Williamston Community Schools
Williamston, Michigan

FINANCIAL STATEMENTS

June 30, 2016

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, 2016, 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, 2016, 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.

Changes in Accounting Principles

As discussed in Note M to the financial statements, the District implemented GASB Statement No. 72, *Fair Value and Measurement and Application,* during the year. As a result, the District has applied fair value to certain investments and disclosures related to all fair value measurements. Our opinions are not modified with respect to this matter.

Also as discussed in Note M to the financial statements, the District implemented GASB Statement No. 79, *Certain External Investment Pools and Pool Participants,* during the year. As a result, the District's external investment pool has measured all of its investments at amortized cost for financial reporting purposes. This statement also established additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the administration's discussion and analysis, budgetary comparison information, and schedules of proportionate share of net pension 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 12, 2016, 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.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 12, 2016

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, 2016. 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, 2016 with comparative information for June 30, 2015 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, 2016 and 2015:

Condensed Statement of Net Position
As of June 30, 2016 and 2015

	Governmental Activities 2016	Governmental Activities 2015
Assets		
Current Assets	$ 6,820,367	$ 4,892,607
Capital Assets	39,730,817	40,466,381
Total Assets	**46,551,184**	**45,358,988**
Deferred Outflows of Resources	3,070,061	2,358,342
Liabilities		
Current Liabilities	14,167,130	7,275,645
Noncurrent Liabilities	69,046,145	72,644,040
Total Liabilities	**83,213,275**	**79,919,685**
Deferred Inflows of Resources	869,676	2,628,859
Net Position		
Net investment in capital assets	(10,790,476)	(2,111,669)
Restricted for food and nutrition	-	12,069
Restricted for community services	135	857
Restricted for debt service	787,396	-
Unrestricted	(24,458,761)	(32,732,471)
Total Net Position	**$(34,461,706)**	**$(34,831,214)**

Analysis of Financial Position:

By far the most significant portion of the District's net position is the negative unrestricted portion related to pensions. 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 ($34,461,706) for the fiscal year ended June 30, 2016. 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 to pay for the facility modification projects.

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 2014/2015 and 2015/2016. 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, 2016 and 2015

	Governmental Activities 2016	Governmental Activities 2015
Revenues:		
Program Revenues		
Charges for Service	$ 1,051,444	$ 1,012,828
Operating and Capital Grants	3,014,250	2,459,696
General Revenues		
Property Taxes	5,100,313	5,097,925
State School Aid-unrestricted	13,712,236	11,923,733
Other	1,029,481	891,056
Total Revenues	**23,907,724**	**21,385,238**
Functions/Program Expenses:		
Instruction	12,714,445	11,358,338
Supporting Services	6,366,062	5,533,516
Community Services	863,835	745,927
Food service	525,023	471,767
Interest on long-term debt	1,806,335	2,172,729
Unallocated depreciation	1,262,516	1,273,257
Total Expenses	**23,538,216**	**21,555,534**
Increase (Decrease) in Net Position	**$ 369,508**	**$ (170,296)**

Analysis of Results of Operations:

During fiscal year ended June 30, 2016, the District's net position increased by $369,508. Several factors which caused the reduction are discussed in the following sections.

A. Governmental Fund Operating Results
The District's expenditures from governmental fund operations exceeded revenues and other adjustments by $985,315 for the fiscal year ended June 30, 2016. Further discussion of the District's operating results is available in the section entitled "Results of 2015-2016 Operations" located on the following page.

B. Long-Term Debt Activities
The District refunded several portions of its bonded long-term debt obligation during 2015-2016 for a net increase of $23,049,885. In addition, debt related to the State of Michigan School Bond Qualification and Loan Program decreased by a net of $23,119,293. Compensated absences increased by a net amount of $26,318. As a result of these activities, net district long-term debt liabilities decreased by $43,090.

Results of 2015-2016 Operations

During fiscal year ended June 30, 2016, the District's total fund balances increased by $985,318. 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 exceeded expenditures from General Fund operations by $144,433 for the fiscal year ended June 30, 2016. The General Fund as of June 30, 2016, had a total fund balance of $318,554 or 1.8% of expenditures and other financing uses for 2015-2016 fiscal year. The School District made budget reductions in certain areas for the 2015-2016 fiscal year and most likely will have to continue these reductions for 2016-17 unless funding from the State of Michigan improves.

B. Debt Service Fund Operations

The Debt Service Funds consist of four (4) separate debt funds as follows: 1996 Debt, 2005 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, 2016, the Debt Service Funds had $1,072,087 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, 2016, the School District refunded $24,295,000 and borrowed $1,175,707 (principal plus accrued interest) from the Michigan School Bond Qualification and Loan Program and the School District has a total obligation of $978,587 to pay back to the Michigan School Bond Qualification and Loan Program including interest.

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

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
1996 Building and Site Bonds	$ 11,350,000	$ -	$ (1,100,000)	$ 10,250,000
2005 Building and State Bonds	15,000,000	-	(15,000,000)	-0-
2015 Refunding Series A	-	14,690,000	(750,000)	13,940,000
2015 Refunding Series B	-	24,500,000	-	24,500,000
Michigan School Bond Loans				
Principal and interest	24,097,880	1,175,707	(24,295,000)	978,587
	$ 50,447,880	$ 40,365,707	$ (41,145,000)	$ 49,668,587

The District also had $383,614 outstanding in compensated absences and $1,193,537 in capitalized bond premium at June 30, 2016. 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 2015-2016, the Food Service Fund had revenues of $487,176 and expenditures and other financing uses of $493,036 and fund balance of $6,209.

The Community Service Fund includes enrichment programs, senior center, and the community pool. In 2015-2016, the Community Service Fund had revenues of $461,668 and expenditures and other financing uses of $462,387. 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 $735,564 during the fiscal year. This can be summarized as follows:

	Balance June 30, 2015	Net Change	Balance June 30, 2016
Capital assets	$ 66,120,005	$ (198,632)	$ 65,921,373
Less: accumulated depreciation	(25,653,624)	(536,932)	(26,190,556)
Net investment in capital outlay	$ 40,466,381	$ (735,564)	$ 39,730,817

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 $7,391 per student for the 2015-2016 school year. The foundation per student was increased by $100 (1.4%) from the previous year's allowance of $7,126 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 2015-2016 fiscal year was $1,266,810. The non-homestead tax revenue decreased by 2.35% over the prior year.

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

Fiscal Year	Non-Homestead Tax Revenue	% Change From Prior Year
2015-2016	$ 1,266,810	-2.35%
2014-2015	1,297,353	5.10%
2013-2014	1,234,355	-3.02%
2012-2013	1,272,786	2.14%
2011-2012	1,246,174	-8.98%
Average Decrease Last Five Years:		-1.42%

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 2015-2016, the District's debt millage levy was 7.98 mills that generated revenue of $3,108,312.

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

				Variances	
Fiscal Year	Original Budget	Final Budget	Actual	Actual & Original Budget	Actual & Final Budget
2011-2012	$ 16,222,682	$ 15,989,597	$ 15,943,580	1.72 %	0.29 %
2012-2013	16,160,659	16,603,730	16,811,723	(4.03) %	(1.25) %
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) %
	Five Year Average Over (Under) Budget			(2.60) %	(0.33) %

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

				Variances	
Fiscal Year	Original Budget	Final Budget	Actual	Actual & Original Budget	Actual & Final Budget
2011-2012	$ 15,326,981	$ 15,892,439	$ 16,269,307	6.15 %	2.37 %
2012-2013	16,160,659	16,348,800	16,339,540	1.11 %	(0.06) %
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 %
	Five Year Average Over (Under) Budget			3.27 %	0.89 %

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 2016 budget amendment was the final budget for the fiscal year.

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

		Percent
Total Revenues and Other Financing Sources Original Budget	$ 16,948,988	100.00
Total Revenues and Other Financing Sources Final Budget	17,574,970	103.69
Increase in Budgeted Revenues and Other Financing Sources	$ 625,982	3.69

The District's final actual general fund revenues and other financing sources differed from the final budget by $173,163, a positive variance of .99% from the final budget.

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

		Percent
Total Expenditures Original Budget and Other Financing Uses	$ 16,948,988	100.00
Total Expenditures Final Budget and Other Financing Uses	17,574,970	103.69
Increase in Budgeted Expenditures and Other Financing Uses	$ 625,982	3.69

The District's actual general fund expenditures and other financing uses were more than the final budget by $28,730; a negative variance of .16% 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 2016-17 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2016-17 fiscal year is 10 and 90 percent of the February 2016 and September 2016 student counts, respectively. The 2016-17 fiscal year budget was adopted in June 2016, 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 2016-17 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2016-17 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, 2016

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 2,109,817
Cash on hand with paying agent	1,207,943
Receivables	
Accounts	336,439
Due from other governmental units	2,674,495
Inventories	61,883
Prepaids	429,790
Total current assets	6,820,367
Noncurrent assets	
Capital assets not being depreciated	1,341,655
Capital assets, net of accumulated depreciation	38,389,162
Total noncurrent assets	39,730,817
TOTAL ASSETS	46,551,184
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	334,574
Deferred outflows of resources related to pensions	2,735,487
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,070,061
LIABILITIES	
Current liabilities	
Accounts payable	174,393
Accrued salaries	908,480
Other accrued liabilities	434,140
Short-term notes payable	4,040,769
Unearned revenue	15,047
Accrued interest payable	284,691
Current portion of long-term debt	8,002,719
Current portion of accrued vacation pay	9,040
Current portion of accrued sick pay	297,851
Total current liabilities	14,167,130
Noncurrent liabilities	
Noncurrent portion of accrued vacation pay	2,260
Noncurrent portion of accrued sick pay	74,463
Noncurrent portion of long-term debt	42,859,405
Net pension liability	26,110,017
Total noncurrent liabilities	69,046,145
TOTAL LIABILITIES	83,213,275
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	869,676
NET POSITION	
Net investment in capital assets	(10,790,476)
Restricted for community services	135
Restricted for debt service	787,396
Unrestricted	(24,458,761)
TOTAL NET POSITION	$ (34,461,706)

See accompanying notes to financial statements.

Williamston Community Schools

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 12,714,445	$ 7,095	$ 2,010,446	$ (10,696,904)
Supporting services	6,366,062	200,952	801,106	(5,364,004)
Community services	863,835	561,003	54	(302,778)
Food service	525,023	282,394	202,644	(39,985)
Interest on long-term debt	1,806,335	-	-	(1,806,335)
Unallocated depreciation	1,262,516	-	-	(1,262,516)
TOTAL	$ 23,538,216	$ 1,051,444	$ 3,014,250	(19,472,522)
General revenues				
Property taxes				5,100,313
State school aid - unrestricted				13,712,236
Investment earnings				2,154
County special education allocation				757,615
Miscellaneous				269,712
TOTAL GENERAL REVENUES				19,842,030
CHANGE IN NET POSITION				369,508
Net position, beginning of year				(34,831,214)
Net position, end of year				$ (34,461,706)

See accompanying notes to financial statements.

Williamston Community Schools

Governmental Funds

BALANCE SHEET

June 30, 2016

	General	2015 Refunding Bonds Series B	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	$ 1,037,324	$ 593,507	$ 478,986	$ 2,109,817
Cash on hand with paying agent	1,207,943	-	-	1,207,943
Receivables				
Accounts	334,681	-	1,758	336,439
Due from other governmental units	2,664,951	-	9,544	2,674,495
Due from other funds	123,488	-	29,845	153,333
Inventories	52,875	-	9,008	61,883
Prepaids	429,790	-	-	429,790
TOTAL ASSETS	$ 5,851,052	$ 593,507	$ 529,141	$ 6,973,700
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 148,781	$ -	$ 25,612	$ 174,393
Short-term notes payable	4,040,769	-	-	4,040,769
Accrued salaries	907,102	-	1,378	908,480
Other accrued liabilities	433,550	-	590	434,140
Due to other funds	-	-	153,333	153,333
Unearned revenue	2,296	-	12,751	15,047
TOTAL LIABILITIES	5,532,498	-0-	193,664	5,726,162
FUND BALANCES (DEFICITS)				
Nonspendable				
Inventories	52,875	-	-	52,875
Prepaids	429,790	-	-	429,790
Restricted		-		
Debt service	-	593,507	478,580	1,072,087
Food and nutrition	-	-	6,209	6,209
Community services	-	-	135	135
Unassigned	(164,111)	-	(149,447)	(313,558)
TOTAL FUND BALANCES	318,554	593,507	335,477	1,247,538
TOTAL LIABILITIES AND FUND BALANCES	$ 5,851,052	$ 593,507	$ 529,141	$ 6,973,700

See accompanying notes to financial statements.

Williamston Community Schools

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

June 30, 2016

Total fund balances - governmental funds		$ 1,247,538

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	$ 65,921,373	
Accumulated depreciation is	(26,190,556)	
		39,730,817

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		334,574

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

Deferred outflows of resources related to pensions	2,735,487	
Deferred inflows of resources related to pensions	(869,676)	
		1,865,811

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	(50,862,124)	
Net pension liability	(26,110,017)	
Accrued interest payable	(284,691)	
Accrued vacation pay	(11,300)	
Accrued sick pay	(372,314)	
		(77,640,446)

Net position of governmental activities		$(34,461,706)

See accompanying notes to financial statements.

Williamston Community Schools

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2016

	General	2015 Refunding Bonds Series B	Nonmajor Governmental Funds	Total
REVENUES				
Local sources	$ 2,355,578	$ 903,458	$ 3,356,976	$ 6,616,012
State sources	14,150,890	-	19,239	14,170,129
Federal sources	421,380	-	183,405	604,785
TOTAL REVENUES	16,927,848	903,458	3,559,620	21,390,926
EXPENDITURES				
Current				
Instruction	11,483,627	-	-	11,483,627
Supporting services	5,756,875	-	-	5,756,875
Community services	363,198	-	417,974	781,172
Food service	-	-	474,782	474,782
Capital outlay	-	-	516,266	516,266
Debt service				
Principal retirement	-	24,295,000	1,850,000	26,145,000
Interest, fiscal, and other charges	-	514,951	1,090,750	1,605,701
TOTAL EXPENDITURES	17,603,700	24,809,951	4,349,772	46,763,423
EXCESS OF REVENUES (UNDER) EXPENDITURES	(675,852)	(23,906,493)	(790,152)	(25,372,497)
OTHER FINANCING SOURCES (USES)				
Debt proceeds	-	24,500,000	15,661,068	40,161,068
Premium on refunding	-	-	797,604	797,604
County special education allocation	757,615	-	-	757,615
Transfer to escrow agent	-	-	(15,358,472)	(15,358,472)
Transfers from other funds	62,670	-	-	62,670
Transfers to other funds	-	-	(62,670)	(62,670)
TOTAL OTHER FINANCING SOURCES	820,285	24,500,000	1,037,530	26,357,815
NET CHANGE IN FUND BALANCES	144,433	593,507	247,378	985,318
Fund balances, beginning of year	174,121	-	88,099	262,220
Fund balances, end of year	$ 318,554	$ 593,507	$ 335,477	$ 1,247,538

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, 2016

Net change in fund balances - total governmental funds		$ 985,318
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	$ 526,952	
Depreciation expense	(1,262,516)	
Excess of depreciation expense over capital outlay		(735,564)
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	41,145,000	
Deferred charges on refunding	358,472	
Premium on refunding	(797,604)	
Amortization of deferred charges on refunding	(23,898)	
Amortization of bond premium	87,719	
Loan proceeds (includes accrued SBLF interest)	(40,365,707)	
Excess of principal retirement over bond proceeds		403,982
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	(2,334,422)	
Change in deferred outflows of resources related to pensions	377,145	
Change in deferred inflows of resources related to pensions	1,759,183	
(Increase) in accrued interest payable	(59,816)	
(Increase) in accrued vacation pay	(4,504)	
(Increase) in accrued sick pay	(21,814)	
		(284,228)
Change in net position of governmental activities		$ 369,508

See accompanying notes to financial statements.

Williamston Community Schools

Fiduciary Funds

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2016

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and cash equivalents	$ 7,713	$ 128,643
LIABILITIES		
Due to students		
High School	-	103,379
Middle School	-	20,176
Due to individuals and agencies	-	5,088
TOTAL LIABILITIES	-0-	$ 128,643
NET POSITION		
Held in trust for private purposes	$ 7,713	

See accompanying notes to financial statements.

Williamston Community Schools

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2016

	Private Purpose Trust Funds
ADDITIONS	
Other	
Contributions	$ 150
DEDUCTIONS	
Other supporting services	150
CHANGE IN NET POSITION	-0-
Net position - beginning of year	7,713
Net position - end of year	$ 7,713

See accompanying notes to financial statements.

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.

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 us 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.

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 20, 2016.

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 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, 2016, to be paid in July and August 2016. The total amount of $2,674,495 due from other governmental units consists of $2,580,610 and $93,885 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.

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. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources,* a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until that time. *Deferred inflows of resources,* a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The District has several items that qualify for reporting in these categories and are reported in the district-wide financial statement of net position. These items relate to the District's net pension liability and deferred charges on refunding. The net pension liability related amounts are differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings, state aid related to pensions, and contributions made subsequent to the measurement date. The deferred charges on refunding amounts result 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. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

14. 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.

15. 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 2015 State-aid borrowing and then borrowed additional funds to meet short-term cash flow borrowing needs for 2016. The final payment is due and payable in August 2016, and anticipated State Aid is expected to be sufficient to cover this commitment.

16. 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.

17. 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.

18. 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).

The District levies taxes of $18.00 per $1,000 of taxable valuation on most nonprimary residence exempt property (Taxable value was $68,771,065 for 2015) and $3 per $1,000 of taxable value on commercial personal property (Taxable value was $4,569,293 for 2015) for general governmental services; $0.75 per $1,000, $7.84 per $1,000 and $1.00 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 2015 was $395,376,294 for debt service, recreation, and sinking fund calculations.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

19. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995 the State utilized a district power equalizing approach. The foundation is funded from State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2016, the foundation allowance was based on the average of pupil membership counts taken in October 2015 and February 2015. The average calculation was weighted 90% for the October 2015 count and 10% for the February 2015 count.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by 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.

20. State Categorical Revenue

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

21. 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.

22. 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.

23. Federal Programs

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

24. Comparative Data

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

NOTE B: CASH AND CASH EQUIVALENTS

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

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.

2. Certificates of deposit issued by a state or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this state.

3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.

5. United States government or federal agency obligation repurchase agreements.

6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.

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.

<u>Deposits</u>

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, 2016, the carrying amount of the District's deposits was $2,244,387 and the bank balance was $2,173,978 of which $500,000 was covered by Federal depository insurance. The balance of $1,673,978 was uninsured and uncollateralized. The District had $806 of cash on hand. The District also had $1,207,943 on deposit with the State of Michigan at the Michigan Finance Authority in relation to the set aside payments to repay the State Aid Anticipation Note, Series 2015C-1 and 2015C-4 that are due and payable July 20, 2016.

<u>Fair Value Measurements</u>

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.

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Fair Value Measurements - continued

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, 2016, 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.

	Fair Value Measurements			
INVESTMENT TYPE	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Uncategorized pooled investment funds				
MILAF+ - Cash Management & MAX Class Funds	$ -	$ 964	$ -	$ 964
Michigan CLASS	-	16	-	16
	$ -0-	$ 980	$ -0-	$ 980

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.

The District participates in the Michigan CLASS portfolio investments. Michigan CLASS is a nonprofit organization which falls under the Financial Accounting Standards Board (FASB). Under the fair value hierarchy, all of Michigan CLASS's investments are valued as Level 2 investments.

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, 2016, the Michigan CLASS investment is rated AAAm by Standard and Poor's. As of June 30, 2016, the investment in MILAF+ was rated AAAm by Standard and Poor's.

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.

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

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.

The following summarizes the cash and cash equivalents as of June 30, 2016:

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	$ 2,109,817	$ 136,356	$ 2,246,173
Cash on hand with paying agent	1,207,943	-	1,207,943
	$ 3,317,760	$ 136,356	$ 3,454,116

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.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets not being depreciated				
Land	$ 1,341,655	$ -	$ -	$ 1,341,655
Capital assets being depreciated				
Buildings and building improvements	59,264,817	449,160	-	59,713,977
Vehicles and equipment	5,513,533	77,792	(725,584)	4,865,741
Subtotal of capital assets being depreciated	64,778,350	526,952	(725,584)	64,579,718

NOTE C: CAPITAL ASSETS - CONTINUED

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Less accumulated depreciation for:				
Buildings and building improvements	$ (20,745,423)	$ (1,113,902)	$ -	$ (21,859,325)
Vehicles and equipment	(4,908,201)	(148,614)	725,584	(4,331,231)
Total accumulated depreciation	(25,653,624)	(1,262,516)	725,584	(26,190,556)
Net capital assets being depreciated	39,124,726	(735,564)	-0-	38,389,162
Capital assets, net	$ 40,466,381	$ (735,564)	$ -0-	$ 39,730,817

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, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amounts Due Within One Year
1996 Building and Site Bonds	$ 11,350,000	$ -	$ (1,100,000)	$ 10,250,000	$ 1,100,000
2005 Building and Site Bonds	15,000,000	-	(15,000,000)	-0-	-
2015 Refunding Series A	-	14,690,000	(750,000)	13,940,000	765,000
2015 Refunding Series B	-	24,500,000	-	24,500,000	6,050,000
Michigan School Bond Loans					
Principal and interest	24,097,880	1,175,707	(24,295,000)	978,587	-
Capitalized bond premium	483,652	797,604	(87,719)	1,193,537	87,719
Vacation pay	6,796	25,596	(21,092)	11,300	9,040
Sick pay	350,500	615,024	(593,210)	372,314	297,851
	$ 51,288,828	$ 41,803,931	$ (41,847,021)	$ 51,245,738	$ 8,309,610

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, 2016:

$27,535,000 School Building and Site Bonds dated January 1, 1996, due in annual installments ranging from $1,100,000 to $1,150,000 through May 1, 2025 with interest of 5.50 percent, payable semi-annually.	$ 10,250,000
$14,690,000 Refunding Bond, Series A dated September 29, 2015, due in annual installments ranging from $765,000 to $1,025,000 through May 1, 2030 with interest ranging from 3.00 to 5.00 percent, payable semi-annually.	13,940,000

NOTE D: LONG-TERM DEBT - CONTINUED

$24,500,000 Refunding Bond, Series B dated September 29, 2015, due in annual installments ranging from $5,950,000 to $6,375,000 from May 1, 2017 through May 1, 2020 with interest ranging from 1.507 percent to 2.667 percent, payable semi-annually.	$ 24,500,000
	$ 48,690,000

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 3.34041 to 3.4359 percent.

The School District borrowed $971,068 but paid off $24,295,000 in principal and interest during this fiscal year and had an additional $204,639 of accrued interest added to the loan on the outstanding balance during the year. The balances at June 30, 2016, are as follows:

Loan balance	$ 972,330
Interest balance	6,257
	$ 978,587

Advance Refunding - Current

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, 2016, bonds due and payable May 1, 2017 through May 1, 2030 for the 2005 Refunding Bonds in the amount of $14,000,000 are considered defeased.

As a result of the advance refunding, the District decreased its total debt service requirements by $1,502,202 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $1,390,688.

The District also issued 2015 Series B Refunding Bonds to pay off $24,295,000 of Michigan School Bond Loan Fund and Michigan School Loan Revolving Fund obligations on September 29, 2015.

As a result of the advance refunding, the District decreased its total debt service requirements by $1,408,260 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $744,969.

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, 2016 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.

NOTE D: LONG-TERM DEBT - CONTINUED

Sick Pay - continued

A summary of the calculated amounts of accrued sick pay and related payroll taxes as of June 30, 2016, which has been recorded in the District-wide financial statements, is as follows:

	Vested Employees	Nonvested Employees	Total
Sick pay	$ 332,020	$ 13,837	$ 345,857
Payroll taxes	25,399	1,058	26,457
	$ 357,419	$ 14,895	$ 372,314

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 $11,300.

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

	General Obligation Bonds	
Year Ending June 30,	Principal	Interest
2017	$ 7,915,000	$ 1,647,648
2018	8,075,000	1,465,374
2019	8,300,000	1,245,588
2020	8,550,000	994,522
2021	2,175,000	720,250
2022-2026	9,675,000	2,038,500
2027-2030	4,000,000	395,000
	$ 48,690,000	$ 8,506,882

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.

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2016, are as follows:

Due to General Fund from:	
Nonmajor governmental funds	$ 123,488
Due to nonmajor governmental funds from:	
Nonmajor governmental funds	$ 29,845

NOTE E: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

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 General Fund:	
From nonmajor governmental funds	$ 62,670

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.

NOTE G: EMPLOYEE RETIREMENT SYSTEM

PLAN DESCRIPTION

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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 for the System.

The System’s financial statements are available at www.michigan.gov/mpsers-cafr.

BENEFITS PROVIDED

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits for are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

CONTRIBUTIONS AND FUNDED STATUS

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2015, valuation will be amortized over a 21 year period for ORS' 2015 fiscal year.

The schedule below summarizes pension contribution rates in effect for ORS' 2015 fiscal year.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0 %	22.52 - 23.07 %
Member Investment Plan	3.0 - 7.0	22.52 - 23.07
Pension Plus	3.0 - 6.4	21.99
Defined Contribution	0.0	17.72 - 18.76

Required contributions to the pension plan from the District were $2,062,213 for the year ended September 30, 2015.

NET PENSION LIABILITY - NON-UNIVERSITY

Measurement of the MPSERS Net Pension Liability

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

MPSERS (Plan) Net Pension Liability - Non-University
As of September 30, 2015

Total Pension Liability	$ 66,312,041,902
Plan Fiduciary Net Position	41,887,015,147
Net Pension Liability	$ 24,425,026,755
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.17%
Net Pension Liability as a percentage of Covered-Employee Payroll	292.61%

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Actuarial Assumptions	
Valuation Date:	September 30, 2014
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return	
- MIP and Basic Plans (Non-Hybrid):	8.0%
- Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For Retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females. The assumption was first used for the September 30, 2014 valuation of the system.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

Long-Term Expected Return on Plan Assets - continued

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.9 %
% Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.9
Real Estate and Infrastructure Pools	10.0	4.3
Absolute Return Pools	15.5	6.0
Short Term Investment Pools	2.0	0.0
Total	100 %	

*Long term rate of return does not include 2.1% inflation

Discount Rate

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

Sensitivity of the District's Proportionate Share 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 8.0% (7.0% for the Hybrid 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 higher:

1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%
$ 33,662,505	$ 26,110,017	$ 19,742,960

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

At June 30, 2016, the District reported a liability of $26,110,017 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2014. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2015, the District's proportion was 0.10689862 percent, which was a decrease of approximately .00104138 percent from its proportion measured as of September 30, 2014.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended June 30, 2016, the District recognized total pension expense of $2,154,705. At June 30, 2016, 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
Differences between expected and actual experience	$ -	$ 86,484
Changes of assumptions	642,884	-
Net difference between projected and actual earnings on pension plan investments	133,271	-
Changes in proportion and differences between Williamston Community Schools contributions and proportionate share of contributions	868	194,547
State Aid related to pensions	-	588,645
Williamston Community Schools contributions subsequent to the measurement date	1,958,464	-
Total	$ 2,735,487	$ 869,676

$1,958,464 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. $588,645 reported as deferred inflows of resources related to pensions resulting from State Aid revenues subsequent to the measurement date will be recognized as an increase to State aid revenue in the year ended June 30, 2017.

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS - CONTINUED

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

Year Ended September 30,	Amount
2016	$ 21,116
2017	21,116
2018	(13,723)
2019	467,483

DEFINED CONTRIBUTION 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, 2016, was $19,265.

NOTE H: OTHER POST-EMPLOYMENT BENEFITS

PLAN DESCRIPTION

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

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10.0 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate.

Contribution rates for the year ended June 30, 2016, are as follows:

	Health Contribution Rate	
	Basic/MIP	Pension Plus
July 1, 2015 - September 30, 2015	2.20 - 2.71%	2.20 - 2.71%
October 1, 2015 - June 30, 2016	6.40 - 6.83%	6.40 - 6.83%

NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

PLAN DESCRIPTION - CONTINUED

The District's required and actual contributions to the various plans for the last three (3) fiscal years are as follows:

	Defined Benefit Plan	Defined Contribution Plan	
Fiscal Year Ended June 30,	Employer Health Contributions	Employer Contributions	Employee Contributions
2016	$ 501,841	$ 24,520	$ 24,520
2015	463,765	18,772	16,516
2014	786,798	41,116	33,722

NOTE I: RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for property, fleet, liability, in-land marine, 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 J: 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 benefits 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.

NOTE K: SINKING FUND

The Capital Projects Sinking Fund of the District includes the capital project activities which are funded by the local millage for a sinking fund. For the expenditures recorded within the Capital Projects Sinking Fund the District has complied with the applicable provisions of Section 1212 (1) of the Revised School in the current and prior years.

NOTE L: 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 M: CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 72, *Fair Value Measurement and Application,* was implemented during the year. The statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 79, *Certain External Investment pools and Pool Participants*, was implemented during the year. The statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this statement.

NOTE N: UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The District is currently evaluating the impact this standard will have on the financial statements when adopted. This statement will be effective for the District's 2016-2017 fiscal year.

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

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

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73.* 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. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017-2018 fiscal year.

NOTE O: DEFICIT FUND BALANCE

As of June 30, 2016, the Sinking Fund had a deficit fund balance of ($149,447).

NOTE P: 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 Q: SUBSEQUENT EVENT

On August 16, 2016, the District received funds from the Michigan Finance Authority short-term cash flow borrowing program. The notes in the cumulative amount of $3,992,943 were for the purpose of funding operating expenditures until the fiscal year 2017 State Aid payments begin. Future anticipated State Aid and other local funds are expected to be sufficient to cover these commitments.

NOTE R: SHORT-TERM NOTES

On August 20, 2014, the District issued a short-term State School Aid Anticipation Notes in the amount of $3,250,000 for the purpose of funding operating expenditures until the 2016 State Aid payments resumed. These short-term notes, which had a net outstanding balance of $3,058,153 (principal and accrued-interest payable) at June 30, 2015 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 August 2015. The outstanding balance was paid in August 2015.

On August 20, 2015, the District issued a short-term State School Aid Anticipation Notes in the amount of $4,000,000 for the purpose of funding operating expenditures until the 2016 State Aid payments resumed. These short-term notes, which had a net outstanding balance of $4,040,769 (principal and accrued-interest payable) at June 30, 2016 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 2016. The outstanding balance was paid in July and August 2016.

REQUIRED SUPPLEMENTARY INFORMATION

Williamston Community Schools

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Local sources	$ 1,962,887	$ 2,284,909	$ 2,355,578	$ 70,669
State sources	13,786,102	14,039,041	14,150,890	111,849
Federal sources	318,962	410,275	421,380	11,105
TOTAL REVENUES	16,067,951	16,734,225	16,927,848	193,623
EXPENDITURES				
Instruction				
Basic programs	8,861,042	8,968,917	9,448,161	(479,244)
Added needs	2,057,085	2,282,548	2,035,466	247,082
TOTAL INSTRUCTION	10,918,127	11,251,465	11,483,627	(232,162)
Supporting services				
Pupil services	612,429	770,806	855,167	(84,361)
Instructional staff	799,646	796,852	864,620	(67,768)
General administration	204,419	216,878	201,978	14,900
School administration	934,293	965,308	959,008	6,300
Athletics	316,913	323,451	371,817	(48,366)
Business and other supporting services	2,833,432	2,913,809	2,504,285	409,524
TOTAL SUPPORTING SERVICES	5,701,132	5,987,104	5,756,875	230,229
Community services	329,729	336,401	363,198	(26,797)
TOTAL EXPENDITURES	16,948,988	17,574,970	17,603,700	(28,730)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(881,037)	(840,745)	(675,852)	164,893
OTHER FINANCING SOURCES				
County special education allocation	746,037	765,745	757,615	(8,130)
Transfers from other funds	135,000	75,000	62,670	(12,330)
TOTAL OTHER FINANCING SOURCES	881,037	840,745	820,285	(20,460)
NET CHANGES IN FUND BALANCE	-0-	-0-	144,433	144,433
Fund balance, beginning of year	174,121	174,121	174,121	-0-
Fund balance, end of year	$ 174,121	$ 174,121	$ 318,554	$ 144,433

Williamston Community Schools

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Michigan Public School Employee Retirement Plan

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

	2014	2015
Williamston Community Schools' proportion of net pension liability (%)	0.10794%	0.10689862%
Williamston Community Schools' proportionate share of net pension liability	$ 23,775,595	$ 26,110,017
Williamston Community Schools' covered-employee payroll	$ 8,935,799	$ 8,794,354
Williamston Community Schools' proportionate share of net pension liability as a percentage of its covered-employee payroll	266.07%	296.90%
Plan fiduciary net position as a percentage of total pension liability	66.20%	63.17%

Williamston Community Schools

SCHEDULE OF CONTRIBUTIONS

Michigan Public School Employee Retirement Plan

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

	2015	2016
Statutorily required contributions	$ 1,809,441	$ 2,369,641
Contributions in relation to statutorily required contributions	1,809,441	2,369,641
Contribution deficiency (excess)	$ -0-	$ -0-
Williamston Community Schools' covered employee payroll	$ 8,775,957	$ 8,953,645
Contributions as a percentage of covered-employee payroll	20.62%	26.47%

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, 2016, the District incurred expenditures in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
General Fund			
Instruction			
Basic programs	$ 8,968,917	$ 9,448,161	$ (479,244)
Supporting services			
Pupil services	770,806	855,167	(84,361)
Instructional staff	796,852	864,620	(67,768)
Athletics	323,451	371,817	(48,366)
Community services	336,401	363,198	(26,797)

NOTE B: MICHIGAN PUBLIC SCHOOL EMPLOYEE RETIREMENT PLAN

Change of benefit terms: There were no changes of benefit terms in 2016.

Changes of assumptions: Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the system for use in annual pension valuations beginning with the September 30, 2014, valuation.

OTHER SUPPLEMENTARY INFORMATION

Williamston Community Schools

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2016

	Special Revenue Funds		Capital Project Fund
	Food Service	Community Services	Sinking Fund
ASSETS			
Cash and cash equivalents	$ 406	$ -	$ -
Receivables			
Accounts	1,758	-	-
Due from other governmental units	9,544	-	-
Due from other funds	14,528	11,431	-
Inventories	9,008	-	-
TOTAL ASSETS	$ 35,244	$ 11,431	$ -0-
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	$ 16,155	$ 9,457	$ -
Due to other funds	-	-	149,447
Accrued salaries	-	1,378	-
Other accrued liabilities	129	461	-
Unearned revenue	12,751	-	-
TOTAL LIABILITIES	29,035	11,296	149,447
FUND BALANCES (DEFICITS)			
Restricted			
Debt service	-	-	-
Community services	-	135	-
Food and nutrition	6,209	-	-
Unassigned	-	-	(149,447)
TOTAL FUND BALANCES (DEFICITS)	6,209	135	(149,447)
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	$ 35,244	$ 11,431	$ -0-

Debt Service Funds			
1996 Debt	2005 Debt	2015 Refunding Bonds Series A	Total
$ 363,021	$ -	$ 115,559	$ 478,986
-	-	-	1,758
-	-	-	9,544
-	3,886	-	29,845
-	-	-	9,008
$ 363,021	$ 3,886	$ 115,559	$ 529,141
$ -	$ -	$ -	$ 25,612
3,886	-	-	153,333
-	-	-	1,378
-	-	-	590
-	-	-	12,751
3,886	-0-	-0-	193,664
359,135	3,886	115,559	478,580
-	-	-	135
-	-	-	6,209
-	-	-	(149,447)
359,135	3,886	115,559	335,477
$ 363,021	$ 3,886	$ 115,559	$ 529,141

Williamston Community Schools

Nonmajor Governmental Funds

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

Year Ended June 30, 2016

	Special Revenue Funds		Capital Project Fund
	Food Service	Community Services	Sinking Fund
REVENUES			
Local sources	$ 284,532	$ 461,668	$ 396,087
State sources	19,239	-	-
Federal sources	183,405	-	-
TOTAL REVENUES	487,176	461,668	396,087
EXPENDITURES			
Current			
Food service	474,782	-	-
Community services	-	417,974	-
Capital outlay	-	-	516,266
Debt service			
Principal retirement	-	-	-
Interest, fiscal, and other charges	-	-	-
TOTAL EXPENDITURES	474,782	417,974	516,266
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	12,394	43,694	(120,179)
OTHER FINANCING SOURCES (USES)			
Debt proceeds	-	-	-
Premium on refunding	-	-	-
Transfer to escrow agent	-	-	-
Transfers to other funds	(18,254)	(44,416)	-
TOTAL OTHER FINANCING SOURCES (USES)	(18,254)	(44,416)	-0-
NET CHANGE IN FUND BALANCES	(5,860)	(722)	(120,179)
Fund balances (deficit), beginning of year	12,069	857	(29,268)
Fund balances (deficit), end of year	$ 6,209	$ 135	$ (149,447)

Debt Service Funds				
1996 Debt	2005 Debt	2015 Refunding Bonds Series A	Total
$ 1,311,670	$ 242	$ 902,777	$ 3,356,976
-	-	-	19,239
-	-	-	183,405
1,311,670	242	902,777	3,559,620
-	-	-	474,782
-	-	-	417,974
-	-	-	516,266
1,100,000	-	750,000	1,850,000
624,340	60	466,350	1,090,750
1,724,340	60	1,216,350	4,349,772
(412,670)	182	(313,573)	(790,152)
671,068	-	14,990,000	15,661,068
-	-	797,604	797,604
-	-	(15,358,472)	(15,358,472)
-	-	-	(62,670)
671,068	-0-	429,132	1,037,530
258,398	182	115,559	247,378
100,737	3,704	-	88,099
$ 359,135	$ 3,886	$ 115,559	$ 335,477

Williamston Community Schools

Private Purpose Trust Funds

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2016

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

Williamston Community Schools

Private Purpose Trust Funds

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2016

	Suzie Lorenz	Steve Smith	Total
ADDITIONS			
Contributions			
Private contributions	$ 150	$ -	$ 150
DEDUCTIONS			
Other supporting services	150	-	150
CHANGE IN NET POSITION	-0-	-0-	-0-
Net position - beginning of year	6,967	746	7,713
Net position - end of year	$ 6,967	$ 746	$ 7,713

Principals

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

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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, 2016, 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 12, 2016.

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 were not 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, described below as 2016-001, that we consider to be a significant deficiency.

<u>2016-001 PURCHASING CARD PROCEDURES</u>

Condition: During our testing of the District's purchasing cards, we noted seven (7) charges where supporting documentation was missing.

2016-001 PURCHASING CARD PROCEDURES - CONTINUED

Criteria: The District has written purchasing card procedures for employees who use purchasing cards for District purposes that they must follow.

Cause: The District did not follow its established procedures for purchasing card transactions.

Effect: By failing to follow its established procedures, the District has an increased risk of error or fraud which could lead to material misstatement of the financial statements.

Recommendation: We recommend the District take steps to ensure that its established procedures are followed for purchasing card usage and supporting documentation be retained for all charges.

Corrective Action Response: Administration has had additional conversations with all levels of District personnel reinforcing District policies related to purchase card activity, turning in receipts, and obtaining proper approval. The District will be strictly enforcing controls in this area in 16/17 and assuring all purchases are approved and supported prior to payment in the future.

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:

2016-002 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.

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.

2016-003 FUND BALANCE DEFICIT

Condition: At the end of the fiscal year, the Sinking Fund reported a fund balance deficit. This condition was noted and reported in our prior year comments.

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

2016-003 FUND BALANCE DEFICIT - CONTINUED

Cause: The District performed significant amounts of work in the Sinking Fund in 15/16 and the expenditures related to all this work exceeded current revenues and the fund was already in a deficit situation at the beginning of the year.

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.

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 16/17 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 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.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 12, 2016