

**Williamston Community Schools  
Williamston, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2018**

Williamston Community Schools

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Williamston Community Schools  
Williamston, 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 Williamston Community Schools (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Williamston Community 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 discussed in Note L to the financial statements, Williamston Community Schools implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. Our opinion is not modified with respect to this matter.

As also discussed in Note L to the financial statements, Williamston Community Schools implemented Governmental Accounting Standards Board Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. 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 administration's discussion and analysis, budgetary comparison information, schedules of proportionate share of net pension liability and contributions, and schedules of proportionate share of net OPEB liability and contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements 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 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2018, on our consideration of Williamston Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

STEVENS, KIRINOVIC & TUCKER, P.C.  
Certified Public Accountants

October 17, 2018

This section of Williamston Community Schools' annual report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2018. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Williamston Community Schools, a K-12 school district located in Ingham County, Michigan, and presents its financial statements under the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Williamston Community Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2018 with comparative information for June 30, 2017 in certain instances.

#### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Williamston Community Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and longer-term view of the finances. The *Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant fund - the General Fund individually, and the Special Revenue Funds, Capital Projects, and Debt Service Funds collectively as nonmajor governmental funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

#### **District-wide Financial Statements**

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the basic financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position - the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, as reported in the Statement of Net Position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the Statement of Activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

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

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

**Fund Financial Statements**

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

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

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

**Summary of Net Position:**

The following summarizes the net position as of June 30, 2018 and 2017:

Condensed Statement of Net Position  
As of June 30, 2018 and 2017

	Governmental Activities 2018	Governmental Activities 2017
	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Current Assets	\$ 6,714,331	\$ 6,565,967
Capital Assets	<u>38,196,931</u>	<u>38,732,016</u>
<b>Total Assets</b>	<b>44,911,262</b>	<b>45,297,983</b>
<b>Deferred Outflows of Resources</b>	7,422,223	4,487,268
<b>Liabilities</b>		
Current Liabilities	13,743,857	14,162,915
Noncurrent Liabilities	<u>77,486,983</u>	<u>68,444,232</u>
<b>Total Liabilities</b>	<b>91,230,840</b>	<b>82,607,147</b>
<b>Deferred Inflows of Resources</b>	<u>3,590,444</u>	<u>1,080,718</u>
<b>Net Position</b>		
Net investment in capital assets	(9,244,387)	(9,955,267)
Restricted for community services	30,828	134
Restricted for debt service	1,205,983	574,735
Restricted for capital projects	-	23,033
Unrestricted	<u>(34,480,223)</u>	<u>(24,545,249)</u>
<b>Total Net Position</b>	<b><u>\$ (42,487,799)</u></b>	<b><u>\$ (33,902,614)</u></b>

**Analysis of Financial Position:**

By far the most significant portion of the District's net position is the negative unrestricted portion related to pensions and OPEB. This table has been restated from last year to reflect the recording of the pension liability and corresponding deferred inflows and outflows of resources that are required to be recorded as a result of a change in accounting principles. The District also reports its investments in capital assets (e.g., land, buildings, equipment, etc.). The District uses these capital assets to provide services to students and residents of the community; consequently, these assets are *not* available for future spending. Also, a certain amount of net position was restricted for specific purposes such as community services and food and nutrition.

As detailed above, the District shows a negative total net position value of (\$42,487,799) for the fiscal year ended June 30, 2018. Negative total net position valuation is not unexpected for a district with Williamston's characteristics, and can be explained by several factors:

- Significant debt, (\$27.5 million) was incurred by the District in 1996 to pay for the facility modification projects.
- Significant debt, (\$23.735 million) was incurred by the District in 2005 and refunded in 2015 to pay for the facility modification projects.
- Significant net pension and OPEB liabilities exist (\$28.1 and \$9.6 million respectively) at year-end.

Should property tax valuations in the District maintain their historical growth rates, and the District repays its existing debt obligations, negative asset valuations are expected to reach positive valuations.

**Results of Operations:**

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities, which shows the changes in net position for fiscal years 2016/2017 and 2017/2018. Depreciation costs are not allocated to areas of activities but reflected in the Statement of Activities as unallocated.

Condensed Statement of Activities  
Year Ended June 30, 2018 and 2017

	Governmental Activities 2018	Governmental Activities 2017
	<u>2018</u>	<u>2017</u>
<b>Revenues:</b>		
Program Revenues		
Charges for Service	\$ 1,111,014	\$ 1,132,037
Operating and Capital Grants	3,231,163	2,863,163
General Revenues		
Property Taxes	5,286,542	5,056,059
State School Aid-unrestricted	12,205,670	12,169,540
Other	901,155	943,280
	<u>22,735,544</u>	<u>22,164,079</u>
<b>Functions/Program Expenses:</b>		
Instruction	11,503,459	11,342,780
Supporting Services	6,339,528	6,103,547
Community Services	840,025	799,838
Food service	470,998	460,013
Interest on long-term debt	1,639,127	1,614,199
Unallocated depreciation	1,291,159	1,284,610
	<u>22,084,296</u>	<u>21,604,987</u>
<b>Total Expenses</b>	<u>22,084,296</u>	<u>21,604,987</u>
<b>Increase in Net Position</b>	<u>\$ 651,248</u>	<u>\$ 559,092</u>

**Analysis of Results of Operations:**

During fiscal year ended June 30, 2018, the District's net position increased by \$651,248. Several factors which caused the increase are discussed in the following sections.

**A. Governmental Fund Operating Results**

The District's revenues from governmental fund operations exceeded expenditures by \$755,464 for the fiscal year ended June 30, 2018. Further discussion of the District's operating results is available in the section entitled "Results of 2017-2018 Operations" located on the following page.

**B. Long-Term Debt Activities**

The District retired portions of its long-term debt obligation during 2017-2018 for a net decrease of \$7,998,957. In addition, debt related to the State of Michigan School Bond Qualification and Loan Program increased by a net of \$7,091,018. Compensated absences decreased by a net amount of \$21,888. As a result of these activities, net district long-term debt liabilities decreased by \$1,017,546.

**Results of 2017-2018 Operations**

During fiscal year ended June 30, 2018, the District's total fund balances increased by \$755,464. A few additional significant factors affecting fund balance during the year are discussed below:

**A. General Fund Operations**

The General Fund is the main fund for the District and includes all the cost related to educating the students of the Williamston Community Schools such as: Salaries and benefits for Teachers, Classroom Aides, Administrators, Secretaries, Custodians, Maintenance staff, Noon Aides, Librarians, Counselors, Bus Drivers and other miscellaneous positions; teaching supplies, employee training, utilities, building maintenance supplies and other.

The District's revenues and other financing sources exceeded expenditures and other financing uses from General Fund operations by \$372,484 for the fiscal year ended June 30, 2018. The General Fund as of June 30, 2018, had a total fund balance of \$696,932 or 3.8% of expenditures and other financing uses for 2017-2018 fiscal year. The School District made budget reductions in certain areas for the 2017-2018 fiscal year and most likely will have to continue these reductions for 2018-19 unless funding from the State of Michigan improves.

**B. Debt Service Fund Operations**

The Debt Service Funds consist of three (3) separate debt funds as follows: 1996 Debt, 2015 Refunding Bonds, Series A, and 2015 Refunding Bonds, Series B. The Debt Service Funds are set up to collect taxes and pay annual debt payments. At June 30, 2018, the Debt Service Funds had \$1,413,581 in fund equity available for future bond payments.

The School District levies taxes to make debt payment obligations. If taxes levied are not sufficient the School District will borrow funds from the Michigan School Bond Loan Fund. Any funds borrowed from the Michigan School Bond Qualification and Loan Program will be paid back toward the end of the bond obligations. In the fiscal year ended June 30, 2018, the School District borrowed \$7,091,018 (principal plus accrued interest) from the Michigan School Bond Qualification and Loan Program and the School District has a total obligation of \$14,285,176 to pay back to the Michigan School Bond Qualification and Loan Program including interest.



## Williamston Community Schools

### Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2018

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
1996 Building and Site Bonds	\$ 9,150,000	\$ -	\$ (1,100,000)	\$ 8,050,000
2015 Refunding Series A	13,175,000	-	(1,025,000)	12,150,000
2015 Refunding Series B	18,450,000	-	(5,950,000)	12,500,000
Installment loan	-	92,137	(16,094)	76,043
Michigan School Bond Loans Principal and interest	7,194,158	7,091,018	-	14,285,176
	<u>\$ 47,969,158</u>	<u>\$ 7,183,155</u>	<u>\$ (8,091,094)</u>	<u>\$ 47,061,219</u>

The District also had \$431,723 outstanding in compensated absences and \$1,018,099 in capitalized bond premium at June 30, 2018. See Note D for significant details related to long-term debt.

#### C. School Service Funds

The Williamston Community Schools also has school service funds that include the following: Food Service Fund and the Community Service Fund.

The Food Service Fund is a fund that reports the food service program. In 2017-2018, the Food Service Fund had revenues of \$466,743 and expenditures and other financing uses of \$467,892 and fund balance of \$5,161.

The Community Service Fund includes enrichment programs, senior center, and the community pool. In 2017-2018, the Community Service Fund had revenues of \$496,320 and expenditures and other financing uses of \$465,626. In previous years the District passed a Recreation Millage that is accounted for in the Community Service Fund.

#### D. Net Investment in Capital Assets

The District's net investment in capital assets decreased by \$535,085 during the fiscal year. This can be summarized as follows:

	Balance June 30, 2017	Net Change	Balance June 30, 2018
Capital assets	\$ 66,207,182	\$ 632,422	\$ 66,839,604
Less: accumulated depreciation	<u>(27,475,166)</u>	<u>(1,167,507)</u>	<u>(28,642,673)</u>
Net investment in capital outlay	<u>\$ 38,732,016</u>	<u>\$ (535,085)</u>	<u>\$ 38,196,931</u>

In 2005, Williamston Community Schools' voters approved a \$23,735,000 general obligation bond. The proceeds were used for the purpose of constructing, furnishing, and equipping additions to the high school and to Explorer Elementary School; remodeling existing school district buildings and equipping, furnishing, re-equipping and re-furnishing existing school district buildings; acquiring and installing technology equipment in and connecting schools district buildings; constructing additional parking for the existing transportation facility and purchasing school buses; acquiring land for new sites and improving and developing new and existing sites for school facilities; and improving and equipping existing outdoor athletic facilities and fields, structures and playgrounds, constructing additional parking and constructing and equipping new facilities for locker rooms, rest rooms and storage. This project was substantially complete in 2007-08.

In 1996, Williamston Community Schools' voters approved a \$27,535,000 general obligation bond issue. The proceeds from that bond issue were used for constructing new facilities and additions and partial remodeling of existing school facilities, and equipping and re-equipping facilities. This capital project was completed in the fiscal year ended June 30, 2001. Prior to 1996, the District's most recent bond issue had been in 1988. For additional information on Capital Assets see Note C: Capital Assets.

### **State of Michigan Unrestricted Aid (Net State Foundation Grant)**

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

- a. State of Michigan State Aid Act per student foundation allowance.
- b. Student Enrollment - Blended at 90 percent of current year's fall count and 10 percent of prior year's winter count.

### **Per Student, Foundation Allowance:**

Annually, the State of Michigan establishes the per student foundation allowance. The Williamston Community Schools foundation allowance was \$7,631 per student for the 2017-2018 school year. The foundation per student was increased by \$120 (1.6%) from the previous year's allowance of \$7,511 per student.

### **Property Taxes levied for General Operations (General Fund Non-Homestead Taxes)**

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or five (5) percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value. The District's non-homestead property tax revenue for 2017-2018 fiscal year was \$1,321,792. The non-homestead tax revenue increased by 11.93% over the prior year.

The following summarizes the District's non-homestead revenue for the past five years:

<u>Fiscal Year</u>	<u>Non-Homestead Tax Revenue</u>	<u>% Change From Prior Year</u>
2017-2018	\$ 1,321,792	11.93%
2016-2017	1,180,914	-6.78%
2015-2016	1,266,810	-2.35%
2014-2015	1,297,353	5.10%
2013-2014	1,234,355	-3.02%
Average Change Last Five Years:		0.98%

### **Debt Fund Property Taxes**

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

For 2017-2018, the District's debt millage levy was 7.84 mills that generated revenue of \$3,318,178.

### **Effect of the City of Williamston's Tax Increment Financing Authority**

The City of Williamston Tax Increment Financing Authority (TIFA) captures taxes due to the Williamston Community Schools to fund various city projects. The amount of taxes captured by the TIFA is reimbursed to the schools from State of Michigan through the funding formula.

**GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES**

Listed below is an analysis of the original budgets and final budgets to the final actuals.

**General Fund Expenditures and Other Uses Budget vs. Actual 5-Year History**

Fiscal Year	Original Budget	Final Budget	Actual	Variances	
				Actual & Original Budget	Actual & Final Budget
2013-2014	\$ 16,759,939	\$ 16,917,190	\$ 17,041,873	(1.68) %	(0.74) %
2014-2015	16,220,416	17,096,710	17,058,540	(5.17) %	0.22 %
2015-2016	16,948,988	17,574,970	17,603,700	(3.86) %	(0.16) %
2016-2017	17,665,835	17,866,237	17,941,381	(1.56) %	(0.42) %
2017-2018	17,981,604	18,446,280	18,270,167	(1.60) %	0.95 %
Five Year Average Over (Under) Budget				(2.78) %	(0.03) %

**General Fund Revenues and Other Sources, Budget vs. Actual 5-Year History**

Fiscal Year	Original Budget	Final Budget	Actual	Variances	
				Actual & Original Budget	Actual & Final Budget
2013-2014	\$ 16,759,939	\$ 16,424,437	\$ 16,537,568	(1.33) %	0.69 %
2014-2015	16,116,431	16,956,710	17,037,938	5.72 %	0.48 %
2015-2016	16,948,988	17,574,970	17,748,133	4.72 %	0.99 %
2016-2017	17,665,835	17,866,237	17,947,275	1.59 %	0.45 %
2017-2018	17,981,604	18,446,280	18,642,651	3.68 %	1.06 %
Five Year Average Over (Under) Budget				2.88 %	0.73 %

**Original vs. Final Budget:**

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

As a matter of practice, Williamston Community Schools amends its budget periodically during the school year. The June 2018 budget amendment was the final budget for the fiscal year.

**Revenue and Other Financing Sources Change from Original to Final Budget:**

		<u>Percent</u>
Total Revenues and Other Financing Sources Original Budget	\$ 17,981,604	100.00
Total Revenues and Other Financing Sources Final Budget	<u>18,446,280</u>	<u>102.58</u>
Increase in Budgeted Revenues and Other Financing Sources	<u>\$ 464,676</u>	<u>2.58</u>

The District's final actual general fund revenues and other financing sources differed from the final budget by \$196,371, a positive variance of 1.06% from the final budget.

**Expenditures and Other Financing Uses Change from Original to Final Budget:**

		<u>Percent</u>
Total Expenditures Original Budget and Other Financing Uses	\$ 17,981,604	100.00
Total Expenditures Final Budget and Other Financing Uses	<u>18,446,280</u>	<u>102.58</u>
Increase in Budgeted Expenditures and Other Financing Uses	<u>\$ 464,676</u>	<u>2.58</u>

The District's actual general fund expenditures and other financing uses were less than the final budget by \$176,113; a positive variance of .95% from the final budget.

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

Our elected officials and administration considered many factors when setting the School District's 2018-19 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2018-19 fiscal year is 10 and 90 percent of the February 2018 and September 2018 student counts, respectively. The 2018-19 fiscal year budget was adopted in June 2018, based on enrollment projections from prior year retention ratios and historical trends. Approximately 80 percent to 85 percent of total General Fund revenues are from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2018-19 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2018-19 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

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

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Williamston Community Schools, 418 Highland Street, Williamston, Michigan 48895.

## **BASIC FINANCIAL STATEMENTS**

Williamston Community Schools

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 3,223,768
Receivables	
Accounts	118,939
Due from other governmental units	3,025,322
Inventories	45,714
Prepays	<u>300,588</u>
Total current assets	6,714,331
Noncurrent assets	
Capital assets not being depreciated	1,341,655
Capital assets, net of accumulated depreciation	<u>36,855,276</u>
Total noncurrent assets	<u>38,196,931</u>
TOTAL ASSETS	44,911,262
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on refunding	286,778
Deferred outflows of resources related to pensions	6,489,334
Deferred outflows of resources related to OPEB	<u>646,111</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,422,223
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	95,060
Accrued salaries	850,966
Other accrued liabilities	433,788
Short-term notes payable	3,391,167
Unearned revenue	14,997
Accrued interest payable	207,598
Current portion of long-term debt	8,404,903
Current portion of accrued vacation pay	12,844
Current portion of accrued sick pay	<u>332,534</u>
Total current liabilities	13,743,857
Noncurrent liabilities	
Noncurrent portion of accrued vacation pay	3,211
Noncurrent portion of accrued sick pay	83,134
Noncurrent portion of long-term debt	39,674,415
Net pension liability	28,106,439
Net OPEB liability	<u>9,619,784</u>
Total noncurrent liabilities	<u>77,486,983</u>
TOTAL LIABILITIES	91,230,840
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	3,249,975
Deferred inflows of resources related to OPEB	<u>340,469</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,590,444</u>
<b>NET POSITION</b>	
Net investment in capital assets	(9,244,387)
Restricted for community services	30,828
Restricted for debt service	1,205,983
Unrestricted	<u>(34,480,223)</u>
TOTAL NET POSITION	<u>\$ (42,487,799)</u>

See accompanying notes to financial statements.

Williamston Community Schools

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental Activities				
Instruction	\$ 11,503,459	\$ 2,030	\$ 2,240,857	\$ (9,260,572)
Supporting services	6,339,528	209,316	777,964	(5,352,248)
Community services	840,025	640,932	2,100	(196,993)
Food service	470,998	258,736	210,242	(2,020)
Interest on long-term debt	1,639,127	-	-	(1,639,127)
Unallocated depreciation	1,291,159	-	-	(1,291,159)
<b>TOTAL</b>	<b>\$ 22,084,296</b>	<b>\$ 1,111,014</b>	<b>\$ 3,231,163</b>	<b>(17,742,119)</b>
General revenues				
Property taxes				5,286,542
State school aid - unrestricted				12,205,670
Investment earnings				1,373
County special education allocation				814,559
Miscellaneous				85,223
<b>TOTAL GENERAL REVENUES</b>				<b>18,393,367</b>
<b>CHANGE IN NET POSITION</b>				<b>651,248</b>
Restated net position, beginning of year				<u>(43,139,047)</u>
Net position, end of year				<u><u>\$ (42,487,799)</u></u>

See accompanying notes to financial statements.

Williamston Community Schools

Governmental Funds

BALANCE SHEET

June 30, 2018

	General	2015 Refunding Bonds Series B	Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,940,560	\$ 400,972	\$ 882,236	\$ 3,223,768
Receivables				
Accounts	116,069	-	2,870	118,939
Due from other governmental units	3,017,342	-	7,980	3,025,322
Due from other funds	47,537	-	282,058	329,595
Inventories	33,331	-	12,383	45,714
Prepays	300,588	-	-	300,588
	<u>300,588</u>	<u>-</u>	<u>-</u>	<u>300,588</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 5,455,427</b></u>	<u><b>\$ 400,972</b></u>	<u><b>\$ 1,187,527</b></u>	<u><b>\$ 7,043,926</b></u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 79,856	\$ -	\$ 15,204	\$ 95,060
Short-term notes payable	3,391,167	-	-	3,391,167
Accrued salaries	847,489	-	3,477	850,966
Other accrued liabilities	432,355	-	1,433	433,788
Due to other funds	5,332	30,000	294,263	329,595
Unearned revenue	2,296	-	12,701	14,997
	<u>2,296</u>	<u>-</u>	<u>12,701</u>	<u>14,997</u>
<b>TOTAL LIABILITIES</b>	4,758,495	30,000	327,078	5,115,573
<b>FUND BALANCES (DEFICITS)</b>				
<b>Nonspendable</b>				
Inventories	33,331	-	-	33,331
Prepays	300,588	-	-	300,588
<b>Restricted</b>				
Debt service	-	370,972	1,042,609	1,413,581
Food and nutrition	-	-	5,161	5,161
Community services	-	-	30,828	30,828
Unassigned	363,013	-	(218,149)	144,864
	<u>363,013</u>	<u>-</u>	<u>(218,149)</u>	<u>144,864</u>
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u><b>696,932</b></u>	<u><b>370,972</b></u>	<u><b>860,449</b></u>	<u><b>1,928,353</b></u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u><b>\$ 5,455,427</b></u>	<u><b>\$ 400,972</b></u>	<u><b>\$ 1,187,527</b></u>	<u><b>\$ 7,043,926</b></u>

See accompanying notes to financial statements.



Williamston Community Schools

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

June 30, 2018

**Total fund balances - governmental funds** \$ 1,928,353

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

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

The cost of capital assets is	\$ 66,839,604	
Accumulated depreciation is	<u>(28,642,673)</u>	
		38,196,931

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

Deferred charges on refunding	286,778
-------------------------------	---------

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

Deferred outflows of resources related to pensions	6,489,334	
Deferred inflows of resources related to pensions	(3,249,975)	
Deferred outflows of resources related to OPEB	646,111	
Deferred inflows of resources related to OPEB	<u>(340,469)</u>	
		3,545,001

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Long-term debt payable	(48,079,318)	
Net pension liability	(28,106,439)	
Net OPEB liability	(9,619,784)	
Accrued interest payable	(207,598)	
Accrued vacation pay	(16,055)	
Accrued sick pay	<u>(415,668)</u>	
		<u>(86,444,862)</u>

**Net position of governmental activities** \$ (42,487,799)

Williamston Community Schools

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2018

	General	2015 Refunding Bonds Series B	Nonmajor Governmental Funds	Total
<b>REVENUES</b>				
Local sources	\$ 1,988,871	\$ 957,494	\$ 3,537,077	\$ 6,483,442
State sources	15,273,322	-	19,744	15,293,066
Federal sources	426,225	-	190,498	616,723
<b>TOTAL REVENUES</b>	<b>17,688,418</b>	<b>957,494</b>	<b>3,747,319</b>	<b>22,393,231</b>
<b>EXPENDITURES</b>				
Current				
Instruction	11,540,061	-	-	11,540,061
Supporting services	6,313,710	-	-	6,313,710
Community services	416,396	-	418,089	834,485
Food service	-	-	467,892	467,892
Capital outlay	-	-	664,754	664,754
Debt service				
Principal retirement	-	5,950,000	2,125,000	8,075,000
Interest, fiscal, and other charges	-	435,124	1,030,250	1,465,374
<b>TOTAL EXPENDITURES</b>	<b>18,270,167</b>	<b>6,385,124</b>	<b>4,705,985</b>	<b>29,361,276</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(581,749)</b>	<b>(5,427,630)</b>	<b>(958,666)</b>	<b>(6,968,045)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt issuance	92,137	-	6,816,813	6,908,950
County special education allocation	814,559	-	-	814,559
Transfers from other funds	47,537	5,615,000	400,000	6,062,537
Transfers to other funds	-	-	(6,062,537)	(6,062,537)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>954,233</b>	<b>5,615,000</b>	<b>1,154,276</b>	<b>7,723,509</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>372,484</b>	<b>187,370</b>	<b>195,610</b>	<b>755,464</b>
Fund balances, beginning of year	324,448	183,602	664,839	1,172,889
Fund balances, end of year	<u>\$ 696,932</u>	<u>\$ 370,972</u>	<u>\$ 860,449</u>	<u>\$ 1,928,353</u>

See accompanying notes to financial statements.

Williamston Community Schools

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

**Net change in fund balances - total governmental funds** **\$ 755,464**

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

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

Capital outlay	\$ 756,074	
Depreciation expense	<u>(1,291,159)</u>	
Excess of depreciation expense over capital outlay		(535,085)

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

Debt principal retirement	8,091,094	
Amortization of deferred charges on refunding	(23,898)	
Amortization of bond premium	87,719	
Loan proceeds (includes accrued SBLF interest)	<u>(7,183,155)</u>	
Excess of principal retirement over bond proceeds		971,760

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in net pension liability	(665,186)	
Change in deferred outflows of resources related to pensions	2,312,742	
Change in deferred inflows of resources related to pensions	(2,169,257)	
Decrease in net OPEB liability	526,957	
Change in deferred outflows of resources related to OPEB	(264,197)	
Change in deferred inflows of resources related to OPEB	(340,469)	
Decrease in accrued interest payable	36,631	
(Increase) in accrued vacation pay	(2,504)	
Decrease in accrued sick pay	<u>24,392</u>	
		<u>(540,891)</u>

**Change in net position of governmental activities** **\$ 651,248**

Williamston Community Schools

Fiduciary Funds

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2018

	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 7,713	\$ 109,997
LIABILITIES		
Due to students		
High School	-	77,496
Middle School	-	32,085
Due to individuals and agencies	-	416
	<u>-0-</u>	<u>\$ 109,997</u>
TOTAL LIABILITIES		
NET POSITION		
Held in trust for private purposes	<u>\$ 7,713</u>	

See accompanying notes to financial statements.

Williamston Community Schools

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2018

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Other	
Contributions	\$ -
DEDUCTIONS	
Other supporting services	<u>-</u>
CHANGE IN NET POSITION	-0-
Net position - beginning of year	<u>7,713</u>
Net position - end of year	<u><u>\$ 7,713</u></u>

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

1. Reporting Entity

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

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

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

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

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

The District presents the following major governmental funds:

- a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District.
- b. 2015 Refunding Bond Series B - The 2015 Refunding Bond Series B Fund accounts for restricted revenues used to make payments on the 2015 Series B refunding bonds.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Measurement Focus

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

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

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

4. Basis of Accounting

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

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

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

The District reports unearned revenue in its financial statements, when applicable. Unearned revenues arise when the District receives resources before it has a legal claim to them.

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

5. Budgets and Budgetary Accounting

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

The District does not maintain a formalized encumbrance accounting system. All annual appropriations lapse at fiscal year end.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Budgets and Budgetary Accounting - continued

The District follows these procedures in establishing the budgetary data reflected in the required supplementary information of the financial statements:

- a. The Assistant 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.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred in excess of the amount appropriated unless authorized in the budget.
- d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes.
- e. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, and Debt Service Funds.
- f. The budget, as presented, has been amended in a legally permissible manner. Supplemental appropriations were made during the year, with the last one approved June 18, 2018.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings, money market accounts, and pooled investment funds with an original maturity of ninety (90) days or less. Cash equivalents are recorded at amortized cost which approximates market (fair) value.

7. Short-Term Interfund Receivables/Payables

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

8. Due From Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs and State Aid payments. The State of Michigan's funding stream of State Aid payments results in the final two (2) payments for the fiscal year ended June 30, 2018, to be paid in July and August 2018. The total amount of \$3,025,322 due from other governmental units consists of \$2,716,895 and \$308,427 for State Aid and grant and local programs, respectively.

9. Inventories

Inventories are stated at cost on a first in/first out basis. The General Fund inventory consists of paper, custodial, and other miscellaneous supplies. The Food Services Fund inventory mainly consists of food and miscellaneous paper goods. General Fund inventory amounts for consumable inventory are equally offset by a fund balance "nonspendable" designation which indicates that they do not constitute "available spendable resources" even though they are a component of fund balance. Inventory that will be sold, rather than used in providing services (i.e., food in the Food Service Fund), and for which the proceeds from the sales are restricted for food service activities are not classified as "nonspendable" but instead are reflected as a component of restricted fund balance in accordance with GASB Statement No. 54.



Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

10. Capital Assets

Capital assets include land, buildings and building improvements, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost of \$5,000 or more with estimated useful lives of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

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

Buildings and building improvements	50 years
Equipment	5 - 20 years
Vehicles	8 years

11. Compensated Absences

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

12. Defined Benefit Plans

For purposes of measuring the net pension and other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public 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.

13. Deferred Outflows

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/ expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding, and pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

14. Deferred Inflows

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. The District has three items that qualifies for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

15. Unearned Revenues

The unexpended balance of various federal and/or state categorical and local grants is carried forward as unearned revenue until the period in which eligible expenditures are incurred. Other monies collected in advance, such as summer school, community education programs, summer school lunch, and recreational programs are also reflected as unearned if they meet these criteria.

16. Short-Term Note Obligations

Short-term debt is recognized as a liability of a governmental fund and is included on the balance sheet of the applicable fund. During the current year, the District paid off the 2017 State-aid borrowing and then borrowed additional funds to meet short-term cash flow borrowing needs for 2018. The final payment is due and payable in August 2018, and anticipated State Aid is expected to be sufficient to cover this commitment.

17. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the district-wide statements. Accrued interest payable is due within one year and is reported as a current liability.

18. Long-Term Obligations

Long-term debt is recognized as a liability in the district-wide statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

19. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year-end).

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

19. Property Taxes - continued

The District levies taxes of \$18.00 per \$1,000 of taxable valuation on most nonprimary residence exempt property (Taxable value was \$65,328,062 for 2017) and \$6 per \$1,000 of taxable value on commercial personal property (Taxable value was \$5,312,520 for 2017) for general governmental services; \$0.7431 per \$1,000, \$7.84 per \$1,000 and \$0.9909 per \$1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for recreation, debt service, and sinking fund activities, respectively. Original Taxable Value for 2017 was \$424,304,695 for debt service, recreation, and sinking fund calculations.

20. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995 the State utilized a district power equalizing approach. The foundation is funded from State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2018, the foundation allowance was based on the average of pupil membership counts taken in October 2017 and February 2017. The average calculation was weighted 90% for the October 2017 count and 10% for the February 2017 count.

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

21. State Categorical Revenue

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

22. County Special Education Revenue Allocation

The millage was collected by Ingham Intermediate School District (IISD) and the payments to the District were based on the most recent IISD budget at the time of allocation of excess revenues, after all IISD costs had been reimbursed. The allocation is paid pro rata based upon the K-12 pupil enrollment, including Special Education students enrolled at IISD, of the District compared to the total County wide enrollment. The K-12 enrollment for the District is defined as the blended official count for the State foundation grant.

23. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Transfers of resources to other funds are recorded as operating transfers on the governmental fund financial statements. Transfers are netted as part of the reconciliation to the district-wide financial statements.

24. Tax Abatements

The District's tax revenues have been reduced by tax abatements. Management has determined these amounts to be immaterial to the financial statements.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

25. Federal Programs

Federal programs are accounted for in the General Fund and specific Special Revenue Funds.

26. Comparative Data

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

**NOTE B: DEPOSITS**

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

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

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

Deposits

There is custodial credit risk as it related to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it.

As of June 30, 2018, the carrying amount of the District's deposits was \$3,339,672 and the bank balance was \$3,591,442 of which \$500,000 was covered by Federal depository insurance. The balance of \$3,091,442 was uninsured and uncollateralized. The District had \$806 of cash on hand.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE B: DEPOSITS - CONTINUED**

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs. There are three (3) levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

Investments

The following is a market value summary by the level of inputs used, as of June 30, 2018, in evaluating the District's investments carried at fair value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

<u>INVESTMENT TYPE</u>	Fair Value Measurements			<u>Total</u>
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Uncategorized pooled investment funds				
MILAF+ - Cash Management & MAX Class Funds	\$ -	\$ 984	\$ -	\$ 984
Michigan CLASS	-	16	-	16
	\$ -0-	\$ 1,000	\$ -0-	\$ 1,000

The District participates in the Michigan Liquid Asset Fund Plus (MILAF+), the portfolio securities are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. It is MILAF+'s policy to compare amortized cost and fair values of the securities periodically throughout each month and as of the last business day of each month. Fair value is determined by reference to quoted market prices. MILAF+'s annual financial statement may be obtained at [www.milaf.org](http://www.milaf.org).

Investments

MILAF+ portfolio investments are assigned a level based on observability of the inputs which are an indication of the risk associated with investing in those securities. Money market securities are valued using amortized cost, as outlined in GASB Statement No. 79, *Certain Investment Pools and Pool Participants*. Generally, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities held by the MILAF+ portfolio are categorized as Level 2 investments.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE B: DEPOSITS - CONTINUED**

Investments - continued

The District participates in the Michigan Cooperative Liquid Assets Securities System (Michigan CLASS). Michigan CLASS are uncategorized pooled investment funds that invest in high quality, short-term, fixed-income instruments selected to provide for program safety, liquidity, and competitive rates of return. Michigan CLASS is not registered with the U.S. Securities and Exchange Commission (SEC). Michigan CLASS's annual report may be obtained at [www.michiganclass.org](http://www.michiganclass.org). The fair value of the Michigan CLASS investment is the same as the value of the pooled shares. Deposits with Michigan CLASS and held in investments categorized as Level 2.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2018, the Michigan CLASS investment is rated AAAM by Standard and Poor's and had a weighted average maturity of less than 70 days. As of June 30, 2018, the investment in MILAF+ was rated AAAM by Standard and Poor's and had a weighted average maturity of less than 60 days.

Interest Rate Risk

The District has adopted a policy that indicates how the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of Credit Risk

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

Custodial Credit Risk

The District has adopted a policy that indicates how the District will minimize custodial credit risk. Custodial credit risk is the risk of loss due to the failure of the security issuer or backer. The Board policy limits investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with the Board approved policy.

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 3,223,768	\$ 117,710	\$ 3,341,478

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

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE C: CAPITAL ASSETS**

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated				
Land	\$ 1,341,655	\$ -	\$ -	\$ 1,341,655
Capital assets being depreciated				
Buildings and building improvements	59,776,785	564,889	-	60,341,674
Vehicles and equipment	5,088,742	191,185	(123,652)	5,156,275
Subtotal of capital assets being depreciated	64,865,527	756,074	(123,652)	65,497,949
Less accumulated depreciation for:				
Buildings and building improvements	(22,978,343)	(1,125,302)	-	(24,103,645)
Vehicles and equipment	(4,496,823)	(165,857)	123,652	(4,539,028)
Total accumulated depreciation	(27,475,166)	(1,291,159)	123,652	(28,642,673)
Net capital assets being depreciated	37,390,361	(535,085)	-0-	36,855,276
Capital assets, net	<u>\$ 38,732,016</u>	<u>\$ (535,085)</u>	<u>\$ -0-</u>	<u>\$ 38,196,931</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

**NOTE D: LONG-TERM DEBT**

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Amounts Due Within One Year
1996 Building and Site Bonds	\$ 9,150,000	\$ -	\$ (1,100,000)	\$ 8,050,000	\$ 1,150,000
2015 Refunding Series A	13,175,000	-	(1,025,000)	12,150,000	1,025,000
2015 Refunding Series B	18,450,000	-	(5,950,000)	12,500,000	6,125,000
Installment loan	-	92,137	(16,094)	76,043	17,184
Michigan School Bond Loans					
Principal and interest	7,194,158	7,091,018	-	14,285,176	-
Capitalized bond premium	1,105,818	-	(87,719)	1,018,099	87,719
Vacation pay	13,551	22,600	(20,096)	16,055	12,844
Sick pay	440,060	561,692	(586,084)	415,668	332,534
	<u>\$ 49,528,587</u>	<u>\$ 7,767,447</u>	<u>\$ (8,784,993)</u>	<u>\$ 48,511,041</u>	<u>\$ 8,750,281</u>

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE D: LONG-TERM DEBT - CONTINUED**

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

General Obligation Bonds - The District has issued bonds to finance the acquisition, new construction, and remodeling of existing school facilities. The following summarizes significant details of the bonds payable outstanding at June 30, 2018:

\$27,535,000 School Building and Site Bonds dated January 1, 1996, due in annual installments of \$1,150,000 through May 1, 2025 with interest of 5.50 percent, payable semi-annually.	\$ 8,050,000
\$14,690,000 Refunding Bond, Series A dated September 29, 2015, due in annual installments ranging from \$1,000,000 to \$1,025,000 through May 1, 2030 with interest ranging from 3.00 to 5.00 percent, payable semi-annually.	12,150,000
\$24,500,000 Refunding Bond, Series B dated September 29, 2015, due in annual installments ranging from \$6,125,000 to \$6,375,000 through May 1, 2020 with interest ranging from 2.397 percent to 2.667 percent, payable semi-annually.	<u>12,500,000</u>
	<u>\$ 32,700,000</u>

Installment Loan

\$92,137 installment note dated July 7, 2017, due in monthly installments of \$1,806, including interest of 6.57%, through June 7, 2022.	<u>\$ 76,043</u>
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Michigan School Bond Qualification and Loan Program

The School District borrows on various occasions from the Michigan School Bond Qualification and Loan Program. Repayment is due when the School District has funds available as determined by the State of Michigan. Interest accrues on the unpaid balance. During the year the interest rate ranged from 3.10164 to 3.18098 percent.

The School District borrowed \$6,816,813 during this fiscal year and had an additional \$274,205 of accrued interest added to the loan on the outstanding balance during the year. The balances at June 30, 2018, are as follows:

Loan balance	\$ 13,933,954
Interest balance	<u>351,222</u>
	<u>\$ 14,285,176</u>

Advance Refunding - Prior

On September 29, 2015, the District defeased the portion of the 2005 Refunding which were due and payable May 1, 2016 through May 1, 2030. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to the applicable principal and interest obligations. The District issued 2015 Refunding Bonds, Series A in the amount of \$14,690,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2018, bonds due and payable May 1, 2019 through May 1, 2030 for the 2005 Refunding Bonds in the amount of \$12,000,000 are considered defeased.



Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE D: LONG-TERM DEBT - CONTINUED**

Sick Pay - In recognition of services to the District, a severance payment is made to eligible employees with at least ten (10) years of service according to their respective employment contracts as follows:

Under GASB Statement No. 16 requirements, the District has elected to implement the “vesting” method of calculating the sick pay liability. The amounts accumulated for all employees currently vested is calculated along with an amount for other employees who currently are not vested but are probable to vest in future years. The amounts for employees who currently are not vested are calculated taking total unused sick pay amounts at June 30, 2018 for all nonvested employees and multiplying it by a historical termination percentage. This percentage is based on an estimate of the percentage of employees who have terminated employment fully vested in the past five (5) years.

A summary of the calculated amounts of accrued sick pay and related payroll taxes as of June 30, 2018, which has been recorded in the District-wide financial statements, is as follows:

	Vested Employees	Nonvested Employees	Total
Sick pay	\$ 376,267	\$ 9,863	\$ 386,130
Payroll taxes	28,784	754	29,538
	\$ 405,051	\$ 10,617	\$ 415,668

Vacation Pay - In recognition of services to the District, any accumulated unused vacation days payment will be made upon termination to eligible employees according to past District practice. This payment will be paid on all unused vacation days at the employee’s rate of pay at time of termination.

The vacation pay liability, including the related payroll taxes which have been recorded in the district-wide financial statements, is \$16,055.

The annual requirements to pay the debt principal and interest outstanding are as follows:

Year Ending June 30,	General Obligation Bonds		Installment Loan	
	Principal	Interest	Principal	Interest
2019	\$ 8,300,000	\$ 1,245,588	\$ 17,184	\$ 4,486
2020	8,550,000	994,522	18,348	3,322
2021	2,175,000	720,250	19,592	2,079
2022	2,175,000	616,000	20,919	752
2023	2,175,000	511,750	-	-
2024-2028	7,325,000	1,200,750	-	-
2029-2030	2,000,000	105,000	-	-
	\$ 32,700,000	\$ 5,393,860	\$ 76,043	\$ 10,639

It is not possible to project a payment schedule for the Michigan School Bond Loans due to varying interest rates and timing of repayments. As a result, it is not included in the schedule above. The State of Michigan has issued a mandatory repayment date of May 1, 2036 for all amounts still outstanding as of that date.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE E: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at June 30, 2018, are as follows:

Due to General Fund from:	
Nonmajor governmental funds	<u>\$ 47,537</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 5,332
Nonmajor governmental funds	246,726
2015 Refunding Bonds Series B	<u>30,000</u>
	<u>\$ 282,058</u>

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

**NOTE F: INTERFUND TRANSFERS**

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

Transfers to 2015 Refunding Bonds Series B from:	
Nonmajor governmental funds	<u>\$ 5,615,000</u>
Transfers to nonmajor governmental funds from:	
Nonmajor governmental funds	<u>\$ 400,000</u>
Transfers to General Fund:	
From nonmajor governmental funds	<u>\$ 47,537</u>

The transfers from the nonmajor governmental funds to the General Fund were to offset a portion of costs of the District that were recognized in the General Fund. The transfer from the nonmajor governmental funds to the nonmajor governmental funds was to eliminate the 2005 Debt Fund as that debt was refinanced in 2016. Transfer from nonmajor funds to the 2015 Refunding Bond Fund was to cover debt payments.

**NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS**

Plan Description

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

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED**

Benefits Provided - Overall

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

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by MPSERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

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

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% -7.0%.

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 (MPERS) who became a member of MPERS 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% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% 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 services 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.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED**

Pension Reform 2012 - continued

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1: Members voluntarily elected to increase their contributions to the pension fund as noted below and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2: Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3: Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4: Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the Transition Date.

Pension Reform of 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 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%. 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% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED**

Benefits Provided - Other Postemployment Benefit (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 health care 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% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Retiree Healthcare Reform of 2012

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% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% 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% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

Regular Retirement (No Reduction Factor for Age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60<sup>th</sup> birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - 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.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED**

Employer Contributions - continued

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2016 valuation will be amortized over a 22-year period for fiscal year 2017.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	Other Postemployment Benefit
October 1, 2016 - September 30, 2017	15.27% - 19.03%	5.69% - 5.91%
October 1, 2017 - September 30, 2018	13.54% - 17.89%	7.42% - 7.67%

The District's pension contributions for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately \$2,967,812, with \$2,936,701 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2018 were equal to the required contribution total. OPEB benefits were approximately \$739,973, with \$708,795 specifically for the Defined Benefit Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

*Pension Liabilities*

At June 30, 2018, the District reported a liability of \$28,106,439 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-University Employers	September 30, 2017
Total Pension Liability	\$ 72,407,218,688
Plan Fiduciary Net Position	46,492,967,561
Net Pension Liability	25,914,251,127
Proportionate Share	0.10845939%
Net Pension Liability for the District	\$ 28,106,439

For the year ended June 30, 2018, the District recognized pension expense of \$2,906,761.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - continued

*Pension Liabilities - continued*

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 417,603	\$ 442,109
Differences between expected and actual experience	244,264	137,912
Changes of assumptions	3,079,284	-
Net differences between projected and actual plan investment earnings	-	1,343,673
State aid related to pensions		1,326,281
District's contributions subsequent to the measurement date	2,748,183	-
	\$ 6,489,334	\$ 3,249,975

\$2,748,183 reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year. \$1,326,281 reported as deferred inflows of resources under the caption "State aid related to pensions" will be recognized as an increase to State Aid revenue during the year ending June 30, 2019.

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

Year Ending September 30,	Amount
2018	\$ 505,543
2019	993,557
2020	426,874
2021	(108,517)

Defined Contribution Pension Plan

Benefit provisions of MPSERS also requires the District to contribute to a defined contribution tax-deferred investment account for all eligible employees. The District is required to match 50% of an employee's contributions up to 1% of an employee's salary. The retirement benefits are determined by the final average compensation and years of service with disability and survivor benefits available to members. The District contribution for the year ended June 30, 2018, was \$31,111.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

*OPEB Liabilities*

At June 30, 2018, the District reported a liability of \$9,619,784 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the District's proportion was 0.10863097 percent.

MPSERS (Plan) Non-University Employers	September 30, 2017
Total Other Postemployment Benefit Liability	\$ 13,920,945,991
Plan Fiduciary Net Position	5,065,474,936
Net Other Postemployment Benefit Liability	8,855,471,055
Proportionate Share	0.10863097%
Net Other Postemployment Benefit Liability for the District	\$ 9,619,784

For the year ended June 30, 2018, the District recognized OPEB expense of \$640,036.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ -	\$ 15,251
Differences between expected and actual experience	-	102,422
Net differences between projected and actual plan investment earnings	-	222,796
District's contributions subsequent to the measurement date	646,111	-
	\$ 646,111	\$ 340,469

\$646,111, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.



Williamston Community Schools  
 NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

*OPEB Liabilities - continued*

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2018	\$ (81,998)
2019	(81,998)
2020	(81,998)
2021	(81,998)
2022	(12,477)

Defined Contribution OPEB Plan

Benefit provisions of MPSERS also requires the District to contribute to a defined contribution tax-deferred investment account for all eligible employees. The District is required to match 50% of an employee's contributions up to 1% of an employee's salary. The retirement benefits are determined by the final average compensation and years of service with disability and survivor benefits available to members. The District contribution for the year ended June 30, 2018, was \$31,178.

Actuarial Assumptions

Investment rate of return for Pension: 7.5% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus Plan).

Investment rate of return for OPEB: 7.5% a year, compounded annually net of investment and administrative expenses.

Salary increases: The rate of pay increase used for individual members is 3.5%.

Inflation: 3.0%

Mortality assumptions: RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2025 using projection scale BB (for men, 80% of the table rates were used and for women, 70% of the table rates were used).

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 periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments: The pension rate was 7.5% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.5%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED**

Actuarial Assumptions - continued

Cost of Living Pension Adjustments: 3.0% annual non-compounded for MIP members.

Healthcare Cost Trend Rate for Other Postemployment Benefit: 7.5% for year one and graded to 3.5% to year twelve.

Additional Assumptions for Other Postemployment Benefit Only: Applies to individuals hired before September 4, 2012:

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death.

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

The target asset allocation at September 30, 2017 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0%	5.6%
Private Equity Pools	18.0%	8.7%
International Equity	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)%
	<u>100.0%</u>	

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

Pension Discount rate: The discount rate used to measure the total pension liability was 7.5% (7.0% for Pension Plus Plan). This discount rate was based on the long-term rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that plan members contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED**

Actuarial Assumptions - continued

OPEB Discount Rate: The discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was project to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for Pension Plus Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease (6.5% / 6.0%)	Discount Rate (7.5% / 7.0%)	1% Increase (8.5% / 8.0%)
District's proportionate share of the net pension liability	\$ 36,613,341	\$ 28,106,439	\$ 20,944,169

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net other postemployment benefit liability	\$ 11,267,548	\$ 9,619,784	\$ 8,221,349

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the District's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the District's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease (6.5% decreasing to 2.5%)	Healthcare Cost Trend Rates (7.5% decreasing to 3.5%)	1% Increase (8.5% decreasing to 4.5%)
District's proportionate share of the net other postemployment benefit liability	\$ 8,146,664	\$ 9,619,784	\$ 11,292,409

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED**

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2017 Comprehensive Annual Financial Report.

Payable to the Pension and OPEB Plan: At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from state revenue Section 147c restricted to fund the MPERS Unfunded Actuarial Accrued Liability (UAAL).

Other Information

On December 20, 2017, the Michigan Supreme Court affirmed that Public Act 75 of 2010 is unconstitutional as it substantially impaired the employee's employment contracts by involuntarily reducing the employee's wages by 3%. As a result, the funds collected pursuant to Public Act 75 before the effective date of Public Act 300 of 2012, must be refunded to the employees in accordance with the Michigan Court of Claims judgment on the aforementioned court case. Effective September 30, 2017, the 3% contribution collected under Public Act 75, which amounted to approximately \$554 million (including interest), was posted as a liability on the plan's CAFR report.

**NOTE H: RISK MANAGEMENT**

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

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

**NOTE I: FLEXIBLE BENEFITS PLAN**

In February 1992, the District implemented a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Code. The plan, available to all employees, permits them to reduce their salary and put these amounts into a flexible benefit account up to certain limits.

The plan allows the employee to reduce their salary and apply it to medical reimbursement, dependent care reimbursements, co-pay for health insurance premiums, or post-employment group term life insurance.

A participating employee may elect instead a cash alternative to supplement salary compensation in lieu of a nontaxable health benefit. An employee's elected cash alternative will be considered a taxable benefit under the Flexible Benefit Plan.

The Plan is administered by Williamston Community Schools.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE J: SINKING FUND**

The Capital Projects Sinking Fund of the District includes the capital project activities funded by the local sinking fund millage. For the expenditures recorded within the Capital Projects Sinking Fund the District has complied with the applicable provisions of Section 1212 of the Revised School Code in the current and prior years.

**NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS**

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

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

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

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

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

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

**Fund Balance Classification Policies and Procedures**

For committed fund balance, Williamston Community Schools' highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is through a formal action and approval by the Board of Education and committed fund balances do not lapse at year end.

For assigned fund balance, the Board of Education is authorized to assign amounts to a specific purpose. The authorization is delegated by the Board of Education to the District's Superintendent.

For the classification of fund balances, Williamston Community Schools considers restricted amounts to have been spent first when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also, for the classification of fund balances, Williamston Community Schools considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**NOTE L: NEW ACCOUNTING STANDARDS**

For the year ended June 30, 2018, the District implemented the following new pronouncements: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE L: NEW ACCOUNTING STANDARDS - CONTINUED**

Summary

GASB Statement No. 75 requires governments that participate in defined benefit other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The Statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

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

	Governmental Activities
Net position as previously stated July 1, 2017	\$ (33,902,614)
Adoption of GASB Statement 75	
Net other postemployment benefit liability	(10,146,741)
Deferred outflows	910,308
Net position as restated July 1, 2017	\$ (43,139,047)

GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*, was implemented during the year. The statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

**NOTE M: UPCOMING ACCOUNTING PRONOUNCEMENTS**

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*. This statement improves financial reporting by establishing specific criteria for identifying activities that should be reported as fiduciary activities and will clarify whether and how business-type activities should report their fiduciary activities. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019-2020 fiscal year.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*. This statement will increase 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. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 fiscal year.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2018-2019 fiscal year.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE N: CONTINGENT LIABILITIES**

The District participates in a number of Federal and State assisted grant programs which are subject to compliance audits. The periodic program compliance audits of many of the programs have not yet been completed or final resolution has not been received. Accordingly, the District's compliance with applicable grant requirements will be established 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 District expects such amounts, if any, to be immaterial.

**NOTE O: SUBSEQUENT EVENTS**

On August 20, 2018, the District received funds from the Michigan Finance Authority short-term cash flow borrowing program. The notes in the cumulative amount of \$4,750,000 were for the purpose of funding operating expenditures until the fiscal year 2019 State Aid payments begin. Future anticipated State Aid and other local funds are expected to be sufficient to cover these commitments.

**NOTE P: SHORT-TERM NOTES**

On August 22, 2016, the District issued a short-term State School Aid Anticipation Note in the amount of \$4,000,000 for the purpose of funding operating expenditures until the 2017 State Aid payments resumed. These short-term notes, which had a net outstanding balance of \$4,031,521 (principal and accrued-interest payable) at June 30, 2017 were reported in the financial statements under the caption short-term notes payable. The remaining funds to make the balance of the payment due came from the State Aid received in July and August 2017. The outstanding balance was paid in July and August 2017.

On August 21, 2017, the District issued a short-term State School Aid Anticipation Note in the amount of \$4,750,000 for the purpose of funding operating expenditures until the 2018 State Aid payments resumed. These short-term notes, which had a net outstanding balance of \$3,391,167 (principal and accrued-interest payable) at June 30, 2018 are reported in the financial statements under the caption short-term notes payable. The remaining funds to make the balance of the payment due will come from the State Aid received in July and August 2018. The outstanding balance was paid in August 2018.

**NOTE Q: DEFICIT FUND BALANCE**

As of June 30, 2018, the Sinking fund had a deficit fund balance of (\$218,149).

**REQUIRED SUPPLEMENTARY INFORMATION**



Williamston Community Schools

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 1,951,311	\$ 2,002,694	\$ 1,988,871	\$ (13,823)
State sources	14,790,736	15,134,726	15,273,322	138,596
Federal sources	370,858	411,476	426,225	14,749
<b>TOTAL REVENUES</b>	<b>17,112,905</b>	<b>17,548,896</b>	<b>17,688,418</b>	<b>139,522</b>
<b>EXPENDITURES</b>				
Instruction				
Basic programs	9,359,539	9,346,245	9,507,805	(161,560)
Added needs	1,962,460	2,054,974	2,032,256	22,718
<b>TOTAL INSTRUCTION</b>	<b>11,321,999</b>	<b>11,401,219</b>	<b>11,540,061</b>	<b>(138,842)</b>
Supporting services				
Pupil services	808,627	870,546	927,298	(56,752)
Instructional staff	713,025	893,003	812,939	80,064
General administration	374,505	389,461	375,084	14,377
School administration	1,133,789	1,165,651	1,096,567	69,084
Athletics	325,194	326,257	366,097	(39,840)
Business and other supporting services	2,967,225	3,056,851	2,735,725	321,126
<b>TOTAL SUPPORTING SERVICES</b>	<b>6,322,365</b>	<b>6,701,769</b>	<b>6,313,710</b>	<b>388,059</b>
Community services	337,240	343,292	416,396	(73,104)
<b>TOTAL EXPENDITURES</b>	<b>17,981,604</b>	<b>18,446,280</b>	<b>18,270,167</b>	<b>176,113</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(868,699)</b>	<b>(897,384)</b>	<b>(581,749)</b>	<b>315,635</b>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from installment loan	-	-	92,137	92,137
County special education allocation	793,699	822,384	814,559	(7,825)
Transfers from other funds	75,000	75,000	47,537	(27,463)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>868,699</b>	<b>897,384</b>	<b>954,233</b>	<b>56,849</b>
<b>NET CHANGES IN FUND BALANCE</b>	<b>-0-</b>	<b>-0-</b>	<b>372,484</b>	<b>372,484</b>
Fund balance, beginning of year	324,448	324,448	324,448	-0-
Fund balance, end of year	<u>\$ 324,448</u>	<u>\$ 324,448</u>	<u>\$ 696,932</u>	<u>\$ 372,484</u>

Williamston Community Schools

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Michigan Public School Employee Retirement Plan

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of net pension liability (%)	0.10794%	0.10690%	0.10999%	0.10846%
District's proportionate share of net pension liability	\$ 23,775,595	\$ 26,110,017	\$ 27,441,253	\$ 28,106,439
District's covered employee payroll	\$ 8,935,799	\$ 8,794,354	\$ 9,365,460	\$ 8,978,139
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	266.07%	296.90%	293.00%	313.05%
Plan fiduciary net position as a percentage of total pension liability	66.20%	63.17%	63.27%	64.21%

Williamston Community Schools

SCHEDULE OF PENSION CONTRIBUTIONS

Michigan Public School Employee Retirement Plan

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Statutorily required contributions	\$ 1,809,441	\$ 2,369,641	\$ 2,566,667	\$ 2,936,701
Contributions in relation to statutorily required contributions	<u>1,809,441</u>	<u>2,369,641</u>	<u>2,566,667</u>	<u>2,936,701</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 8,775,957	\$ 8,953,645	\$ 9,037,853	\$ 8,991,915
Contributions as a percentage of covered-employee payroll	20.62%	26.47%	28.40%	32.66%

Williamston Community Schools

SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY

Michigan Public School Employee Retirement Plan

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

	<u>2017</u>
District's proportion of net OPEB liability (%)	0.10863%
District's proportionate share of net OPEB liability	\$ 9,619,784
District's covered-employee payroll	\$ 8,978,139
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	107.15%
Plan fiduciary net position as a percentage of total OPEB liability	36.39%

Williamston Community Schools

SCHEDULE OF OPEB CONTRIBUTIONS

Michigan Public School Employee Retirement Plan

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

	<u>2018</u>
Statutorily required contributions	\$ 708,795
Contributions in relation to statutorily required contributions	<u>708,795</u>
Contribution deficiency (excess)	<u>\$ -0-</u>
District's covered employee payroll	\$ 8,991,915
Contributions as a percentage of covered-employee payroll	7.88%

Williamston Community Schools

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2018

**NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

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

During the year ended June 30, 2018, the District incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Instruction			
Basic programs	\$ 9,346,245	\$ 9,507,805	\$ (161,560)
Supporting services			
Pupil services	870,546	927,298	(56,752)
Athletics	326,257	366,097	(39,840)
Community services	343,292	416,396	(73,104)

**NOTE B: MICHIGAN PUBLIC SCHOOL EMPLOYEE RETIREMENT PLAN**

Change of benefit terms: There were no changes of benefit terms in plan year 2017.

Changes of assumptions: There were no changes of assumptions in plan year 2017.

## **OTHER SUPPLEMENTARY INFORMATION**

Williamston Community Schools

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2018

	Special Revenue Funds		Capital Project Fund
	Food Service	Community Services	Sinking Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 406	\$ -	\$ -
Receivables			
Accounts	2,870	-	-
Due from other governmental units	7,980	-	-
Due from other funds	8,609	36,556	-
Inventories	12,383	-	-
TOTAL ASSETS	\$ 32,248	\$ 36,556	\$ -0-
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 14,213	\$ 991	\$ -
Due to other funds	-	-	218,149
Accrued salaries	-	3,477	-
Other accrued liabilities	173	1,260	-
Unearned revenue	12,701	-	-
TOTAL LIABILITIES	27,087	5,728	218,149
<b>FUND BALANCES</b>			
Restricted			
Debt service	-	-	-
Community services	-	30,828	-
Food and nutrition	5,161	-	-
Unassigned	-	-	(218,149)
TOTAL FUND BALANCES (DEFICIT)	5,161	30,828	(218,149)
TOTAL LIABILITIES AND FUND BALANCES	\$ 32,248	\$ 36,556	\$ -0-



Debt Service Funds		
1996	2015	
Debt	Refunding Bonds Series A	Total
\$ 243,352	\$ 638,478	\$ 882,236
-	-	2,870
-	-	7,980
236,893	-	282,058
-	-	12,383
<u>\$ 480,245</u>	<u>\$ 638,478</u>	<u>\$ 1,187,527</u>
\$ -	\$ -	\$ 15,204
-	76,114	294,263
-	-	3,477
-	-	1,433
-	-	12,701
-0-	76,114	327,078
480,245	562,364	1,042,609
-	-	30,828
-	-	5,161
-	-	(218,149)
<u>480,245</u>	<u>562,364</u>	<u>860,449</u>
<u>\$ 480,245</u>	<u>\$ 638,478</u>	<u>\$ 1,187,527</u>

Williamston Community Schools

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2018

	Special Revenue Funds		Capital Project Fund
	Food Service	Community Services	Sinking Fund
REVENUES			
Local sources	\$ 256,501	\$ 496,320	\$ 423,572
State sources	19,744	-	-
Federal sources	190,498	-	-
<b>TOTAL REVENUES</b>	<b>466,743</b>	<b>496,320</b>	<b>423,572</b>
EXPENDITURES			
Current			
Food service	467,892	-	-
Community services	-	418,089	-
Capital outlay	-	-	664,754
Debt service			
Principal retirement	-	-	-
Interest, fiscal, and other charges	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>467,892</b>	<b>418,089</b>	<b>664,754</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,149)</b>	<b>78,231</b>	<b>(241,182)</b>
OTHER FINANCING SOURCES (USES)			
Debt proceeds	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	-	(47,537)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-0-</b>	<b>(47,537)</b>	<b>-0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,149)</b>	<b>30,694</b>	<b>(241,182)</b>
Fund balances, beginning of year	6,310	134	23,033
Fund balances (deficit), end of year	\$ 5,161	\$ 30,828	\$ (218,149)

Debt Service Funds		
1996 Debt	2015 Refunding Bonds Series A	Total
\$ 1,403,074	\$ 957,610	\$ 3,537,077
-	-	19,744
-	-	190,498
1,403,074	957,610	3,747,319
-	-	467,892
-	-	418,089
-	-	664,754
1,100,000	1,025,000	2,125,000
503,250	527,000	1,030,250
1,603,250	1,552,000	4,705,985
(200,176)	(594,390)	(958,666)
-	6,816,813	6,816,813
400,000	-	400,000
-	(6,015,000)	(6,062,537)
400,000	801,813	1,154,276
199,824	207,423	195,610
280,421	354,941	664,839
\$ 480,245	\$ 562,364	\$ 860,449

Williamston Community Schools

Private Purpose Trust Funds

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2018

	<u>Suzie Lorenz</u>	<u>Steve Smith</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	<u>\$ 6,967</u>	<u>\$ 746</u>	<u>\$ 7,713</u>
NET POSITION			
Held in trust for private purposes	<u>\$ 6,967</u>	<u>\$ 746</u>	<u>\$ 7,713</u>

Williamston Community Schools

Private Purpose Trust Funds

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2018

	<u>Suzie Lorenz</u>	<u>Steve Smith</u>	<u>Total</u>
ADDITIONS			
Contributions			
Private contributions	\$ -	\$ -	\$ -
DEDUCTIONS			
Other supporting services	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	-0-	-0-	-0-
Net position - beginning of year	<u>6,967</u>	<u>746</u>	<u>7,713</u>
Net position - end of year	<u><u>\$ 6,967</u></u>	<u><u>\$ 746</u></u>	<u><u>\$ 7,713</u></u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education  
Williamston Community Schools  
Williamston, Michigan

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Williamston Community Schools (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Williamston Community Schools' basic financial statements, and have issued our report thereon dated October 17, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Williamston Community Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control that we consider to be a significant deficiency.

#### 2018-001 PAYROLL PROCEDURES

Condition: During our testing of controls over the payroll process, we noted three (3) instances out of the forty (40) payroll transactions that we tested were missing supervisor approval. We also noted no indication that review of payroll was conducted by the business manager.

## 2018-001 PAYROLL PROCEDURES - CONTINUED

Criteria: Proper review and approval of hours worked, and dollars paid to employees is the foundation of strong internal controls over the payroll process to assure accuracy and policy compliance.

Cause: Unknown

Effect: By failing to follow established procedures, the District is more susceptible to errors or inappropriate activities which could lead to material misstatement of the financial statements.

Recommendation: We recommend the District follow its established procedures which require supervisor approval of timecards and business manager approval of the payroll packet prior to issuance of payroll.

Corrective Action Response: Management will review all procedures with staff and reiterate the importance of following procedures. Management will also review payroll to assure proper approval is received.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described as noted below:

#### 2018-002 UNFAVORABLE BUDGET VARIANCES

Condition: During our review of the District's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for various activities in the General Fund. A similar issue was noted in the prior year audit.

Criteria: The Uniform Budgeting and Accounting Act requires the District to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

Cause: The District did not amend the budget sufficiently when it became apparent spending was going to exceed the amounts appropriated in the over budget areas.

Effect: The District has not maintained adequate control over budgetary compliance in accordance with State law in the certain areas where the overages occurred.

Recommendation: We recommend the District continue to monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

Corrective Action Response: Management of the District is continually reviewing the procedures related to budgetary compliance in accordance with State law and will continue to monitor and amend our budget when the need arises.

#### 2018-003 FUND BALANCE DEFICIT

Condition: At the end of the fiscal year, the Sinking Fund reported a fund balance deficit.

Criteria: Michigan Public Act 275 of 1980 provides that the District shall not end its fiscal year with a deficit condition in any fund.

Cause: The District performed significant amounts of work in the Sinking fund in 2017-18 and the expenditures related to all this work exceeded current revenues.

Effect: The District is not in compliance with Public Act 275 of 1980. As a result, the District will be required to prepare and submit a Deficit Elimination Plan to the State of Michigan.

2018-003 FUND BALANCE DEFICIT - CONTINUED

Recommendation: We recommend the District utilize budgetary controls to limit expenditures and/or transfer funds as needed to alleviate deficits.

Corrective Action Response: This issue was a result of a timing issue in that it was another significant summer project we needed to complete prior to the beginning of the 2018-19 school year so therefore the work commenced prior to the collection of sufficient sinking fund revenues. As the sinking fund resources come in this will eliminate the deficit and we will monitor timing of projects compared to revenues in the future.

**Williamston Community Schools' Responses to the Findings**

The District's responses to the findings identified in our audit are described above. The District's responses were not subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

STEVENS, KIRINOVIC & TUCKER, P.C.  
Certified Public Accountants

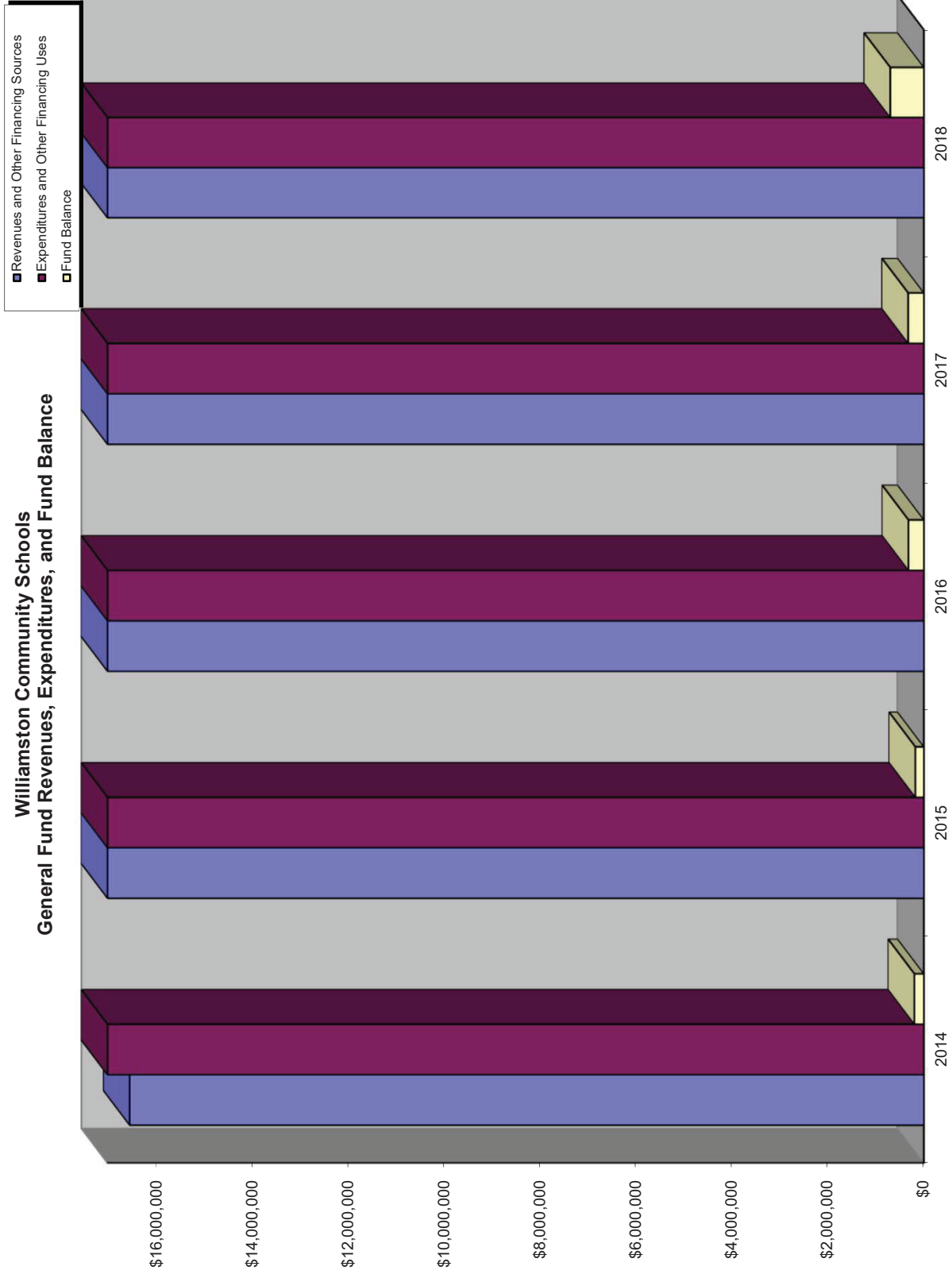
October 17, 2018





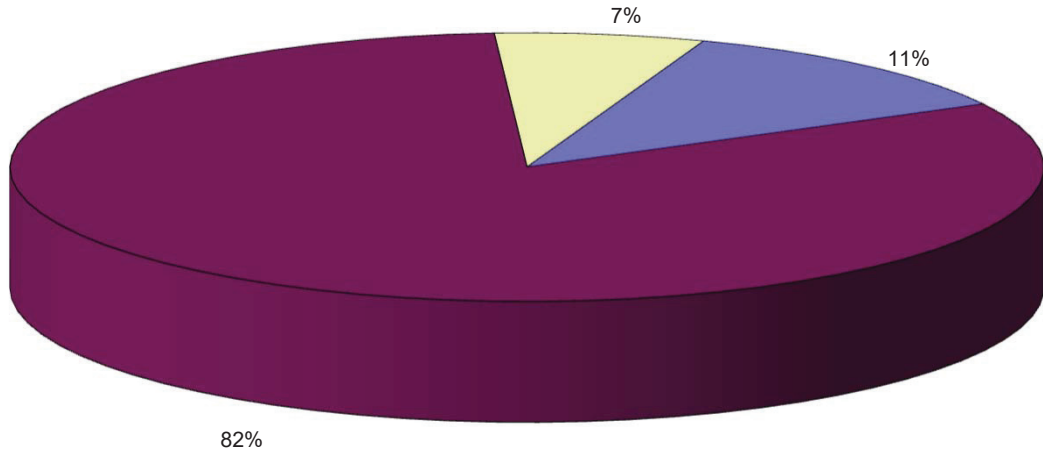
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**Williamston Community Schools  
General Fund Revenues, Expenditures, and Fund Balance**



**Williamston Community Schools  
General Fund Revenue Detail  
2018**

- Local Sources
- State Sources
- Federal and Other Financing Sources



**Williamston Community Schools  
General Fund Expenditure Detail  
2018**

- Instruction
- Supporting Services
- Community Services

