGENCIES

Grant Programs

The School District participates in grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Commitments

As of June 30, 2018, the School District had approved commitments for construction and improvements of approximately \$1,010,000, bus purchases of approximately \$577,000, and technology and equipment purchases of approximately \$2,080,000.

NOTE K—OTHER INFORMATION

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total 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 workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2018 or any of the prior three years.

NOTE L—TAX ABATEMENTS

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax (IFT) exemptions, Brownfield Redevelopment Agreements (BRA), and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all fund types by municipality under these programs are as follows:

<u>Municipality</u>	<u>Abatement type</u>	<u>Taxes abated</u>
City of Whitehall	IFT	\$ 160,735
Whitehall Township	IFT	2,447
City of Whitehall	BRA	25,990
		<u>\$ 189,172</u>

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE L—TAX ABATEMENTS—Continued

The tax abatements that reduce the general fund operating tax levy are considered by the State of Michigan when calculating the School District's state aid—section 22 of the State School Aid Act.

There are no significant abatements made by the School District.

NOTE M—SUBSEQUENT EVENTS

State Aid Anticipation Note

In August 2018, the School District received the proceeds of a \$2,000,000 State of Michigan (State) school aid anticipation note payable. The note payable is not subject to redemption prior to its maturity in August 2019 and bears interest at the rate of 2.52 percent per annum. The School District pledged for payment of the note payable, the amount of State school aid to be received plus the full faith, credit, and resources of the School District.

Commitments

Subsequent to June 30, 2018, the School District approved technology and equipment purchases totaling approximately \$46,000.

NOTE N—CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement 75—*Accounting and Financial Reporting for Postemployment Benefits other than Pensions*.

GASB Statement 75 requires governments that participate in postemployment benefits other than pensions (OPEB) to report in their Statement of Net Position a net OPEB liability.

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

	Governmental activities
Beginning net position	\$ (22,703,077)
Deferred outflows of resources - related to OPEB	1,099,147
Deferred inflows of resources - related to OPEB	(429,850)
Net OPEB liability	<u>(14,123,695)</u>
Beginning net position, as restated	<u><u>\$ (36,157,475)</u></u>

The effect on the change in net position of the prior year is undeterminable.

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE O—UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement 84—*Fiduciary Activities* was issued by the GASB in January 2017 and will be effective for the School District's 2020 fiscal year. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

GASB Statement 87—*Leases* was issued by the GASB in June 2017 and will be effective for the School District's 2021 fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

Whitehall District Schools
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2018

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Local revenue				
Local sources	\$ 3,093,423	\$ 3,189,783	\$ 3,224,938	\$ 35,155
Received from other districts	671,800	632,300	674,895	42,595
State sources	17,359,757	17,522,637	17,558,426	35,789
Federal sources	939,138	928,957	929,456	499
Incoming transfers and other transactions	29,794	35,294	39,451	4,157
Total revenues	22,093,912	22,308,971	22,427,166	118,195
EXPENDITURES				
Instruction				
Basic programs	10,628,426	10,669,021	10,628,684	40,337
Added needs	3,384,121	3,529,158	3,444,115	85,043
Adult and continuing education	244,782	228,352	213,930	14,422
Support services				
Pupil	1,431,001	1,430,049	1,391,663	38,386
Instructional staff	976,644	879,879	872,900	6,979
General administration	433,506	486,284	464,300	21,984
School administration	1,046,277	1,092,084	1,083,195	8,889
Business	424,949	455,711	453,184	2,527
Operations and maintenance	1,375,018	1,439,039	1,508,423	(69,384)
Pupil transportation services	860,275	868,783	844,425	24,358
Central	451,193	496,676	461,407	35,269
Athletics	500,666	505,116	506,997	(1,881)
Community services	-	-	518	(518)
Outgoing transfers and other transactions	278,000	209,000	160,538	48,462
Total expenditures	22,034,858	22,289,152	22,034,279	254,873
Excess of revenues over expenditures	\$ 59,054	\$ 19,819	392,887	\$ 373,068
Fund balance at beginning of year			2,347,230	
Fund balance at end of year			\$ 2,740,117	

Whitehall District Schools
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
Community Education Fund
For the year ended June 30, 2018

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Local revenue				
Local sources	\$ 690,000	\$ 634,127	\$ 655,129	\$ 21,002
Received from other districts	36,000	66,000	87,504	21,504
State sources	2,104,580	2,129,728	2,185,398	55,670
Federal sources	764,740	849,856	870,876	21,020
Total revenues	3,595,320	3,679,711	3,798,907	119,196
EXPENDITURES				
Basic instruction	1,647,920	1,685,198	1,722,853	(37,655)
Support services	495,350	481,727	479,550	2,177
Community enrichment	93,890	84,761	89,707	(4,946)
Early childhood	1,315,675	1,428,318	1,454,037	(25,719)
Outgoing transfers and other transactions	29,590	39,023	18,499	20,524
Total expenditures	3,582,425	3,719,027	3,764,646	(45,619)
Excess (deficiency) of revenues over (under) expenditures	\$ 12,895	\$ (39,316)	34,261	\$ 73,577
Fund balance at beginning of year			129,902	
Fund balance at end of year			\$ 164,163	

Whitehall District Schools
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public Schools Employees Retirement System
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
School District's proportion of the net pension liability (%)	0.15112%	0.14696%	0.14052%	0.13925%	-	-	-	-	-	-
School District's proportionate share of the net pension liability	\$39,161,046	\$36,665,038	\$34,321,498	\$30,672,425	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$12,761,711	\$12,706,907	\$11,751,837	\$11,877,270	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's proportionate share of the net pension liability as a percentage of its covered payroll	306.86%	288.54%	292.05%	258.24%	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	64.21%	63.27%	63.17%	66.20%	-	-	-	-	-	-

Note: For years prior to 2015 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Whitehall District Schools
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement System
Last 10 Fiscal Years (Amounts were determined as of 6/30 of each year)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contributions	\$ 2,352,092	\$ 2,409,905	\$ 2,694,696	\$ 2,886,330	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the statutorily required contributions	2,352,092	2,409,905	2,694,696	2,886,330	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 13,467,650	\$ 12,692,730	\$ 12,486,944	\$ 12,042,345	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	17.46%	18.99%	21.58%	23.97%	-	-	-	-	-	-

Note: For years prior to 2015 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Whitehall District Schools
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement System
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each year)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
School District's proportion of the net OPEB liability (%)	0.15121%	-	-	-	-	-	-	-	-	-
School District's proportionate share of the net OPEB liability	\$13,390,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$12,761,711	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	104.92%	-	-	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total OPEB liability	36.39%	-	-	-	-	-	-	-	-	-

Note: For years prior to 2018 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Whitehall District Schools
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement System
Last 10 Fiscal Years (Amounts were determined as of 6/30 of each year)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contributions	\$ 1,003,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the statutorily required contributions	1,003,843	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 13,467,650	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	7.45%	-	-	-	-	-	-	-	-	-

Note: For years prior to 2018 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Whitehall District Schools
REQUIRED SUPPLEMENTARY INFORMATION
Notes to Required Supplementary Information
For the year ended June 30, 2018

Changes of benefit terms: There were no changes of benefit terms in 2018.

Changes of assumptions: There were no changes of benefit assumptions in 2018.

OTHER SUPPLEMENTAL INFORMATION

Whitehall District Schools
COMBINING BALANCE SHEET
Other Governmental Funds
June 30, 2018

	Total other governmental funds	Special Revenue		Capital Projects
		Food Service	Technology	
ASSETS				
Cash and cash equivalents	\$ 407,250	\$ 266,289	\$ 126,928	\$ 14,033
Receivables	4,562	4,562	-	-
Due from other governmental units	9,228	7,460	1,768	-
Due from other funds	529	529	-	-
Inventories	11,988	11,988	-	-
Total assets	\$ 433,557	\$ 290,828	\$ 128,696	\$ 14,033
LIABILITIES				
Accounts payable	\$ 6,045	\$ 6,045	\$ -	\$ -
Accrued liabilities	19,052	272	18,780	-
Due to other funds	1,695	-	1,695	-
Unearned revenue	10,109	10,109	-	-
Total liabilities	36,901	16,426	20,475	-
FUND BALANCES				
Nonspendable for inventories	11,988	11,988	-	-
Restricted				
Capital projects	14,033	-	-	14,033
Food service	262,414	262,414	-	-
Technology	108,221	-	108,221	-
Total fund balances	396,656	274,402	108,221	14,033
Total liabilities and fund balances	\$ 433,557	\$ 290,828	\$ 128,696	\$ 14,033

Whitehall District Schools
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
Other Governmental Funds
For the year ended June 30, 2018

	Total other governmental funds	Special Revenue Food Service	Technology	Capital Projects
REVENUES				
Local sources				
Investment earnings	\$ 2,376	\$ 1,769	\$ 515	\$ 92
Fees and charges	261,192	261,192	-	-
Other	366,492	13,403	350,749	2,340
Total local sources	630,060	276,364	351,264	2,432
State sources	60,983	60,983	-	-
Federal sources	663,414	663,414	-	-
Total revenues	1,354,457	1,000,761	351,264	2,432
EXPENDITURES				
Instruction	120,681	-	120,681	-
Support services	147,736	-	147,736	-
Food service	1,003,383	1,003,383	-	-
Capital projects	271	-	-	271
Total expenditures	1,272,071	1,003,383	268,417	271
Excess (deficiency) of revenues over (under) expenditures	82,386	(2,622)	82,847	2,161
OTHER FINANCING USES				
Transfers out	(39,451)	(39,451)	-	-
Net change in fund balances	42,935	(42,073)	82,847	2,161
Fund balances at beginning of year	353,721	316,475	25,374	11,872
Fund balances at end of year	\$ 396,656	\$ 274,402	\$ 108,221	\$ 14,033